

NEW ISSUE - Book-Entry-Only

Ratings: See "ADDITIONAL INFORMATION - Ratings" herein

In the opinion of Bond Counsel, under existing law, interest on the Series 2018A Bonds and Series 2018C Bonds is excludable from gross income for federal income tax purposes and the Series 2018A Bonds and Series 2018C Bonds are not "private activity bonds." Interest on the Series 2018B Bonds is not excludable from gross income for federal income tax purposes. See "TAX MATTERS" for a discussion of the opinions of Bond Counsel.



\$465,425,000

CITY OF ARLINGTON, TEXAS
(Tarrant County, Texas)

\$266,080,000
Senior Lien Special Tax
Revenue Bonds,
Series 2018A

\$28,250,000
Senior Lien Special Tax
Revenue Bonds,
Taxable Series 2018B

\$171,095,000
Subordinate Lien Special Tax
Revenue Bonds,
Series 2018C

Dated Date: March 1, 2018

Interest Accrues: Date of Delivery (defined below)

Due: February 15 and August 15, as shown on following page

The City of Arlington, Texas \$266,080,000 Senior Lien Special Tax Revenue Bonds, Series 2018A (the "Series 2018A Bonds"); \$28,250,000 Senior Lien Special Tax Revenue Bonds, Taxable Series 2018B (the "Series 2018B Bonds"); and \$171,095,000 Subordinate Lien Special Tax Revenue Bonds, Series 2018C (the "Series 2018C Bonds"), and together with the Series 2018A Bonds and Series 2018B Bonds, the "Bonds" are special obligations of the City of Arlington, Texas (the "City") issued pursuant to the home rule charter (the "City Charter") of the City, the Constitution and general laws of the State of Texas (the "State") including Chapter 334, Texas Local Government Code, as amended ("Chapter 334"), and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), and together with Chapter 334, the "Act"), the City of Arlington Venue Projects Master Indenture of Trust (the "Master Indenture") dated August 31, 2017 by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and three separate supplemental indentures (collectively, the "Supplemental Indentures") each dated December 5, 2017 by and between the City and the Trustee. The Series 2018A Bonds and Series 2018B Bonds, together with the City's currently outstanding Senior Lien Special Tax Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds") and any additional obligations which may be issued in the future pursuant to the Master Indenture on a parity therewith and any related Credit Agreement Obligations (as defined herein) (the "Additional Senior Lien Obligations"), are payable solely from a first and senior lien on and pledge of the Pledged Special Taxes (defined herein) and are additionally secured by the applicable Pledged Senior Lien Obligation Accounts (defined herein) (the Series 2017 Bonds, the Series 2018A Bonds, the Series 2018B Bonds and any Additional Senior Lien Obligations are herein referred to as the "Senior Lien Obligations"). The Series 2018B Bonds and any Additional Taxable Obligations (defined herein) are additionally secured by the Pledged Rent (defined herein). The Series 2018C Bonds, together with any additional obligations which may be issued in the future pursuant to the Master Indenture on a parity therewith and any related Credit Agreement Obligations (the "Additional Subordinate Lien Obligations"), are payable solely from a junior and subordinate lien on and pledge of the Pledged Special Taxes and are additionally secured by the applicable Pledged Subordinate Lien Obligation Accounts (defined herein) (the Series 2018C Bonds and the Additional Subordinate Lien Obligations are herein referred to as the "Subordinate Lien Obligations"). (See "THE BONDS" and "SECURITY FOR THE BONDS" herein.) Pursuant to Chapter 1371, in each of the Supplemental Indentures the City delegated to certain authorized officials of the City (each an "Authorized Officer") the authority to establish final terms of sale of the Bonds, which final sales terms are evidenced in "Pricing Certificates" relating to the respective series of the Bonds that were executed by an Authorized Officer of the City on March 8, 2018. The Pricing Certificates, the Master Indenture, and the Supplemental Indentures are referred to herein collectively as the "Indenture." **THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE STATE, TARRANT COUNTY, THE CITY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE. NEITHER THE TAXING POWER OF THE STATE, TARRANT COUNTY, THE CITY (EXCEPT FOR THE PLEDGED SPECIAL TAXES AND PLEDGED RENT), NOR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS.**

Interest on the Bonds will be calculated on the basis of a 360-day year of twelve 30-day months, will accrue from the Date of Delivery, and will be payable on February 15 and August 15 of each year, commencing on August 15, 2018, until stated maturity or prior redemption. The Bonds will be issued as fully registered obligations in the denomination of \$5,000 or any integral multiple thereof of principal amount.

The Bonds will be issued in fully registered form and when issued will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Book-entry interests in the Bonds will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by the initial Trustee and Paying Agent/Registrar, The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"), to DTC, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

See Maturity Schedule on page ii

The proceeds from the sale of the Bonds are being used to provide funds (i) to fund the City Contribution for the construction of the Rangers Ballpark; (ii) to make a deposit to the Senior Lien Debt Service Reserve Subaccount (with respect to the Series 2018A Bonds and Series 2018B Bonds); (iii) to make a deposit to the Subordinate Lien Debt Service Reserve Subaccount (with respect to the Series 2018C Bonds); and (iv) to pay the costs of issuing the Bonds. (See "PLAN OF FINANCE - Sources and Uses of Funds" herein. See also "THE RANGERS BALLPARK; THE LEASE AND RELATED AGREEMENTS" herein.)



The scheduled payment of principal of and interest on the Series 2018A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2018A Bonds by ASSURED GUARANTY MUNICIPAL CORP. (See "BOND INSURANCE - Bond Insurance Policy for the Series 2018A Bonds" and "BOND INSURANCE RISK FACTORS" herein.)



The scheduled payment of principal of and interest on the Series 2018C Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Series 2018C Bonds by BUILD AMERICA MUTUAL ASSURANCE COMPANY. (See "BOND INSURANCE - Bond Insurance Policy for the Series 2018C Bonds" herein.)

The Bonds are offered for delivery when, as and if issued and received by the underwriters (the "Underwriters") and subject to the approving opinions of the Attorney General of the State of Texas and the approval of certain legal matters by Bracewell LLP, Dallas, Texas, Bond Counsel, and West and Associates, L.L.P., Dallas, Texas, Disclosure Counsel. Certain matters will be passed upon for the Underwriters by their co-counsel, Locke Lord LLP, Dallas, Texas and Mahomes Bolden PC, Dallas, Texas. It is expected that the Bonds will be delivered through the services of DTC on or about March 20, 2018 (the "Date of Delivery").

Citigroup

Morgan Stanley

Siebert Cisneros Shank & Co., LLC

BofA Merrill Lynch

Frost Bank

Loop Capital Markets

Piper Jaffray & Co.

RBC Capital Markets

MATURITY SCHEDULE

CUSIP Prefix: 04184R⁽¹⁾

SERIES 2018A BONDS

Series 2018A Serial Bonds

Maturity	Amount	Rate	Initial Yield	CUSIP Suffix⁽¹⁾	Maturity	Amount	Rate	Initial Yield	CUSIP Suffix⁽¹⁾
2/15/2025	\$ 1,310,000	5.000%	2.410%	BH2	2/15/2035	12,735,000	5.000%	3.290% ⁽²⁾	BM1
2/15/2026	1,205,000	5.000%	2.580%	BJ8	2/15/2036	13,390,000	5.000%	3.320% ⁽²⁾	BN9
2/15/2027	1,275,000	5.000%	2.740%	BK5	2/15/2037	14,080,000	5.000%	3.350% ⁽²⁾	BP4
2/15/2028	1,370,000	5.000%	2.860%	BL3	2/15/2038	14,800,000	5.000%	3.390% ⁽²⁾	BQ2

(Interest to accrue from the Date of Delivery)

Series 2018A Term Bonds

\$38,675,000 5.000% Term Bond Due February 15, 2043 Priced to Yield 3.530%⁽²⁾ CUSIP Suffix⁽¹⁾: BR0
 \$71,000,000 4.000% Term Bond Due February 15, 2044 Priced to Yield 3.940%⁽²⁾ CUSIP Suffix⁽¹⁾: BS8
 \$96,240,000 5.000% Term Bond Due February 15, 2048 Priced to Yield 3.600%⁽²⁾ CUSIP Suffix⁽¹⁾: BT6

(Interest to accrue from the Date of Delivery)

SERIES 2018B BONDS

Series 2018B Serial Bonds

Maturity	Amount	Rate	Initial Yield	CUSIP Suffix⁽¹⁾	Maturity	Amount	Rate	Initial Yield	CUSIP Suffix⁽¹⁾
8/15/2018	\$ 5,000,000	2.000%	2.000%	BU3	2/15/2026	\$ 940,000	3.668%	3.668%	CB4
2/15/2019	250,000	2.288%	2.288%	BV1	2/15/2027	975,000	3.768%	3.768%	CC2
***					2/15/2028	1,015,000	3.868%	3.868%	CD0
2/15/2021	350,000	2.907%	2.907%	BW9	2/15/2029	1,055,000	3.918%	3.918%	CE8
2/15/2022	820,000	3.133%	3.133%	BX7	2/15/2030	1,095,000	3.988%	3.988%	CF5
2/15/2023	845,000	3.283%	3.283%	BY5	2/15/2031	1,140,000	4.038%	4.038%	CG3
2/15/2024	875,000	3.445%	3.445%	BZ2	2/15/2032	800,000	4.088%	4.088%	CH1
2/15/2025	910,000	3.595%	3.595%	CA6					

(Interest to accrue from the Date of Delivery)

Series 2018B Term Bonds

\$5,895,000 4.145% Term Bond Due February 15, 2037 Priced to Yield 4.145% CUSIP Suffix⁽¹⁾: CJ7
 \$6,285,000 4.215% Term Bond Due February 15, 2041 Priced to Yield 4.215% CUSIP Suffix⁽¹⁾: CK4

(Interest to accrue from the Date of Delivery)

SERIES 2018C BONDS

Series 2018C Serial Bonds

Maturity	Amount	Rate	Initial Yield	CUSIP Suffix⁽¹⁾	Maturity	Amount	Rate	Initial Yield	CUSIP Suffix⁽¹⁾
2/15/2022	\$ 195,000	5.000%	2.110%	CL2	2/15/2031	5,590,000	5.000%	3.280% ⁽³⁾	CV0
2/15/2023	635,000	5.000%	2.300%	CM0	2/15/2032	5,690,000	5.000%	3.330% ⁽³⁾	CW8
2/15/2024	575,000	5.000%	2.450%	CN8	2/15/2033	5,980,000	5.000%	3.380% ⁽³⁾	CX6
2/15/2025	450,000	5.000%	2.610%	CP3	2/15/2034	6,285,000	5.000%	3.470% ⁽³⁾	CY4
2/15/2026	950,000	5.000%	2.780%	CQ1	2/15/2035	6,610,000	5.000%	3.510% ⁽³⁾	CZ1
2/15/2027	1,890,000	5.000%	2.920%	CR9	2/15/2036	6,950,000	5.000%	3.560% ⁽³⁾	DA5
2/15/2028	2,900,000	5.000%	3.010%	CS7	2/15/2037	7,305,000	5.000%	3.590% ⁽³⁾	DB3
2/15/2029	3,985,000	5.000%	3.130% ⁽³⁾	CT5	2/15/2038	7,680,000	5.000%	3.620% ⁽³⁾	DC1
2/15/2030	5,270,000	5.000%	3.210% ⁽³⁾	CU2					

(Interest to accrue from the Date of Delivery)

Series 2018C Term Bonds

\$25,485,000 5.000% Term Bond Due February 15, 2041 Priced to Yield 3.500%⁽⁴⁾ CUSIP Suffix⁽¹⁾: DD9
 \$40,505,000 5.000% Term Bond Due February 15, 2045 Priced to Yield 3.340%⁽⁵⁾ CUSIP Suffix⁽¹⁾: DE7
 \$36,165,000 5.000% Term Bond Due February 15, 2048 Priced to Yield 3.470%⁽⁶⁾ CUSIP Suffix⁽¹⁾: DF4

(Interest to accrue from the Date of Delivery)

⁽¹⁾ CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence, 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 Global Services. CUSIP numbers have been assigned by an independent company not affiliated with the City or the Underwriters and are included solely for the convenience of the owners of the Bonds. None of the City, the Financial Advisor, or the Underwriters is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds.

⁽²⁾ Yield calculated based upon the assumption that the Series 2018A Bonds designated and sold at a premium will be redeemed on February 15, 2028, the first optional redemption date for the Series 2018A Bonds, at a redemption price of par plus accrued interest to the redemption date.

⁽³⁾ Yield calculated based upon the assumption that the Series 2018C Bonds maturing from February 15, 2029 through February 15, 2038 designated and sold at a premium will be redeemed on February 15, 2028, the first optional redemption date for such Series 2018C Bonds, at a redemption price of par plus accrued interest to the redemption date.

⁽⁴⁾ Yield calculated based upon the assumption that the Series 2018C 2041 Term Bonds (defined below) designated and sold at a premium will be redeemed on February 15, 2025, the first optional redemption date for the Series 2018C 2041 Term Bonds, at a redemption price of par plus accrued interest to the redemption date.

⁽⁵⁾ Yield calculated based upon the assumption that the Series 2018C 2045 Term Bonds (defined below) designated and sold at a premium will be redeemed on February 15, 2021, the first optional redemption date for the Series 2018C 2045 Term Bonds, at a redemption price of par plus accrued interest to the redemption date.

⁽⁶⁾ Yield calculated based upon the assumption that the Series 2018C 2048 Term Bonds (defined below) designated and sold at a premium will be redeemed on February 15, 2023, the first optional redemption date for the Series 2018C 2048 Term Bonds, at a redemption price of par plus accrued interest to the redemption date.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem the Series 2018A Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption Provisions – *Optional Redemption of the Series 2018A Bonds and Series 2018C Bonds*”).

The Series 2018B Bonds are subject to optional make-whole redemption (see “THE BONDS – Redemption Provisions - *Make-Whole Optional Redemption of the Series 2018B Bonds*”).

The City reserves the right, at its option, to redeem the Series 2018C Bonds maturing on February 15, 2041 (the “Series 2018C 2041 Term Bonds”) in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The City reserves the right, at its option, to redeem the Series 2018C Bonds maturing on February 15, 2045 (the “Series 2018C 2045 Term Bonds”) in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The City reserves the right, at its option, to redeem the Series 2018C Bonds maturing on February 15, 2048 (the “Series 2018C 2048 Term Bonds”) in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The City reserves the right, at its option, to redeem the Series 2018C Bonds (excluding the Series 2018C 2041 Term Bonds, Series 2018C 2045 Term Bonds, and the Series 2018C 2048 Term Bonds) having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption Provisions - *Optional Redemption of the Series 2018A Bonds and Series 2018C Bonds*”).

MANDATORY REDEMPTION . . . The term bonds will be subject to mandatory sinking fund redemption (see “THE BONDS – Mandatory Redemption of the Term Bonds”).

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This Official Statement and the information contained herein are subject to completion and amendment. Under no circumstances will this Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor will there be any sale of these securities in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create an implication that there has been no change in the affairs of the City or other matters described herein since the date hereof.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

THE BONDS ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

NEITHER THE CITY, THE FINANCIAL ADVISOR, NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM, AND THE PROVIDER OF A MUNICIPAL BOND INSURANCE POLICY, IF ANY, OR ITS INSURANCE POLICY.

The agreements of the City and others related to the Bonds are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this final official statement for purposes of, and as that term is defined in, the Rule.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Series 2018A Bonds or the advisability of investing in the Series 2018A Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE – Bond Insurance Policy for the Series 2018A Bonds" and "Appendix E - Specimen Municipal Bond Insurance Policy for the Series 2018A Bonds".

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Series 2018C Bonds or the advisability of investing in the Series 2018C Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE – Bond Insurance Policy for the Series 2018C Bonds" and "Appendix F - Specimen Municipal Bond Insurance Policy for the Series 2018C Bonds".

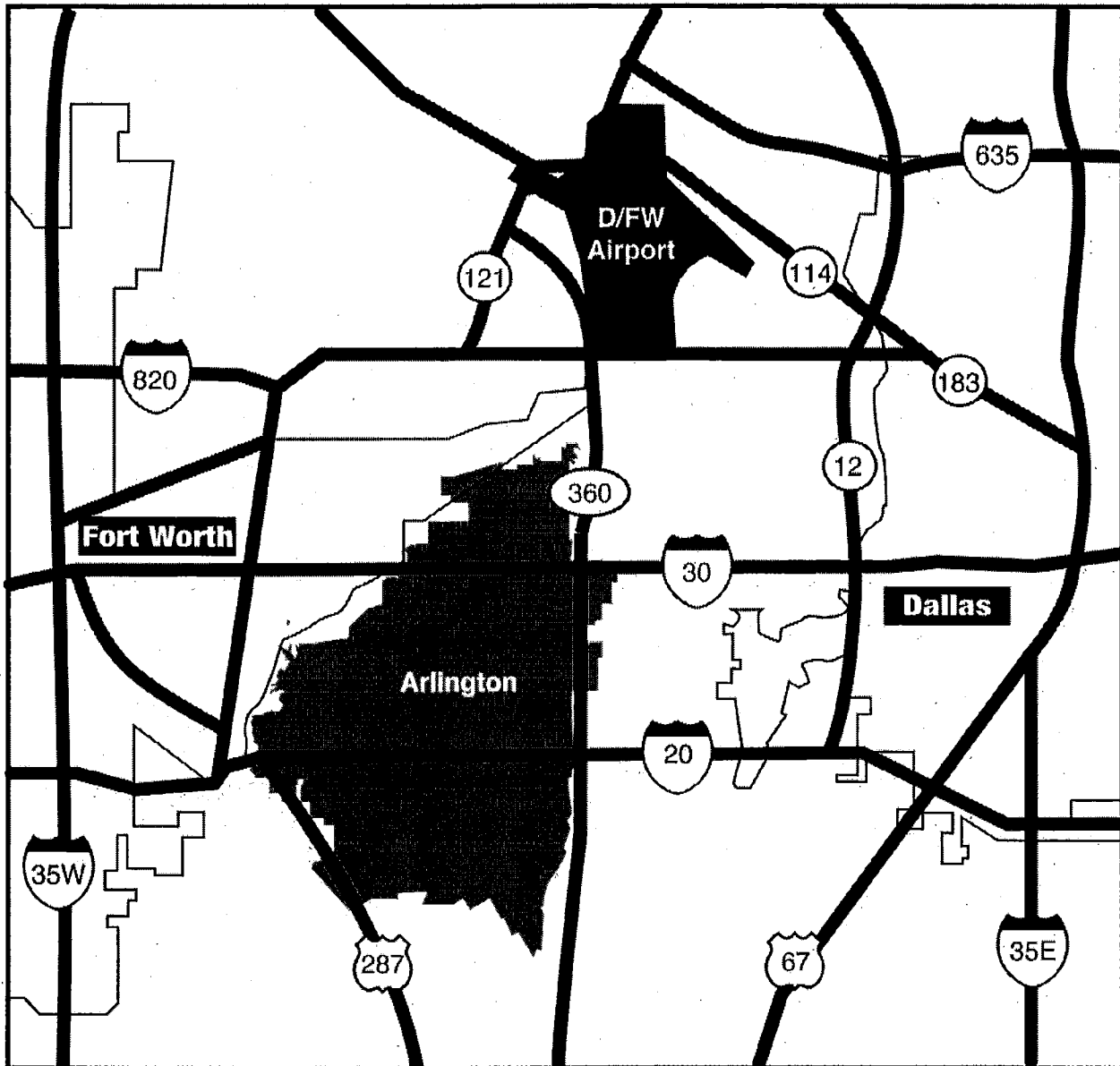
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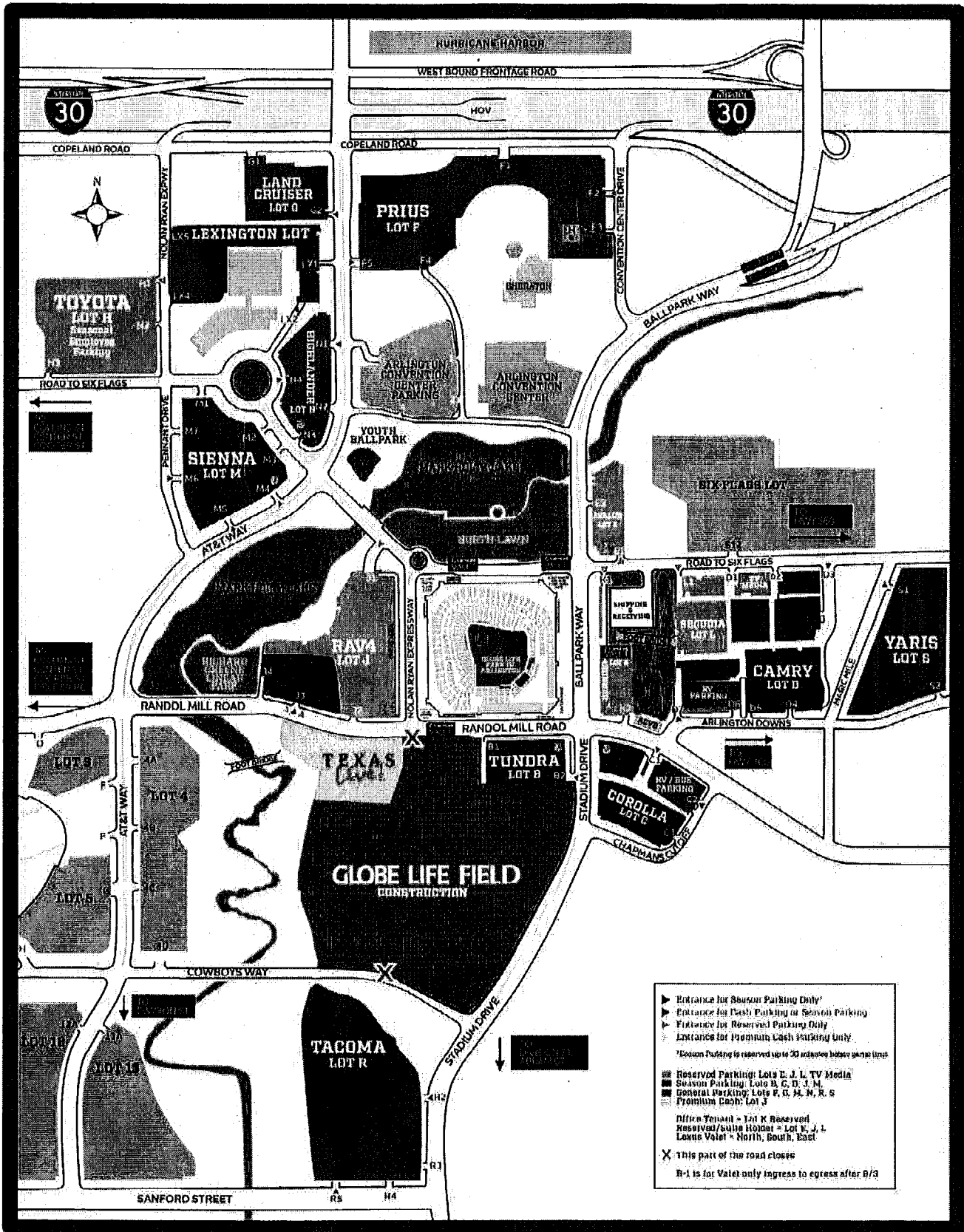
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The cover page hereof, this page, the appendices included herein, the financial statements and any addenda, supplement or amendment hereto, are part of this Official Statement.

Dallas/Fort Worth/Arlington Metropolitan Area



RANGERS BALLPARK AREA MAP



CITY OF ARLINGTON

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Jeff Williams Mayor	3 years	May, 2019	Engineer
Sheri Capehart Mayor Pro Tem	18 years ⁽¹⁾	May, 2018	Computer Security Analyst, Retired
Michael Glaspie Deputy Mayor Pro Tem	6 years	May, 2019	Church Minister
Victoria Farrar-Myers Council Member	2 years	May, 2018	Professor
Charlie Parker Council Member	6 years	May, 2018	Community Volunteer
Robert Shepard Council Member	10 years	May, 2018	Attorney
Roxanne Thalman Council Member	1 year	May, 2019	IT Consultant
Kathryn Wilemon Council Member	15 years	May, 2019	Community Volunteer
Lana Wolff Council Member	15 years	May, 2019	Community Volunteer

⁽¹⁾ Includes service as Council member from May 1999 to May 2003.

APPOINTED OFFICIALS

Name	Position	Years of Employment with City
Trey Yelverton	City Manager	25
Gilbert Perales	Deputy City Manager	11
Jennifer Wichmann	Interim Deputy City Manager ⁽¹⁾	14
Jim Parajon	Deputy City Manager	12
Mike Finley	Director of Finance	22
Teris Solis	City Attorney	27
Mary Supino	City Secretary	8

⁽¹⁾ The City is currently looking for a permanent replacement to fill a Deputy City Manager position.

ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors Grant Thornton L.L.P., Dallas, Texas
 Bond Counsel Bracewell LLP, Dallas, Texas
 Financial Advisor Estrada Hinojosa & Company, Inc., Dallas, Texas
 Disclosure Counsel West & Associates, L.L.P.

For additional information regarding the City, please contact:

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OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY..... The City of Arlington, Texas (the “City”) is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and eight miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.5 square miles, operates under a Council/Manager form of government. (See “INTRODUCTION – The City”).

THE BONDS..... The \$266,080,000 City of Arlington, Texas Senior Lien Special Tax Revenue Bonds, Series 2018A (the “Series 2018A Bonds”), dated March 1, 2018, will be issued as serial bonds maturing on February 15 in each of the years 2025 through 2028 and 2035 through 2038 and as term bonds maturing on February 15 in the years of 2043, 2044, and 2048. (See “THE BONDS – General Description”).

The \$28,250,000 City of Arlington, Texas Senior Lien Special Tax Revenue Bonds, Taxable Series 2018B (the “Series 2018B Bonds”), dated March 1, 2018, will be issued as serial bonds maturing on August 15, 2018, February 15, 2019 and February 15 in each of the years 2021 through 2032 and as term bonds maturing on February 15 in the years of 2037, and 2041. (See “THE BONDS – General Description”).

The \$171,095,000 City of Arlington, Texas Subordinate Lien Special Tax Revenue Bonds, Series 2018C (the “Series 2018C Bonds”, and together with the Series 2018A Bonds and Series 2018B Bonds, the “Bonds”), dated March 1, 2018, will be issued as serial bonds maturing on February 15 in each of the years 2022 through 2038 and as term bonds maturing on February 15 in the years of 2041, 2045, and 2048. (See “THE BONDS – General Description”).

USE OF PROCEEDS..... The proceeds from the sale of the Bonds are being used to provide funds (i) to fund the City Contribution (as defined herein) for the construction of the Rangers Ballpark; (ii) to make a deposit to the Senior Lien Debt Service Reserve Subaccount (with respect to the Series 2018A Bonds and Series 2018B Bonds); (iii) to make a deposit to the Subordinate Lien Debt Service Reserve Subaccount (with respect to the Series 2018C Bonds); and (iv) to pay the costs of issuing the Bonds. (See “PLAN OF FINANCE – Sources and Uses of Funds” herein. See also “THE RANGERS BALLPARK; THE LEASE AND RELATED AGREEMENTS.”)

OPTIONAL REDEMPTION..... The City reserves the right, at its option, to redeem the Series 2018A Bonds having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption Provisions – *Optional Redemption of the Series 2018A Bonds and Series 2018C Bonds*”).

The Series 2018B Bonds are subject to optional make-whole redemption (see “THE BONDS – Redemption Provisions - *Make-Whole Optional Redemption of the Series 2018B Bonds*”).

The City reserves the right, at its option, to redeem the Series 2018C Bonds maturing on February 15, 2041 (the “Series 2018C 2041 Term Bonds”) in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The City reserves the right, at its option, to redeem the Series 2018C Bonds maturing on February 15, 2045 (the “Series 2018C 2045 Term Bonds”) in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The City reserves the right, at its option, to redeem the Series 2018C Bonds maturing on February 15, 2048 (the “Series 2018C 2048 Term Bonds”) in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The City reserves the right, at its option, to redeem the Series 2018C Bonds (excluding the Series 2018C 2041 Term Bonds, Series 2018C 2045 Term Bonds, and the Series 2018C 2048 Term Bonds) having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption (see “THE BONDS – Redemption Provisions – *Optional Redemption of the Series 2018A Bonds and Series 2018C Bonds*”).

MANDATORY REDEMPTION

The term bonds will be subject to mandatory sinking fund redemption (see “THE BONDS – Redemption Provisions – *Mandatory Redemption of the Term Bonds*”).

PAYMENT OF INTEREST

Interest on the Bonds accrues from the date of their initial delivery to the Underwriters (the “Date of Delivery”). Interest on the Bonds will be paid on August 15, 2018, and on each February 15 and August 15 thereafter until the earlier of maturity or prior redemption. (See “THE BONDS – General Description” and “THE BONDS – Redemption Provisions”).

AUTHORITY FOR ISSUANCE

The Bonds are authorized and issued pursuant to the home rule charter (the “City Charter”) of the City, the Constitution and general laws of the State of Texas (the “State”), including Chapter 334, Texas Local Government Code, as amended, and Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), the City of Arlington Venue Projects Master Indenture of Trust (the “Master Indenture”) dated August 31, 2017 by and between the City and The Bank of New York Mellon Trust Company, N.A. as trustee (the “Trustee”), and three separate supplemental indentures (the “Supplemental Indentures”) each dated December 5, 2017 by and between the City and the Trustee. Pursuant to Chapter 1371, in each of the Supplemental Indentures, the City delegated to certain authorized officials of the City (each an “Authorized Officer”) the authority to establish final terms of sale of the Bonds, which final sales terms are evidenced in “Pricing Certificates” relating to the respective series of the Bonds that were executed by an Authorized Officer on March 7, 2018. The Pricing Certificates, the Master Indenture, and the Supplemental Indentures are herein referred to collectively as the “Indenture.”

SECURITY FOR THE BONDS

The Series 2018A Bonds and Series 2018B Bonds, together with the City’s currently outstanding Senior Lien Special Tax Revenue Refunding Bonds, Series 2017 (the “Series 2017 Bonds”) and any additional obligations which may be issued in the future pursuant to the Master Indenture on a parity therewith and any related Credit Agreement Obligations (as defined herein) (the “Additional Senior Lien Obligations”), are payable solely from a first and senior lien on and pledge of the Pledged Special Taxes (defined herein) and are additionally secured by the applicable Pledged Senior Lien Obligation Accounts (defined herein) (the Series 2017 Bonds, the Series 2018A Bonds, the Series 2018B Bonds and the Additional Senior Lien Obligations are herein referred to as the “Senior Lien Obligations”). The Series 2018B Bonds and any Additional Taxable Obligations (defined herein) are additionally secured by the Pledged Rent (defined herein). The Series 2018C Bonds, together with any additional obligations which may be issued in the future pursuant to the Master Indenture on a parity therewith and any related Credit Agreement Obligations (the “Additional Subordinate Lien Obligations”), are payable solely from a junior and subordinate lien on and pledge of the Pledged Special Taxes and are additionally secured by the applicable Pledged Subordinate Lien Obligation Accounts (defined herein) (the Additional Subordinate Lien Obligations and the Series 2018C Bonds are herein referred to as the “Subordinate Lien Obligations”). (See “THE BONDS – Security for the Bonds” and “SECURITY FOR THE BONDS” herein).

THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE STATE, TARRANT COUNTY, THE CITY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE. NEITHER THE TAXING POWER OF THE STATE, TARRANT COUNTY, THE CITY (EXCEPT FOR THE PLEDGED SPECIAL TAXES AND PLEDGED RENT), NOR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS.

TAX EXEMPTION

In the opinion of Bond Counsel, under existing law, the interest on the Series 2018A Bonds and the Series 2018C Bonds will be excludable from gross income for federal income tax purposes, and the Series 2018A Bonds and the Series 2018C Bonds are not “private activity bonds.” See “TAX MATTERS” herein for a discussion of the opinion of Bond Counsel.

Interest on the Series 2018B Bonds is not excludable from gross income for federal income tax purposes.

RATINGS

The Series 2018A Bonds have been rated "AA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), by virtue of the insurance policy to be issued by Assured Guaranty Municipal Corp. ("AGM") at the time of delivery of the Series 2018A Bonds. The Series 2018A Bonds and Series 2018B Bonds have been rated "A1" by Moody's Investors Service, Inc. ("Moody's"), "A+" by S&P, and "AA+" by Fitch Ratings ("Fitch") without regard to credit enhancement. The Series 2017 Bonds have also been rated "A1" by Moody's, "A+" by S&P, and "AA+" by Fitch without regard to credit enhancement.

The Series 2018C Bonds have been rated "AA" by S&P by virtue of the insurance policy to be issued by Build America Mutual Assurance Company ("BAM") at the time of delivery of the Series 2018C Bonds. The Series 2018C Bonds have been rated "A3" by Moody's without regard to credit enhancement. (See "BOND INSURANCE," "BOND INSURANCE RISK FACTORS" and "ADDITIONAL INFORMATION – Ratings" herein).

BOOK-ENTRY-ONLY SYSTEM

The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC (defined herein) pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity or series. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to DTC participants for subsequent payments to the beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").

PAYMENT RECORD

The City has never defaulted on its revenue obligations.

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INTRODUCTION

The information set forth in this "INTRODUCTION" is qualified in its entirety by reference to the descriptions, summaries, and financial information appearing elsewhere in this Official Statement. Definitions for capitalized terms used in this Official Statement and not otherwise defined may be found in "APPENDIX C – THE MASTER INDENTURE".

General and Authority for Issuance

The City of Arlington, Texas \$266,080,000 Senior Lien Special Tax Revenue Bonds, Series 2018A (the "Series 2018A Bonds"); \$28,250,000 Senior Lien Special Tax Revenue Bonds, Taxable Series 2018B (the "Series 2018B Bonds"); and \$171,095,000 Subordinate Lien Special Tax Revenue Bonds, Series 2018C (the "Series 2018C Bonds", and together with the Series 2018A Bonds and Series 2018B Bonds, the "Bonds") are special obligations of the City of Arlington, Texas (the "City") issued pursuant to the home rule charter (the "City Charter") of the City, the Constitution and general laws of the State of Texas (the "State") including Chapter 334, Texas Local Government Code, as amended ("Chapter 334"), and Chapter 1371, Texas Government Code, as amended ("Chapter 1371", and together with Chapter 334, the "Act"), the City of Arlington Venue Projects Master Indenture of Trust (the "Master Indenture") dated August 31, 2017 and three separate supplemental indentures (the "Second Supplemental Indenture", "Third Supplemental Indenture" and "Fourth Supplemental Indenture" respectively and collectively the "Supplemental Indentures") each dated December 5, 2017 by and between the City and The Bank of New York Mellon Trust Company, N.A. as trustee (the "Trustee"). Pursuant to Chapter 1371, in each of the Supplemental Indentures the City delegated to certain authorized officials of the City (each, an "Authorized Officer") the authority to establish final terms of sale of the Bonds, which final sales terms are evidenced in "Pricing Certificates" relating to the respective series of Bonds that were executed by an Authorized Officer on March 7, 2018. The Pricing Certificates, the Master Indenture, and the Supplemental Indentures are referred to herein as the "Indenture."

Use of Proceeds

The proceeds from the sale of the Bonds are being used to provide funds (i) to fund the City Contribution (defined herein) for the construction of the Rangers Ballpark (defined herein); (ii) to make a deposit to the Senior Lien Debt Service Reserve Subaccount (with respect to the Series 2018A Bonds and Series 2018B Bonds) (defined herein); (iii) to make a deposit to the Subordinate Lien Debt Service Reserve Subaccount (with respect to the Series 2018C Bonds) (defined herein); and (iv) to pay the costs of issuing the Bonds. (See "PLAN OF FINANCE – Sources and Uses of Funds" herein. See also "THE RANGERS BALLPARK; THE LEASE AND RELATED AGREEMENTS" herein.)

Security for the Bonds

The Senior Lien Obligations are secured by and payable primarily from a first and senior lien on and pledge of the Pledged Special Taxes and are additionally secured by the applicable Pledged Senior Lien Obligation Accounts (defined herein). The Series 2018B Bonds are also secured by the Pledged Rent (defined herein). The Subordinate Lien Obligations are secured by and payable primarily from a second and subordinate lien on and pledge of the Pledged Special Taxes and are additionally secured by the applicable Pledged Subordinate Lien Obligation Accounts (defined herein). "Pledged Special Taxes" consist of the revenues received by the City from (i) the levy and collection of a sales and use tax within the City at a rate of one-half of one percent (0.5%) (the "Sales Tax"), (ii) the levy and collection of a tax at the rate of five percent (5%) on the gross rental receipts from the short-term rental in the City of a motor vehicle (the "Motor Vehicle Rental Tax"), and (iii) the levy and collection of a tax on the occupancy of a room in a hotel located within the City, at a rate of two percent (2%) of the price paid for such room (the "Hotel Tax"). For a more detailed definition of the Pledged Special Taxes, see "SECURITY FOR THE BONDS" herein.

Once the City has fully funded the City Contribution to the Rangers Project, which is expected with the issuance of the Bonds, the City will no longer be able to issue Additional Senior Lien Obligations or Additional Subordinate Lien Obligations for new money purposes and any annual Pledged Special Taxes received by the City but not required for the annual debt service on Outstanding Obligations, or deposits to the Debt Service Reserve Account (the "Excess Tax Revenues") will be used to retire Outstanding Obligations early or pay debt service. See "THE RANGERS BALLPARK; THE LEASE AND RELATED AGREEMENTS" and "SECURITY FOR THE BONDS – Surplus Debt Redemption Account" herein.

The Bonds are not secured by any mortgage or security interest in the Rangers Project or the Cowboys Project or any of the revenues thereof or by any property of the City, the Texas Rangers, Major League Baseball, the Dallas Cowboys, the National Football League or any of their respective affiliates, owners or partners, or, except as expressly provided herein, by the City, Tarrant County, the State or any agency, political corporation or subdivision thereof and neither the faith and credit of any of them has been pledged to the payment of the Bonds, except as described herein.

The City

The City is located at the center of the Dallas-Fort Worth Metroplex, between Dallas and Fort Worth and 8 miles south of the Dallas/Fort Worth International Airport. The City, which encompasses 99.5 square miles, has a 2017 estimated population of 383,862. The City operates as a home-rule city under a Council-Manager form of government as established by its City Charter. There is a nine member City Council (the "Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the Council are elected for terms of two years, with the elections being held in even-numbered years for four Council seats and in odd-numbered years for five Council seats. The City provides the following services to its citizens: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services. The City operates its water and wastewater system, its storm water system and its sanitary landfill operation (currently outsourced) as self-supporting enterprise funds.

Policy-making and supervisory functions are the responsibility of and are vested in the Council under provisions of the City Charter. Ordinances, resolutions and zoning decisions are presented at Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. Council meetings are broadcast on the local cable public access station and webcast. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the Council, but has limited power to veto Council actions that can be overridden by simple majority action of the Council.

The City Manager is the administrative head of the municipal government and carries out the policies of the Council. With the assistance of three Deputy City Managers, he coordinates the functions of the various municipal agencies and departments responsible for the delivery of services to residents. The City Manager is appointed by the Council and serves at the pleasure of the Council.

Excluding the positions and offices of the City Attorney, City Auditor and certain others whose appointments are reserved for Council action, the City Manager appoints and removes all City employees. The City Manager exercises control over all City departments and divisions and supervises their personnel; recommends Council legislative actions; advises Council on the City's financial conditions and needs; prepares and submits to Council the annual budget; and performs such duties required by Council.

See "THE CITY OF ARLINGTON, TEXAS ECONOMIC AND DEMOGRAPHIC FACTORS" in Appendix A for additional information regarding the City.

Recent Economic Developments

The City continues to have strong economic development growth. The City's top employers are a diverse group of public and private entities including Arlington Independent School District, The University of Texas at Arlington, General Motors (GM), Texas Health Resources, and JP Morgan Chase. GM is in the process of a \$1.4 billion assembly plant renovation and expansion which is expected to bring 589 new jobs to the City. Near the GM assembly plant, the new \$250 million GM supplier park (Arlington Automotive Logistics Center) is under construction and is expected to add 850 new jobs in the City. United Parcel Service (UPS) has begun its development of a \$200 million distribution center within the City expected to produce 1,400 jobs. Summit Racing has begun sales from its new \$82 million distribution center in southeast Arlington. Drury Plaza has begun the permitting process for a 280 room hotel in the City's Entertainment District which is expected to open in 2019. Construction of DR Horton's four-story \$20 million corporate headquarters, home to more than 400 employees, was completed in October 2017. It is the first Fortune 500 Company to call the City home. Texas Live! will be a unique mixed-use entertainment district situated southwest of the Existing Ballpark (defined herein) and adjacent to the new Rangers Ballpark (see map on page vii). The first phase of the project, set to open in 2018, will feature best-in-class restaurants, retail and entertainment venues, along with a signature event space for up to 5,000 people. Venues include Revolver Brewing, Lockhart Smokehouse Barbeque, PBR Country Bar, Rangers Republic, Arlington Backyard and Guy Fieri. A 300-room upscale hotel (Live! By Lowes) with 35,000-square-feet of convention space is also expected to open in late 2018 or early 2019.

Arlington Venue Projects

Overview...The City is the home to both AT&T Stadium, the home of the Dallas Cowboys, and Globe Life Park, the current home of the Texas Rangers. The City financed a portion of the construction of both venues through the issuance of special tax revenue bonds.

The Bonds are being issued to fund the City Contribution toward the construction of the Rangers Project. See "PLAN OF FINANCE", "THE BONDS" and "SECURITY FOR THE BONDS". See also "THE RANGERS BALLPARK; THE LEASE AND RELATED AGREEMENTS".

The Rangers Project...The Texas Rangers are a professional baseball team operating under and pursuant to the rules and regulations of Major League Baseball. The Texas Rangers are based in the City and currently play their home games at Globe Life Park located in the City (the "Existing Ballpark"). The City's prior financing related to the Existing Ballpark is no longer outstanding and has been paid in full. Construction of the Rangers Project commenced in 2017, and the Texas Rangers expect to play in the new ballpark starting with the 2020 baseball season.

The Rangers Project (defined herein) will be a flexible, retractable roof, multi-purpose, multifunctional ballpark and sports, special events, concert and community and entertainment venue project designed to seat approximately 40,000 spectators to be used for the home games for the Texas Rangers ("Rangers Ballpark") and which may also be used for one or more additional professional or amateur sporting events, and which may also contain additional retail, restaurant and food establishments, team training facilities and museums, and which also includes water, sewer, drainage and road improvements necessary to service the Rangers Ballpark, as well as parking facilities adjacent to the Rangers Ballpark. The Rangers Ballpark is expected to contribute significantly to economic growth within the City.

The 2016 Venue Election...At an election held in the City on November 8, 2016 pursuant to Chapter 334, a majority of the voters of the City voting at said election voted in favor of a proposition authorizing the City to provide for the planning, acquisition, establishment, development, construction and financing of the Texas Rangers Complex Development Project (the "Rangers Project" and together with the Cowboys Project, the "Arlington Venue Projects") within the City and (i) to impose a parking tax, at a rate not to exceed three dollars (\$3.00) on each parked motor vehicle parking in a parking facility of the Rangers Project (the "Rangers Parking Tax"); (ii) to impose an admissions tax on each ticket sold as admission to an event held at the Rangers Project, at a rate not to exceed ten percent (10%) of the price of the ticket sold as admission (the "Rangers Admissions Tax"); (iii) to authorize the use of the existing Hotel Tax; (iv) to authorize the use of the existing Sales Tax; and (v) to authorize the use of the existing Motor Vehicle Rental Tax for the purpose of financing the Rangers Project.

The 2004 Venue Election and the Cowboys Project...At an election held in the City on November 2, 2004 pursuant to Chapter 334, a majority of the voters voting at said election voted in favor of a proposition authorizing the City to (i) establish and finance the Dallas Cowboys Complex (the "Cowboys Project") as a sports and community venue project of the type described and defined in Chapter 334, (ii) impose a Sales Tax within the City, (iii) impose a Motor Vehicle Rental Tax, (iv) impose a Hotel Tax, (v) impose an admissions tax on each ticket sold as admission to an event held at the Cowboys Project, at a rate not to exceed ten percent (10%) of the price of the ticket sold as admission (the "Cowboys Admissions Tax"), and (vi) to impose a tax, not to exceed three dollars (\$3.00) per vehicle, on each parked motor vehicle parking in a facility of the Cowboys Project (the "Cowboys Parking Tax") for the purpose of financing the Cowboys Project. The Dallas Cowboys are based in the City of Frisco, Texas, and play their home games at AT&T Stadium located in the City. The Dallas Cowboys are a professional football team owned by the Dallas Cowboys Football Club, Ltd., a Texas limited partnership (the "Cowboys' Owner"), operating under a franchise issued by the National Football League (the "NFL") in 1960.

The City financed a portion of the Cowboys Project through the issuance of \$297,990,000 of special tax revenue bonds in 2005 (the "Series 2005 Bonds"). The Series 2005 Bonds were refinanced by the issuance of the City's \$112,185,000 Special Tax Revenue Bonds, Series 2008 (the "Series 2008 Bonds") and the City's \$62,820,000 Special Tax Revenue Bonds, Series 2009 (the "Series 2009 Bonds", and together with the Series 2008 Bonds, the "Prior Obligations"). In September 2017, the City issued its \$110,200,000 Senior Lien Special Tax Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds"), which constitute all of the currently outstanding Senior Lien Obligations, to refund and defease all of the outstanding Prior Obligations for AT&T Stadium.

PLAN OF FINANCE

Overview

The City's overall plan of finance for bonds secured by and payable from the Pledged Special Taxes calls for (i) the issuance of the Series 2017 Bonds, which refunded and defeased all of the outstanding Prior Obligations issued with respect to the Cowboys Project, and (ii) the issuance of the Bonds to provide the City Contribution to the Rangers Project. Through the issuance of the Bonds, the City expects to fund all of its contribution to the cost of the Rangers Project of \$500,000,000 (the "City Contribution"). See "THE BONDS" and "SECURITY FOR THE BONDS". See also "THE RANGERS BALLPARK; THE LEASE AND RELATED AGREEMENTS".

Sources and Uses of Funds

The following table describes the approximate application of the proceeds of the Bonds.

	Series 2018A	Series 2018B	Series 2018C	Total
Sources:				
Par Amount	\$ 266,080,000.00	\$ 28,250,000.00	\$ 171,095,000.00	\$ 465,425,000.00
Premium	24,739,272.10	-	15,846,865.15	40,586,137.25
Total Sources of Funds	\$ 290,819,272.10	\$ 28,250,000.00	\$ 186,941,865.15	\$ 506,011,137.25
Uses:				
Deposit to Venue Project Fund	\$ 287,271,665.29	\$ 28,047,714.78	\$ 184,680,619.93	\$ 500,000,000.00
Costs of issuance (including Underwriters')				
Discount and insurance and surety premiums)	3,547,606.81	202,285.22	2,261,245.22	6,011,137.25
Total Uses of Funds	\$ 290,819,272.10	\$ 28,250,000.00	\$ 186,941,865.15	\$ 506,011,137.25

Table 1 – Debt Service Requirements

The following table sets forth the principal and interest requirements for the Bonds and the outstanding Senior Lien Obligations.

Fiscal Year Ended 9/30	Senior Lien Obligations Debt Service								Subordinate Lien Obligations Debt Service			Total Debt Service
	Outstanding Senior Lien Obligations	The Series 2018A Bonds			The Series 2018B Bonds			Total	The Series 2018C Bonds			
		Debt Service	Principal	Interest	Total	Principal	Interest		Total	Principal	Interest	
2018	\$ 4,687,505	\$ -	\$ 5,072,583	\$ 5,072,583	\$ 5,000,000	\$ 409,087	\$ 5,409,087	\$ 15,169,175	\$ -	\$ 3,445,663	\$ 3,445,663	\$ 18,614,839
2019	5,323,350	-	12,594,000	12,594,000	250,000	912,803	1,162,803	19,080,153	-	8,554,750	8,554,750	27,634,903
2020	7,322,900	-	12,594,000	12,594,000	-	909,943	909,943	20,826,843	-	8,554,750	8,554,750	29,381,593
2021	8,375,050	-	12,594,000	12,594,000	350,000	904,856	1,254,856	22,223,906	-	8,554,750	8,554,750	30,778,656
2022	8,891,650	-	12,594,000	12,594,000	820,000	886,924	1,706,924	23,192,574	195,000	8,549,875	8,744,875	31,937,449
2023	9,410,950	-	12,594,000	12,594,000	845,000	860,208	1,705,208	23,710,158	635,000	8,529,125	9,164,125	32,874,283
2024	10,393,750	-	12,594,000	12,594,000	875,000	831,265	1,706,265	24,694,015	575,000	8,498,875	9,073,875	33,767,890
2025	10,888,750	1,310,000	12,561,250	13,871,250	910,000	799,836	1,709,836	26,469,836	450,000	8,473,250	8,923,250	35,393,086
2026	11,051,250	1,205,000	12,498,375	13,703,375	940,000	766,239	1,706,239	26,460,864	950,000	8,438,250	9,388,250	35,849,114
2027	11,042,500	1,275,000	12,436,375	13,711,375	975,000	730,630	1,705,630	26,459,505	1,890,000	8,367,250	10,257,250	36,716,755
2028	11,016,250	1,370,000	12,370,250	13,740,250	1,015,000	692,631	1,707,631	26,464,131	2,900,000	8,247,500	11,147,500	37,611,631
2029	11,508,750	-	12,336,000	12,336,000	1,055,000	652,334	1,707,334	25,552,084	3,985,000	8,075,375	12,060,375	37,612,459
2030	11,468,750	-	12,336,000	12,336,000	1,095,000	609,832	1,704,832	25,509,582	5,270,000	7,844,000	13,114,000	38,623,582
2031	11,506,250	-	12,336,000	12,336,000	1,140,000	564,981	1,704,981	25,547,231	5,590,000	7,572,500	13,162,500	38,709,731
2032	12,698,500	-	12,336,000	12,336,000	800,000	525,613	1,325,613	26,360,113	5,690,000	7,290,500	12,980,500	39,340,613
2033	12,693,750	-	12,336,000	12,336,000	900,000	490,608	1,390,608	26,420,358	5,980,000	6,998,750	12,978,750	39,399,108
2034	12,694,625	-	12,336,000	12,336,000	925,000	452,785	1,377,785	26,408,410	6,285,000	6,692,125	12,977,125	39,385,535
2035	-	12,735,000	12,017,625	24,752,625	1,300,000	406,672	1,706,672	26,459,297	6,610,000	6,369,750	12,979,750	39,439,047
2036	-	13,390,000	11,364,500	24,754,500	1,355,000	351,647	1,706,647	26,461,147	6,950,000	6,030,750	12,980,750	39,441,897
2037	-	14,080,000	10,677,750	24,757,750	1,415,000	294,239	1,709,239	26,466,989	7,305,000	5,674,375	12,979,375	39,446,364
2038	-	14,800,000	9,955,750	24,755,750	1,475,000	233,827	1,708,827	26,464,577	7,680,000	5,299,750	12,979,750	39,444,327
2039	-	15,515,000	9,241,050	24,756,050	1,535,000	170,391	1,705,391	26,461,441	8,075,000	4,905,875	12,980,875	39,442,316
2040	-	16,220,000	8,536,225	24,756,225	1,605,000	104,216	1,709,216	26,465,441	8,485,000	4,491,875	12,976,875	39,442,316
2041	-	16,955,000	7,799,925	24,754,925	1,670,000	35,195	1,705,195	26,460,120	8,925,000	4,056,625	12,981,625	39,441,745
2042	-	19,550,000	6,990,450	26,540,450	-	-	-	26,540,450	9,380,000	3,599,000	12,979,000	39,519,450
2043	-	20,435,000	6,104,575	26,539,575	-	-	-	26,539,575	9,860,000	3,118,000	12,978,000	39,517,575
2044	-	21,000,000	5,232,000	26,232,000	-	-	-	26,232,000	10,365,000	2,612,375	12,977,375	39,209,375
2045	-	22,285,000	4,254,875	26,539,875	-	-	-	26,539,875	10,900,000	2,080,750	12,980,750	39,520,625
2046	-	23,430,000	3,112,000	26,542,000	-	-	-	26,542,000	11,455,000	1,521,875	12,976,875	39,518,875
2047	-	24,630,000	1,910,500	26,540,500	-	-	-	26,540,500	12,045,000	934,375	12,979,375	39,519,875
2048	-	25,895,000	647,375	26,542,375	-	-	-	26,542,375	12,665,000	316,625	12,981,625	39,524,000
	\$ 170,974,530	\$ 266,080,000	\$ 302,363,433	\$ 568,443,433	\$ 28,250,000	\$ 13,596,761	\$ 41,846,761	\$ 781,264,725	\$ 171,095,000	\$ 183,699,288	\$ 354,794,288	\$ 1,136,059,013

⁽¹⁾ Does not include annual bond insurance premium payments for the Build America Mutual Assurance Company ("BAM") bond insurance policy for the Series 2018C Bonds which start in 2023 and are based on outstanding BAM-insured principal at the time.

Table 2 - Pro Forma Debt Service Coverage on Senior Lien Obligations

The following table sets forth the pro forma debt service coverage for the Senior Lien Obligations. Pledged Special Taxes in the table are assumed to grow at 2.80% annually. The compound annual growth rate from 2008 to 2017 has been 3.11%. There is no guarantee that the Pledged Special Taxes will grow as shown. An independent study has not been conducted. Pledged Rent is pledged only to the Series 2018B Bonds although it is expected to be available to pay debt service on Tax-Exempt Obligations subject to certain conditions and limitations (see "SECURITY FOR THE BONDS - Flow of Funds - Pledged Rent Payments").

Fiscal Year Ended 9/30	Pledged Special Taxes ⁽¹⁾	Pledged Rent ⁽²⁾	Total Pledged Special Taxes and Pledged Rent	Existing Senior Lien Debt Service	Debt Service on the Series 2018A Bonds	Debt Service on the Series 2018B Bonds	Total Senior Lien Debt Service	Pro Forma Senior Lien Coverage ⁽³⁾	Remaining Revenue ⁽⁴⁾
2018	\$ 34,753,426	\$ -	\$ 34,753,426	\$ 4,687,505	\$ 5,072,583	\$ 5,409,087	\$ 15,169,175	2.29 x	\$ 19,584,251
2019	35,726,522	-	35,726,522	5,323,350	12,594,000	1,162,803	19,080,153	1.87 x	16,646,369
2020	36,726,865	1,000,000	37,726,865	7,322,900	12,594,000	909,943	20,826,843	1.81 x	16,900,022
2021	37,755,217	2,000,000	39,755,217	8,375,050	12,594,000	1,254,856	22,223,906	1.79 x	17,531,311
2022	38,812,363	2,000,000	40,812,363	8,891,650	12,594,000	1,706,924	23,192,574	1.76 x	17,619,790
2023	39,899,109	2,000,000	41,899,109	9,410,950	12,594,000	1,705,208	23,710,158	1.77 x	18,188,952
2024	41,016,284	2,000,000	43,016,284	10,393,750	12,594,000	1,706,265	24,694,015	1.74 x	18,322,269
2025	42,164,740	2,000,000	44,164,740	10,888,750	13,871,250	1,709,836	26,469,836	1.67 x	17,694,904
2026	43,345,353	2,000,000	45,345,353	11,051,250	13,703,375	1,706,239	26,460,864	1.71 x	18,884,489
2027	44,559,023	2,000,000	46,559,023	11,042,500	13,711,375	1,705,630	26,459,505	1.76 x	20,099,518
2028	45,806,676	2,000,000	47,806,676	11,016,250	13,740,250	1,707,631	26,464,131	1.81 x	21,342,544
2029	47,089,262	2,000,000	49,089,262	11,508,750	12,336,000	1,707,334	25,552,084	1.92 x	23,537,179
2030	48,407,762	2,000,000	50,407,762	11,468,750	12,336,000	1,704,832	25,509,582	1.98 x	24,898,180
2031	49,763,179	2,000,000	51,763,179	11,506,250	12,336,000	1,704,981	25,547,231	2.03 x	26,215,948
2032	51,156,548	2,000,000	53,156,548	12,698,500	12,336,000	1,325,613	26,360,113	2.02 x	26,796,436
2033	52,588,932	2,000,000	54,588,932	12,693,750	12,336,000	1,390,608	26,420,358	2.07 x	28,168,574
2034	54,061,422	2,000,000	56,061,422	12,694,625	12,336,000	1,377,785	26,408,410	2.12 x	29,653,012
2035	55,575,141	2,000,000	57,575,141	-	24,752,625	1,706,672	26,459,297	2.18 x	31,115,845
2036	57,131,245	2,000,000	59,131,245	-	24,754,500	1,706,647	26,461,147	2.23 x	32,670,099
2037	58,730,920	2,000,000	60,730,920	-	24,757,750	1,709,239	26,466,989	2.29 x	34,263,932
2038	60,375,386	2,000,000	62,375,386	-	24,755,750	1,708,827	26,464,577	2.36 x	35,910,809
2039	62,065,897	2,000,000	64,065,897	-	24,756,050	1,705,391	26,461,441	2.42 x	37,604,455
2040	63,803,742	2,000,000	65,803,742	-	24,756,225	1,709,216	26,465,441	2.49 x	39,338,301
2041	65,590,247	2,000,000	67,590,247	-	24,754,925	1,705,195	26,460,120	2.55 x	41,130,126
2042	67,426,774	2,000,000	69,426,774	-	26,540,450	-	26,540,450	2.62 x	42,886,324
2043	69,314,723	2,000,000	71,314,723	-	26,539,575	-	26,539,575	2.69 x	44,775,148
2044	71,255,536	2,000,000	73,255,536	-	26,232,000	-	26,232,000	2.79 x	47,023,536
2045	73,250,691	2,000,000	75,250,691	-	26,539,875	-	26,539,875	2.84 x	48,710,816
2046	75,301,710	2,000,000	77,301,710	-	26,542,000	-	26,542,000	2.91 x	50,759,710
2047	77,410,158	2,000,000	79,410,158	-	26,540,500	-	26,540,500	2.99 x	52,869,658
2048	79,577,642	2,000,000	81,577,642	-	26,542,375	-	26,542,375	3.07 x	55,035,267
	<u>\$1,680,442,495</u>	<u>\$57,000,000</u>	<u>\$ 1,737,442,495</u>	<u>\$170,974,530</u>	<u>\$ 568,443,433</u>	<u>\$ 41,846,761</u>	<u>\$ 781,264,725</u>		<u>\$ 956,177,771</u>

⁽¹⁾ Assumed annual growth rate for Pledged Special Taxes of 2.80% from 2017 base year estimated year end value. The Pledged Special Taxes grew at a compound annual growth rate of 3.11% from 2008-2017. (See "Table 6 - Pledged Special Taxes.")

⁽²⁾ Pledged Rent is pledged only to the Series 2018B Bonds although it is expected to be available to pay debt service on Tax-Exempt Obligations (see "SECURITY FOR THE BONDS - Flow of Funds - Pledged Rent Payments"). Pledged Rent is \$2,000,000 annually (paid in monthly installments) through the Initial Term of the Lease. The 2020 Pledged Rent amount is prorated for the partial year.

⁽³⁾ Pro forma debt service coverage assumes the use of Pledged Rent.

⁽⁴⁾ Pro forma remaining revenue available for debt service on Subordinate Lien Obligations and early redemptions.

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Table 3 - Pro Forma Debt Service Coverage on Senior Lien Obligations and Subordinate Lien Obligations

The following table sets forth the pro forma debt service coverage for the Senior Lien Obligations and the Subordinate Lien Obligations. Pledged Special Taxes in the table are assumed to grow at 2.80% annually. The compound annual growth rate from 2008 to 2017 has been 3.11%. There is no guarantee that the Pledged Special Taxes will grow as shown. An independent study has not been conducted. Pledged Rent is pledged only to the Series 2018B Bonds although it is expected to be available to pay debt service on Tax-Exempt Obligations subject to certain conditions and limitations (see "SECURITY FOR THE BONDS - Flow of Funds - Pledged Rent Payments").

There is currently approximately \$12,572,514 of Pledged Special Taxes accumulated through the February 2018 payment from the Texas Comptroller after the February 15, 2018 debt service payment on the Series 2017 Bonds. After the payment of debt service on all Senior Lien Obligations and Subordinate Lien Obligations, any Excess Tax Revenues will be deposited to the Surplus Debt Redemption Account for the expected early redemption or discharge of Outstanding Obligations. The City expects to accumulate Excess Tax Revenues through the first call date on February 15, 2021 prior to making the first early redemption. (See "SECURITY FOR THE BONDS - Flow of Funds - Pledged Special Taxes" and "SECURITY FOR THE BONDS - Surplus Debt Redemption Account".)

Fiscal Year Ended 9/30	Total Pledged Special Taxes and Pledged Rent ⁽¹⁾	Total Senior Lien Debt Service ⁽²⁾	Pro Forma Senior Lien Coverage ⁽³⁾	Remaining Revenue for Subordinate Debt Service ⁽⁴⁾	Debt Service on the Series 2018C Bonds	Total Debt Service on All Obligations ⁽⁵⁾	Pro Forma Total Debt Service Coverage ⁽⁶⁾	Excess Tax Revenues for Early Redemptions ⁽⁷⁾
2018	\$ 34,753,426	\$ 15,169,175	2.29 x	\$ 19,584,251	\$ 3,445,663	\$ 18,614,839	1.87 x	\$ 27,158,588 ⁽⁸⁾
2019	35,726,522	19,080,153	1.87 x	16,646,369	8,554,750	27,634,903	1.29 x	8,091,619
2020	37,726,865	20,826,843	1.81 x	16,900,022	8,554,750	29,381,593	1.28 x	8,345,272
2021	39,755,217	22,223,906	1.79 x	17,531,311	8,554,750	30,778,656	1.29 x	8,976,561
2022	40,812,363	23,192,574	1.76 x	17,619,790	8,744,875	31,937,449	1.28 x	8,874,915
2023	41,899,109	23,710,158	1.77 x	18,188,952	9,164,125	32,874,283	1.27 x	9,024,827
2024	43,016,284	24,694,015	1.74 x	18,322,269	9,073,875	33,767,890	1.27 x	9,248,394
2025	44,164,740	26,469,836	1.67 x	17,694,904	8,923,250	35,393,086	1.25 x	8,771,654
2026	45,345,353	26,460,864	1.71 x	18,884,489	9,388,250	35,849,114	1.26 x	9,496,239
2027	46,559,023	26,459,505	1.76 x	20,099,518	10,257,250	36,716,755	1.27 x	9,842,268
2028	47,806,676	26,464,131	1.81 x	21,342,544	11,147,500	37,611,631	1.27 x	10,195,044
2029	49,089,262	25,552,084	1.92 x	23,537,179	12,060,375	37,612,459	1.31 x	11,476,804
2030	50,407,762	25,509,582	1.98 x	24,898,180	13,114,000	38,623,582	1.31 x	11,784,180
2031	51,763,179	25,547,231	2.03 x	26,215,948	13,162,500	38,709,731	1.34 x	13,053,448
2032	53,156,548	26,360,113	2.02 x	26,796,436	12,980,500	39,340,613	1.35 x	13,815,936
2033	54,588,932	26,420,358	2.07 x	28,168,574	12,978,750	39,399,108	1.39 x	15,189,824
2034	56,061,422	26,408,410	2.12 x	29,653,012	12,977,125	39,385,535	1.42 x	16,675,887
2035	57,575,141	26,459,297	2.18 x	31,115,845	12,979,750	39,439,047	1.46 x	18,136,095
2036	59,131,245	26,461,147	2.23 x	32,670,099	12,980,750	39,441,897	1.50 x	19,689,349
2037	60,730,920	26,466,989	2.29 x	34,263,932	12,979,375	39,446,364	1.54 x	21,284,557
2038	62,375,386	26,464,577	2.36 x	35,910,809	12,979,750	39,444,327	1.58 x	22,931,059
2039	64,065,897	26,461,441	2.42 x	37,604,455	12,980,875	39,442,316	1.62 x	24,623,580
2040	65,803,742	26,465,441	2.49 x	39,338,301	12,976,875	39,442,316	1.67 x	26,361,426
2041	67,590,247	26,460,120	2.55 x	41,130,126	12,981,625	39,441,745	1.71 x	28,148,501
2042	69,426,774	26,540,450	2.62 x	42,886,324	12,979,000	39,519,450	1.76 x	29,907,324
2043	71,314,723	26,539,575	2.69 x	44,775,148	12,978,000	39,517,575	1.80 x	31,797,148
2044	73,255,536	26,232,000	2.79 x	47,023,536	12,977,375	39,209,375	1.87 x	34,046,161
2045	75,250,691	26,539,875	2.84 x	48,710,816	12,980,750	39,520,625	1.90 x	35,730,066
2046	77,301,710	26,542,000	2.91 x	50,759,710	12,976,875	39,518,875	1.96 x	37,782,835
2047	79,410,158	26,540,500	2.99 x	52,869,658	12,979,375	39,519,875	2.01 x	39,890,283
2048	81,577,642	26,542,375	3.07 x	55,035,267	12,981,625	39,524,000	2.06 x	42,053,642
	<u>\$ 1,737,442,495</u>	<u>\$ 781,264,725</u>		<u>\$ 956,177,771</u>	<u>\$ 354,794,288</u>	<u>\$ 1,136,059,013</u>		<u>\$ 612,403,482</u>

⁽¹⁾ Assumed annual growth rate for Pledged Special Taxes of 2.80% from 2017 base year estimated year end value. The Pledged Special Taxes grew at a compound annual growth rate of 3.11% from 2008-2017. (See "Table 6 - Pledged Special Taxes"). Includes Pledged Rent which is pledged only to the Series 2018B Bonds but is expected to be available to pay debt service on the Tax-Exempt Obligations. (See "Table 2 - Pro Forma Debt Service Coverage on Senior Lien Obligations").

⁽²⁾ Includes debt service on the Series 2017 Bonds, the Series 2018A Bonds and the Series 2018B Bonds.

⁽³⁾ Pro forma debt service coverage assumes the use of Pledged Rent.

⁽⁴⁾ Pro forma remaining revenue after debt service on all Senior Lien Obligations.

⁽⁵⁾ Includes debt service on the Bonds and the outstanding Senior Lien Obligations.

⁽⁶⁾ Pro forma debt service coverage on all Obligations.

⁽⁷⁾ After the City has made the City Contribution, all Excess Tax Revenues will be deposited to the Surplus Debt Redemption Account and is expected to be used to retire Outstanding Obligations early. Based on the growth rate assumption of 2.80% presented in this table, the City would expect to retire all Outstanding Obligations by 2037.

⁽⁸⁾ Includes \$11,020,000 to be transferred from the existing Senior Lien Debt Service Reserve Subaccount on September 1, 2018.

Table 4 – Pro Forma Debt Service Coverage on Senior Lien Obligations and Subordinate Lien Obligations with Assumed Lower Revenue Growth

The table below illustrates the pro forma debt service coverage on the Senior Lien Obligations and the Subordinate Lien Obligations assuming annual growth in Pledged Special Taxes of 1.40%. Over the last ten years, Pledged Special Taxes have grown at a compound annual rate of 3.11%. This information is presented for illustration purposes only. There is no guarantee that the Pledged Special Taxes will be as shown. An independent study has not been conducted. Pledged Rent is pledged only to the Series 2018B Bonds although it is expected to be available to pay debt service on Tax-Exempt Obligations subject to certain conditions and limitations (see "SECURITY FOR THE BONDS - Flow of Funds - Pledged Rent Payments").

There is currently approximately \$12,572,514 of Pledged Special Taxes accumulated through the February 2018 payment from the Texas Comptroller after the February 15, 2018 debt service payment on the Series 2017 Bonds. After the payment of debt service on all Senior Lien Obligations and Subordinate Lien Obligations, any Excess Tax Revenues will be deposited to the Surplus Debt Redemption Account for the expected early redemption or discharge of Outstanding Obligations. The City expects to accumulate Excess Tax Revenues through the first call date on February 15, 2021 prior to making the first early redemption. (See "SECURITY FOR THE BONDS - Flow of Funds – Pledged Special Taxes" and "SECURITY FOR THE BONDS - Surplus Debt Redemption Account".)

Fiscal Year Ended 9/30	Total Pledged Special Taxes and Pledged Rent ⁽¹⁾	Total Senior Lien Debt Service ⁽²⁾	Pro Forma Senior Lien Coverage ⁽³⁾	Remaining Revenue for Subordinate Debt Service ⁽⁴⁾	Debt Service on the Series 2018C Bonds	Total Debt Service on All Obligations ⁽⁵⁾	Pro Forma Total Debt Service Coverage ⁽⁶⁾	Excess Tax Revenues for Early Redemptions ⁽⁷⁾
2018	\$ 34,280,131	\$ 15,169,175	2.26 x	\$ 19,110,955	\$ 3,445,663	\$ 18,614,839	1.84 x	\$ 26,685,292 ⁽⁸⁾
2019	34,760,052	19,080,153	1.82 x	15,679,899	8,554,750	27,634,903	1.26 x	7,125,149
2020	36,246,693	20,826,843	1.74 x	15,419,850	8,554,750	29,381,593	1.23 x	6,865,100
2021	37,740,147	22,223,906	1.70 x	15,516,241	8,554,750	30,778,656	1.23 x	6,961,491
2022	38,240,509	23,192,574	1.65 x	15,047,935	8,744,875	31,937,449	1.20 x	6,303,060
2023	38,747,876	23,710,158	1.63 x	15,037,719	9,164,125	32,874,283	1.18 x	5,873,594
2024	39,262,346	24,694,015	1.59 x	14,568,331	9,073,875	33,767,890	1.16 x	5,494,456
2025	39,784,019	26,469,836	1.50 x	13,314,183	8,923,250	35,393,086	1.12 x	4,390,933
2026	40,312,995	26,460,864	1.52 x	13,852,131	9,388,250	35,849,114	1.12 x	4,463,881
2027	40,849,377	26,459,505	1.54 x	14,389,872	10,257,250	36,716,755	1.11 x	4,132,622
2028	41,393,269	26,464,131	1.56 x	14,929,137	11,147,500	37,611,631	1.10 x	3,781,637
2029	41,944,774	25,552,084	1.64 x	16,392,691	12,060,375	37,612,459	1.12 x	4,332,316
2030	42,504,001	25,509,582	1.67 x	16,994,419	13,114,000	38,623,582	1.10 x	3,880,419
2031	43,071,057	25,547,231	1.69 x	17,523,826	13,162,500	38,709,731	1.11 x	4,361,326
2032	43,646,052	26,360,113	1.66 x	17,285,940	12,980,500	39,340,613	1.11 x	4,305,440
2033	44,229,097	26,420,358	1.67 x	17,808,739	12,978,750	39,399,108	1.12 x	4,829,989
2034	44,820,304	26,408,410	1.70 x	18,411,894	12,977,125	39,385,535	1.14 x	5,434,769
2035	45,419,788	26,459,297	1.72 x	18,960,492	12,979,750	39,439,047	1.15 x	5,980,742
2036	46,027,665	26,461,147	1.74 x	19,566,519	12,980,750	39,441,897	1.17 x	6,585,769
2037	46,644,053	26,466,989	1.76 x	20,177,064	12,979,375	39,446,364	1.18 x	7,197,689
2038	47,269,069	26,464,577	1.79 x	20,804,492	12,979,750	39,444,327	1.20 x	7,824,742
2039	47,902,836	26,461,441	1.81 x	21,441,395	12,980,875	39,442,316	1.21 x	8,460,520
2040	48,545,476	26,465,441	1.83 x	22,080,035	12,976,875	39,442,316	1.23 x	9,103,160
2041	49,197,113	26,460,120	1.86 x	22,736,993	12,981,625	39,441,745	1.25 x	9,755,368
2042	49,857,872	26,540,450	1.88 x	23,317,422	12,979,000	39,519,450	1.26 x	10,338,422
2043	50,527,883	26,539,575	1.90 x	23,988,308	12,978,000	39,517,575	1.28 x	11,010,308
2044	51,207,273	26,232,000	1.95 x	24,975,273	12,977,375	39,209,375	1.31 x	11,997,898
2045	51,896,175	26,539,875	1.96 x	25,356,300	12,980,750	39,520,625	1.31 x	12,375,550
2046	52,594,721	26,542,000	1.98 x	26,052,721	12,976,875	39,518,875	1.33 x	13,075,846
2047	53,303,047	26,540,500	2.01 x	26,762,547	12,979,375	39,519,875	1.35 x	13,783,172
2048	54,021,290	26,542,375	2.04 x	27,478,915	12,981,625	39,524,000	1.37 x	14,497,290
	<u>\$ 1,376,246,964</u>	<u>\$ 781,264,725</u>		<u>\$ 594,982,239</u>	<u>\$ 354,794,288</u>	<u>\$ 1,136,059,013</u>		<u>\$ 251,207,951</u>

⁽¹⁾ Assumed annual growth rate for Pledged Special Taxes of 1.40% from 2017 base year estimated year end value. The Pledged Special Taxes grew at a compound annual growth rate of 3.11% from 2008-2017. (See "Table 6 - Pledged Special Taxes"). Includes Pledged Rent which is pledged only to the Series 2018B Bonds but is expected to be available to pay debt service on the Tax-Exempt Obligations. (See "Table 2 - Pro Forma Debt Service Coverage on Senior Lien Obligations").

⁽²⁾ Includes debt service on the Series 2017 Bonds, the Series 2018A Bonds and the Series 2018B Bonds.

⁽³⁾ Pro forma debt service coverage assumes the use of Pledged Rent.

⁽⁴⁾ Pro forma remaining revenue after debt service on all Senior Lien Obligations.

⁽⁵⁾ Includes debt service on the Bonds and the outstanding Senior Lien Obligations.

⁽⁶⁾ Pro forma debt service coverage on all Obligations.

⁽⁷⁾ After the City has made the City Contribution, all Excess Tax Revenues will be deposited to the Surplus Debt Redemption Account and is expected to be used to retire Outstanding Obligations early. Based on the growth rate assumption of 1.40% presented in this table, the City would expect to retire all Outstanding Obligations by 2041.

⁽⁸⁾ Includes \$11,020,000 to be transferred from the existing Senior Lien Debt Service Reserve Subaccount on September 1, 2018.

Table 5 – Break-Even Growth Case

The table below illustrates the required growth rate necessary to pay debt service on the Senior Lien Obligations and the Subordinate Obligations from either annual Excess Tax Revenues and Pledged Rent or from accumulated Excess Tax Revenues. For purposes of this analysis, it is assumed that no optional redemptions have been made from amounts available in the Surplus Debt Redemption Account. This analysis further assumes interest earnings on the Accumulated Excess Tax Revenues at a rate of 0.50% per annum. Based upon those assumptions, the required annual growth rate is -0.10%.

Fiscal Year Ended 9/30	Total Pledged Special Taxes ⁽¹⁾	Assumed Growth Rate	Total Pledged Special Taxes, Pledged Rent and Interest Income ⁽²⁾	Total		Total Debt Service on All Obligations ⁽⁵⁾	Pro Forma Total Debt Service Coverage ⁽⁶⁾	Excess Tax Revenues ⁽⁷⁾	Accumulated Excess Tax Revenues ⁽⁸⁾
				Senior Lien Obligations Debt Service ⁽³⁾	Pro Forma Senior Lien Obligations Coverage ⁽⁴⁾				
2018	\$ 34,753,426	2.80%	\$ 34,753,426	\$ 15,169,175	2.29X	\$ 18,614,839	1.87X	\$ 27,158,588 ⁽⁹⁾	\$ 27,158,588
2019	34,720,242	-0.10%	34,856,035	19,080,153	1.83X	27,634,903	1.26X	7,221,132	34,379,720
2020	34,687,090	-0.10%	35,858,989	20,826,843	1.72X	29,381,593	1.22X	6,477,396	40,857,116
2021	34,653,970	-0.10%	36,858,255	22,223,906	1.66X	30,778,656	1.20X	6,079,599	46,936,715
2022	34,620,881	-0.10%	36,855,564	23,192,574	1.59X	31,937,449	1.15X	4,918,116	51,854,831
2023	34,587,824	-0.10%	36,847,098	23,710,158	1.55X	32,874,283	1.12X	3,972,815	55,827,646
2024	34,554,798	-0.10%	36,833,936	24,694,015	1.49X	33,767,890	1.09X	3,066,046	58,893,692
2025	34,521,804	-0.10%	36,816,272	26,469,836	1.39X	35,393,086	1.04X	1,423,186	60,316,878
2026	34,488,841	-0.10%	36,790,425	26,460,864	1.39X	35,849,114	1.03X	941,311	61,258,189
2027	34,455,910	-0.10%	36,762,201	26,459,505	1.39X	36,716,755	1.00X	45,445	61,303,634
2028	34,423,010	-0.10%	36,729,528	26,464,131	1.39X	37,611,631	0.98X	(882,103)	60,421,531
2029	34,390,141	-0.10%	36,692,249	25,552,084	1.44X	37,612,459	0.98X	(920,210)	59,501,321
2030	34,357,304	-0.10%	36,654,811	25,509,582	1.44X	38,623,582	0.95X	(1,968,771)	57,532,550
2031	34,324,499	-0.10%	36,612,161	25,547,231	1.43X	38,709,731	0.95X	(2,097,570)	55,434,981
2032	34,291,724	-0.10%	36,568,899	26,360,113	1.39X	39,340,613	0.93X	(2,771,713)	52,663,268
2033	34,258,981	-0.10%	36,522,298	26,420,358	1.38X	39,399,108	0.93X	(2,876,810)	49,786,457
2034	34,226,270	-0.10%	36,475,202	26,408,410	1.38X	39,385,535	0.93X	(2,910,333)	46,876,124
2035	34,193,589	-0.10%	36,427,970	26,459,297	1.38X	39,439,047	0.92X	(3,011,077)	43,865,047
2036	34,160,940	-0.10%	36,380,265	26,461,147	1.37X	39,441,897	0.92X	(3,061,632)	40,803,415
2037	34,128,322	-0.10%	36,332,339	26,466,989	1.37X	39,446,364	0.92X	(3,114,025)	37,689,390
2038	34,095,735	-0.10%	36,284,182	26,464,577	1.37X	39,444,327	0.92X	(3,160,146)	34,529,245
2039	34,063,179	-0.10%	36,235,825	26,461,441	1.37X	39,442,316	0.92X	(3,206,491)	31,322,753
2040	34,030,654	-0.10%	36,187,268	26,465,441	1.37X	39,442,316	0.92X	(3,255,048)	28,067,705
2041	33,998,160	-0.10%	36,138,499	26,460,120	1.37X	39,441,745	0.92X	(3,303,247)	24,764,459
2042	33,965,697	-0.10%	36,089,520	26,540,450	1.36X	39,519,450	0.91X	(3,429,930)	21,334,528
2043	33,933,266	-0.10%	36,039,938	26,539,575	1.36X	39,517,575	0.91X	(3,477,637)	17,856,892
2044	33,900,865	-0.10%	35,990,149	26,232,000	1.37X	39,209,375	0.92X	(3,219,226)	14,637,666
2045	33,868,495	-0.10%	35,941,683	26,539,875	1.35X	39,520,625	0.91X	(3,578,942)	11,058,725
2046	33,836,156	-0.10%	35,891,450	26,542,000	1.35X	39,518,875	0.91X	(3,627,425)	7,431,299
2047	33,803,848	-0.10%	35,841,005	26,540,500	1.35X	39,519,875	0.91X	(3,678,870)	3,752,429
2048	33,771,571	-0.10%	35,771,571	26,542,375	1.35X	39,524,000	0.91X	(3,752,429)	0
	<u>\$ 1,062,067,191</u>		<u>\$ 1,125,039,013</u>	<u>\$ 781,264,725</u>		<u>\$ 1,136,059,013</u>		<u>\$ 0</u>	

⁽¹⁾ Assumed growth rate as shown from 2017 FYE revenues of \$33,806,835.

The special taxes grew at a compound annual growth rate of 3.11% from 2008-2017.

⁽²⁾ Includes Pledged Rent and interest income on Accumulated Excess Tax Revenues at a rate of 0.50%.

⁽³⁾ Includes debt service on the Series 2017 Bonds, the Series 2018A Bonds and the Series 2018B Bonds.

⁽⁴⁾ Pro forma debt service coverage assumes the use of Pledged Rent and interest income.

⁽⁵⁾ Includes debt service on the Bonds and the outstanding Senior Lien Obligations.

⁽⁶⁾ Pro forma debt service coverage on all Obligations.

⁽⁷⁾ Pro forma remaining Excess Tax Revenues after the payment of debt service on all Obligations.

⁽⁸⁾ Accumulated Excess Tax Revenues assuming no prepayment of Outstanding Obligations.

⁽⁹⁾ Includes \$11,020,000 to be transferred from the existing Senior Lien Debt Service Reserve Subaccount on September 1, 2018.

THE BONDS

General Description

The Bonds shall be dated March 1, 2018, and interest shall accrue from the date of delivery to the Underwriters (the "Date of Delivery"). Interest payable on the Bonds will be calculated on the basis of 360-day year of twelve 30-day months. The Bonds are to mature on the dates and in the principal amounts shown on page ii hereof. The Bonds will be issued as fully registered obligations in principal denominations of \$5,000 or any integral multiple thereof within a maturity. Interest on the Bonds will accrue from their Date of Delivery at the interest rates shown on page ii hereof and such interest shall be payable to the registered owners thereof on August 15, 2018 and semiannually thereafter on February 15 and August 15 in each year until maturity or redemption.

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, is the Trustee under the Master Indenture. The Trustee holds and administers the funds, accounts and subaccounts established under the Master Indenture and acts as the Paying Agent/Registrar with respect to the Bonds.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the beneficial owners. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such system.

Interest on the Bonds shall be payable to the registered owner whose name appears on the bond registration books of the Paying Agent/Registrar at the close of business on the Record Date and such accrued interest will be paid by (i) check sent United States mail, first class, postage prepaid, to the address of the registered owner appearing on such registration books of the Paying Agent/Registrar or (ii) such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, such registered owner. See "Registration, Transfer and Exchange – Record Date for Interest Payment" herein. The principal of the Bonds will be payable only upon presentation of such Bonds at the designated office of the Paying Agent/Registrar upon maturity or prior redemption.

Security for the Bonds

The Senior Lien Obligations are secured by and payable primarily from a first and senior lien on and pledge of the Pledged Special Taxes and are additionally secured by the applicable Pledged Senior Lien Obligation Accounts. The Series 2018B Bonds are also secured by the Pledged Rent. The Subordinate Lien Obligations are secured by and payable primarily from a junior and subordinate lien on and pledge of the Pledged Special Taxes and are additionally secured by the applicable Pledged Subordinate Lien Obligation Accounts. "Pledged Special Taxes" consist of the revenues received by the City from (i) the levy and collection of the Sales Tax, (ii) the levy and collection of the Motor Vehicle Rental Tax, and (iii) the levy and collection of the Hotel Tax. For a more detailed definition of the Pledged Special Taxes, see "SECURITY FOR THE BONDS" herein.

The Bonds are not secured by any mortgage or security interest in the Rangers Project or the Cowboys Project or any of the revenues thereof or by any property of the City, the Texas Rangers, Major League Baseball, the Dallas Cowboys, the National Football League or any of their respective affiliates, owners or partners, or, except as expressly provided herein, by the City, Tarrant County, the State or any agency, political corporation or subdivision thereof and neither the faith and credit of any of them has been pledged to the payment of the Bonds, except as described herein.

THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE STATE, TARRANT COUNTY, THE CITY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE. NEITHER THE TAXING POWER OF THE STATE, TARRANT COUNTY, THE CITY (EXCEPT FOR THE PLEDGED SPECIAL TAXES), NOR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS.

Redemption Provisions

Optional Redemption of the Series 2018A Bonds and Series 2018C Bonds . . . The City reserves the right, at its option, to redeem the Series 2018A Bonds scheduled to mature on or after February 15, 2029, prior to their scheduled maturities, in whole or in part, on February 15, 2028, or on any date thereafter, at a price of par plus accrued interest to the date fixed for redemption in principal amounts of \$5,000 or any integral multiple thereof. If less than all of the Series 2018A Bonds are to be redeemed, the City reserves the right to determine the maturity or maturities and the amounts thereof to be redeemed and if less than a maturity is to be redeemed, the Paying Agent/Registrar (or DTC while the Series 2018A Bonds are in Book-Entry-Only form) shall determine by lot or other method that results in random selection which of the Series 2018A Bonds of such maturities, or portions thereof, shall be redeemed. If any Series 2018A Bonds (or portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Series 2018A Bonds (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

The City reserves the right, at its option, to redeem the Series 2018C Bonds maturing on February 15, 2041 (the "Series 2018C 2041 Term Bonds") in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2025, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The City reserves the right, at its option, to redeem the Series 2018C Bonds maturing on February 15, 2045 (the "Series 2018C 2045 Term Bonds") in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2021, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The City reserves the right, at its option, to redeem the Series 2018C Bonds maturing on February 15, 2048 (the "Series 2018C 2048 Term Bonds") in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The City reserves the right, at its option, to redeem the Series 2018C Bonds (excluding the Series 2018C 2041 Term Bonds, Series 2018C 2045 Term Bonds, and the Series 2018C 2048 Term Bonds) having stated maturities on and after February 15, 2029, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2028, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. If less than all of the Series 2018C Bonds are to be redeemed the City reserves the right to determine the maturity or maturities and the amounts thereof to be redeemed and if less than a maturity is to be redeemed, the Paying Agent/Registrar (or DTC while the Series 2018C Bonds are in Book-Entry-Only form) shall determine by lot or other method that results in random selection which of the Series 2018C Bonds of such maturities, or portions thereof, shall be redeemed. If any Series 2018C Bonds (or portion of the principal amount thereof) shall have been called for redemption and notice of such redemption shall have been given, such Series 2018C Bonds (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

The Master Indenture provides that each Supplemental Indenture may provide for additional special redemption provisions for any series of additional Obligations issued pursuant to the Master Indenture.

Make-Whole Optional Redemption of the Series 2018B Bonds . . . The Series 2018B Bonds are subject to redemption prior to their stated maturity date, at the option of the City, in whole or in part on any date, at a redemption price (the "Make-Whole Redemption Price") equal to the greater of:

- (1) 100% of the principal amount of the Series 2018B Bonds to be redeemed; or
- (2) the sum of the present values of the remaining scheduled payments of principal and interest to the maturity date of the Series 2018B Bonds to be redeemed (exclusive of interest accrued to the date fixed for redemption) discounted to the date on which the Series 2018B Bonds are to be redeemed on a semi-annual basis, assuming a 360 day year consisting of twelve 30 day months, at the Comparable Treasury Yield (defined below) plus 25 basis points,

plus, in each case, accrued and unpaid interest on the Series 2018B Bonds to be redeemed to the redemption date.

For purposes of calculating the Make-Whole Redemption Price with respect to the optional redemption of the Series 2018B Bonds, the following terms have the following meanings:

"Comparable Treasury Yield" means, with respect to any redemption date for a particular Series 2018B Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two Business Days prior to the redemption date (excluding inflation indexed securities) (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the redemption date to the maturity date of the Series 2018B Bond to be redeemed; provided, however, that if the period from the redemption date to such maturity date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

At the request of the City, the Make-Whole Redemption Price of the Series 2018B Bonds to be redeemed will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the City to calculate such redemption price. The City may conclusively rely on the determination of the Make-Whole Redemption Price by such independent accounting firm, investment banking firm or financial advisor and will not be liable for such reliance.

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MANDATORY REDEMPTION OF THE TERM BONDS . . . The Series 2018A Bonds maturing on February 15 in the years of 2043, 2044, and 2048 (the "Series 2018A Term Bonds"), are subject to mandatory redemption in part prior to maturity on February 15, in the years shown below at 100% of the principal amount thereof plus accrued interest to the date of redemption from payments into the interest and sinking fund which are required to be made in amounts sufficient to redeem on February 15 of each year the principal amount of such Series 2018A Term Bonds as follows:

Term Bonds Stated to Mature on February 15, 2043		Term Bonds Stated to Mature on February 15, 2044		Term Bonds Stated to Mature on February 15, 2048	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2039	\$ 6,880,000	2039	\$ 8,635,000	2045	\$ 22,285,000
2040	7,145,000	2040	9,075,000	2046	23,430,000
2041	7,415,000	2041	9,540,000	2047	24,630,000
2042	8,460,000	2042	11,090,000	2048 (maturity)	25,895,000
2043 (maturity)	8,775,000	2043	11,660,000		
		2044 (maturity)	21,000,000		

The Series 2018B Bonds maturing on February 15 in the years of 2037, and 2041 (the "Series 2018B Term Bonds"), are subject to mandatory redemption in part prior to maturity on February 15, in the years shown below at 100% of the principal amount thereof plus accrued interest to the date of redemption from payments into the interest and sinking fund which are required to be made in amounts sufficient to redeem on February 15 of each year the principal amount of such Series 2018B Term Bonds as follows:

Term Bonds Stated to Mature on February 15, 2037		Term Bonds Stated to Mature on February 15, 2041	
Year	Principal Amount	Year	Principal Amount
2033	\$ 900,000	2038	\$ 1,475,000
2034	925,000	2039	1,535,000
2035	1,300,000	2040	1,605,000
2036	1,355,000	2041 (maturity)	1,670,000
2037 (maturity)	1,415,000		

The Series 2018C Bonds maturing on February 15 in the years of 2041, 2045, and 2048 (the "Series 2018C Term Bonds") (the Series 2018A Term Bonds, Series 2018B Term Bonds, and Series 2018C Term Bonds are collectively referred to herein as the "Term Bonds"), are subject to mandatory redemption in part prior to maturity on February 15, in the years shown below at 100% of the principal amount thereof plus accrued interest to the date of redemption from payments into the interest and sinking fund which are required to be made in amounts sufficient to redeem on February 15 of each year the principal amount of such Series 2018C Term Bonds as follows:

Term Bonds Stated to Mature on February 15, 2041		Term Bonds Stated to Mature on February 15, 2045		Term Bonds Stated to Mature on February 15, 2048	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2039	\$ 8,075,000	2042	\$ 9,380,000	2046	\$ 11,455,000
2040	8,485,000	2043	9,860,000	2047	12,045,000
2041 (maturity)	8,925,000	2044	10,365,000	2048 (maturity)	12,665,000
		2045 (maturity)	10,900,000		

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the City, by the principal amount of such Term Bonds which, prior to the date of the mailing of notice of such mandatory redemption, (1) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (3) shall have been redeemed pursuant to the optional redemption provisions described in the preceding paragraph and not therefore credited against a mandatory redemption requirement.

Amendments

Supplemental Indentures Without Owners' Consent. Subject to any limitations contained in a Supplemental Indenture, the City may, from time to time and at any time, adopt and implement Supplemental Indentures without consent of or notice to the Owners but with the written consent of each Credit Provider, for the following purposes:

- (i) To cure any formal defect, omission or ambiguity in the Special Tax Ordinances, in the Indenture or in any description of the Pledged Special Taxes, the Pledged Tax-Exempt Obligation Subaccounts, the Pledged Rent and the Pledged Taxable Obligation Subaccounts, if such action is not adverse to the interest of the Owners;
- (ii) To grant to or confer upon the Owners of any series of Obligations any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Special Tax Ordinances or the Master Indenture as theretofore in effect;
- (iii) To add to the covenants and agreements of the City in the Master Indenture, other covenants and agreements to be observed by the City or the Trustee which are not contrary to or inconsistent with this Indenture as theretofore in effect;
- (iv) To add to the limitations and restrictions in the Master Indenture, other limitations and restrictions to be observed by the City or the Trustee which are not contrary to or inconsistent with the Master Indenture as theretofore in effect;
- (v) To confirm, as further assurance, any pledge or lien created or to be created by the Master Indenture, of the Pledged Tax-Exempt Obligation Accounts, the Pledged Taxable Obligation Accounts, the Pledged Special Taxes and the Pledged Rent, or to subject to the lien or pledge of the Master Indenture additional revenues, properties or collateral;
- (vi) To authorize the issuance of Obligations and to prescribe the terms, forms and details thereof not inconsistent with the Master Indenture and, in connection therewith, to create such additional funds and accounts, and to effect such amendments of the Master Indenture as may be necessary for such issuance, provided, that, no Supplemental Indenture shall be inconsistent with the limitations set forth in the Master Indenture; or
- (vii) To make modifications in the Special Tax Ordinances, the Master Indenture or in a Supplemental Indenture that are necessary in the opinion of Bond Counsel to conform to requirements of the Code, securities law, the Attorney General of the State or the Act and that do not, in the opinion of Bond Counsel, adversely affect the rights and security of the Owners to be paid in full when due.

Powers of Amendment. Any modification or amendment of the Master Indenture and of the rights and obligations of the City and of the Owners may be made by a Supplemental Indenture, only with the written consent of each Credit Provider and if not authorized by the Master Indenture, only with the written consent (i) of the Owners of more than fifty percent (50%) of the combined principal amount of the Obligations then Outstanding, or (ii) in case less than all of the several series of Obligations then Outstanding are affected by the modification or amendment, of the Owners of more than fifty percent (50%) in principal amount of the Obligations of each series so affected and Outstanding at the time such consent is given; provided, however, no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation, or of any installment of interest thereon, or a reduction in the principal amount of the Redemption Price thereof, or in the rate of interest thereon, or in the security thereof, without the consent of the Owner of such Obligation, and provided further that no such modification or amendment may be made without the prior written consent of all Credit Providers. The City may obtain and receive an opinion of counsel selected by the City, as conclusive evidence as to whether Obligations of any particular series or maturity would be so affected by any such modification or amendment of the Master Indenture.

Consent of Owners. The City may at any time adopt a Supplemental Indenture making a modification or amendment permitted by the Master Indenture to take effect when and as provided in the Master Indenture. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto), together with a request for consent, addressed to each Credit Provider and to each Owner whose consent is required, shall promptly after adoption be mailed by the City to the appropriate Owners and to each Credit Provider (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as herein provided). Such Supplemental Indenture shall not be effective unless and until the City shall have received the written consents of each Credit Provider and the proper Owners having the percentages specified above. Any such consent shall be continuously binding upon the Credit Provider and upon the Owner giving such consent and upon any subsequent Owner thereof and of any Obligations issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner thereof by filing with the City, prior to the time action is taken in response to such consents. At any time thereafter notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture adopted by the City on a stated date) has been consented to by the Credit Providers and the Owners of the required percentages of Obligations and will be effective as hereinafter provided, shall be given to the Owners (whose consent was required) by the City by mailing such notice to such Owners (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding). The Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the City, the Trustee, each Credit Provider

and all Owners at the expiration of 30 days after the mailing by the City of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such 30 day period; provided, however, that the City and the Trustee during such 30 day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

The Master Indenture and each Supplemental Indenture relating to Outstanding Obligations and outstanding Credit Agreement Obligations may be amended under the Master Indenture without the consent of any Owners if such amendment is approved by each Credit Provider existing at the time the amendment is proposed.

Amendments by Unanimous Consent. Subject to any limitations contained or rights reserved in a Supplemental Indenture, the rights and obligations of the City, the Credit Providers and the Owners of each series of Obligations, and the terms and provisions of the Master Indenture and any Supplemental Indenture may be modified or amended in any respect upon the adoption of a Supplemental Indenture by the City with the consent of all Owners of each series of Obligations Outstanding and each Credit Provider, such consent to be given as provided in the Master Indenture.

Exclusion of Obligations. Obligations owned or held by or for the account of the City will not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Obligations provided for in the Master Indenture, and the City shall not be entitled with respect to such Obligations to give any consent or take any other action provided for in the Master Indenture.

Notice of Redemption

Not less than 30 days prior to the redemption date, the Paying Agent/Registrar shall send a notice of redemption by United States mail, first class postage prepaid, to each registered owner (the "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 of 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 OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY AN OWNER. NOTICE HAVING BEEN SO GIVEN, THE BONDS, CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE AND, UNLESS THE CITY DEFAULTS IN ITS OBLIGATION TO MAKE PROVISION FOR THE PAYMENT OF THE PRINCIPAL THEREOF, REDEMPTION PREMIUM, IF ANY, OR ACCRUED INTEREST THEREON, NOTWITHSTANDING THAT ANY OBLIGATION OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BONDS OR PORTION THEREOF, SHALL CEASE TO ACCRUE.

Redemption Procedures While Bonds Held by DTC

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only system is used for the Bonds, will send any notice of redemption (with respect to the Bonds), notice of proposed amendment to the Master Indenture or any Supplemental Indenture 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 a portion of the Bonds by the City will reduce the outstanding principal amount, as applicable, of such Bonds held by DTC.

In such event, DTC may implement, through its Book-Entry-Only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the beneficial owners.

Any such selection of Bonds to be redeemed will not be governed by a Supplemental Indenture and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds selected for redemption (see "BOOK-ENTRY-ONLY SYSTEM")

Defeasance

The Master Indenture provides that the City may discharge its Bonds to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or prior redemption or (ii) by depositing with a paying agent, or other authorized escrow agent, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United State of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality of the United States of America, including Bonds that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds to refund the obligations, that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Supplemental Indenture.

Under current state law, after such deposit as described above, the Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Supplemental Indentures do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law.

Default and Remedies

Events of Default. Except as may be otherwise provided in Supplemental Indentures, each of the following occurrences or events shall be and is hereby declared to be an "Event of Default," to wit:

- (i) The failure to make payment of Debt Service on any of the Obligations when the same is due and payable;
- (ii) Any default under the terms and provisions of any Credit Agreement after written notice thereof to the City by the Credit Provider;
- (iii) Default in the performance or observance of any covenant, agreement or obligation of the City under this Indenture or under any Supplemental Indenture (other than a default described in subsection (i) above), and such default (a) materially and adversely affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with their terms, and (b) continues for a period of 60 days after written notice specifying such default by either (A) the Owners of not less than 25% in aggregate principal amount of the Outstanding Obligations or (B) by any Credit Provider that is granted the right to give and withdraw such notices in a Supplemental Indenture (or a Pricing Certificate), and in each such case requesting that the failure be remedied; provided that such 60 day period shall not include any period of time during which the City is prevented by reason of Force Majeure from performing or observing the covenant, agreement or condition with respect to which any default exists but during which the City is diligently attempting to cure such default; or
- (iv) (A) An order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the City any relief under any Applicable Law, or any other court having valid jurisdiction shall issue an order or decree under applicable federal or state law providing for the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or other similar official for the City or any substantial part of its property, affairs or assets, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days, or (B) the City shall commence a suit or proceeding seeking any such order or decree.

Remedies for Default. (b) Except as may be otherwise provided in Supplemental Indentures or in a Credit Agreement, upon the happening and continuance of any of the Events of Default described above and pursuant to the provisions of the Master Indenture:

(i) The Trustee shall transfer all amounts representing Pledged Special Taxes (including amounts on deposit in the Excess Tax Revenue Account) to the Debt Service Account immediately as received, and shall discontinue transfers to any other funds, accounts or subaccounts under the Master Indenture until such default has been cured in full and all payments of Debt Service on Outstanding Obligations and Credit Agreement Obligations are made current; in the event Pledged Special Taxes are not adequate to cure each and every default, the available Pledged Special Taxes shall be applied first, on a pari passu basis, to the payment of Debt Service on Senior Lien Obligations and related Credit Agreement Obligations; any remaining available Pledged Special Taxes shall then be applied, on a pari passu basis, to the payment of Debt Service on Subordinate Lien Obligations and related Credit Agreement Obligations;

(ii) After the transfers and payments set forth in (i) above, to the extent required to cure a default in the payment of Debt Service, the Trustee shall transfer all amounts on deposit in the subaccounts of the Surplus Debt Redemption Account, on a pari passu basis, to the payment of Senior Lien Obligations;

(iii) After the transfers and payments set forth in (i) and (ii) above, to the extent required to cure a default in the payment of Debt Service, the Trustee shall transfer all amounts on deposit in the Senior Lien Debt Service Reserve Subaccount, on a pari passu basis, to the payment of Senior Lien Obligations. The Trustee shall transfer all amounts on deposit in the Subordinate Lien Debt Service Reserve Subaccount, on a pari passu basis, to the payment of Subordinate Lien Obligations; provided, however, that the requirement that Pledged Rent be applied solely to pay Taxable Obligations and Credit Agreements Obligations incurred in connection with Taxable Obligations shall be observed; and

(iv) A Credit Provider or the Owners of at least 25% of the Obligations then Outstanding acting jointly, may proceed against the City for the purpose of protecting and enforcing the rights of the Credit Provider or the Owners under this Indenture, by action seeking mandamus or by other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Law, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that the maturity of Obligations or Credit Agreement Obligations shall not be subject to acceleration upon the occurrence of an Event of Default hereunder or under a Credit Agreement. Notwithstanding the above, no actions taken by the Owners of Subordinate Lien Obligations shall have a material adverse effect on the rights or remedies of the Owners of Senior Lien Obligations.

Upon the happening and continuance of any Event of Default described above, no Owner shall have the right to seek the appointment of a receiver or administrator of the affairs and assets of the City and such right is expressly denied.

From and after the 30th day after an Event of Default (for which a remedy is required or is sought under either subsection (a)(i) or (a)(ii) of this Section) has been cured, the City shall be restored to its former position under this Indenture or under any Credit Agreement prior to the occurrence of such Event of Default. Any proceedings theretofore commenced for relief shall be abandoned and dismissed within 30 days after such Event of Default has been cured.

Notwithstanding any provision herein, upon the occurrence of an Event of Default hereunder or an event of default or an event of termination under a Credit Agreement, amounts on deposit in the City Project Cost Account or the Excess Tax Revenue Account, and any earnings thereon, shall be maintained in the City Project Cost Account or the Excess Tax Revenue Account and shall be applied to the payment or reimbursement of Project Costs in accordance with the provisions of the Master Indenture; provided, however, that, until the Event of Default, or an event of default or an event of termination has been cured pursuant to subsection (b) of this Section, further deposits of Pledged Special Taxes to the Excess Tax Revenue Account shall cease and Pledged Special Taxes received during such period shall be applied solely to the payment of Debt Service.

The right to accelerate the maturity of any Obligation is not granted herein, and no right of acceleration shall be granted to any Owners of Obligations or the payees of Credit Agreement Obligations and to the payees of all Credit Agreement Obligations theretofore and thereafter issued or executed.

Restriction on Owner's Action. Except to enforce the rights given under the Master Indenture no Credit Provider and Owner of any Obligation shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (a) a default has occurred and is continuing of which the Trustee has been notified in writing as provided in Section 12.1(b), or of which by such Section it is deemed to have notice, (b) such default has become an Event of Default and a Credit Provider or the Owners of 25% of the aggregate principal amount of the Obligations then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) a Credit Provider or the Owners have offered to the Trustee indemnity as provided in the Master Indenture, (d) the Trustee has for 60 days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority of the aggregate principal amount of the Obligations then Outstanding or by a Credit Provider, and (f) notice of such action, suit or proceeding is given to the Trustee; however, no

Credit Provider and no one or more Owners of the Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice this Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Obligations then Outstanding and the Credit Providers. The notification, request and offer of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

Nothing in the Master Indenture shall affect or impair the right of any Owner or any Credit Provider to enforce, by action at law, payment of any Obligation or Credit Agreement Obligation at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Obligation issued hereunder to the respective Owners thereof or to pay each Credit Agreement Obligation to the Credit Provider therefor at the time, place, from the source and in the manner expressed herein and in the Obligations or the Credit Agreement Obligation, respectively.

In case the Trustee or any Owners or any Credit Provider shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners or any Credit Provider, then and in every such case the City, the Trustee, the Owners and the Credit Providers shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Application of Revenues and Other Moneys After Default. All money received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such money, the expenses (including its counsel), liabilities and advances incurred or made by the Trustee and the fees of the Trustee in carrying out this Indenture, subject to the terms of a Supplemental Indenture providing instructions, during the continuance of an Event of Default, the Trustee, on behalf of the City, notwithstanding the provisions of the Indenture, shall apply such moneys, securities, funds and Pledged Special Taxes and the income therefrom as follows and in the following order:

(i) to the payment of Debt Service then due on Senior Lien Obligations and related Credit Agreement Obligations having the highest priority lien, as follows:

(A) Unless the principal or maturity amount of all of the Outstanding Senior Lien Obligations and related Credit Agreement Obligations shall have become due and payable,

FIRST: To the payment to the Owners and the Credit Providers entitled thereto, other than the Credit Providers of Swap Agreements, all installments of interest then due, and to the Credit Providers of Swap Agreements entitled thereto, all payments of Debt Service then due to Credit Providers of Swap Agreements (excluding any Termination Payments), in the direct order of maturity of such installments and Debt Service; and, if the amount available shall not be sufficient to pay in full any installment of interest or Debt Service then due to the Credit Provider of a Swap Agreement, then to the payment thereof ratably, according to the amounts due on such installment of interest (or Debt Service with respect to a Swap Agreement), to the Owners and the Credit Providers, without any discrimination or preference; and

SECOND: To the payment to the Owners and the Credit Providers entitled thereto, other than Credit Providers of Swap Agreements, of the unpaid principal or maturity amount of Outstanding Senior Lien Obligations and related Credit Agreement Obligations, or Redemption Price of any Senior Lien Obligations which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Senior Lien Obligations and related Credit Agreement Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal due and to the Owners and Credit Providers entitled thereto, without any discrimination or preference;

(B) If the principal of all of the Senior Lien Obligations and related Credit Agreement Obligations shall have become due and payable, to the payment of Debt Service without preference or priority of any amount due on the Senior Lien Obligations or related Credit Agreement Obligations (excluding Termination Payments), ratably, according to the amounts due respectively to the Persons entitled thereto without any discrimination or preference;

(ii) to (1) the payment of Subordinate Lien Obligations and related Credit Agreement Obligations, as set forth in (i)(A) and (B) above, and (2) to the Credit Providers of Swap Agreements any amounts representing Termination Payments and (3) the payment of Debt Service on Refunding Obligations issued to pay Termination Payments, in the order of such lien priority; provided however, that Termination payments are junior and subordinate to the payment of Debt Service on Subordinate Lien Obligations;

(iii) If the principal of all of the Subordinate Lien Obligations and related Credit Agreement Obligations shall have become due and payable, to the payment of Debt Service without preference or priority of any amount due on the Subordinate Lien Obligations or related Credit Agreement Obligations (excluding Termination Payments), ratably, according to the amounts due respectively to the Persons entitled thereto without any discrimination or preference; and

(iv) subject to any provisions of a Supplemental Indenture regarding priority of amounts payable to Credit Providers, to the payment of any amounts payable to the Credit Providers under the Credit Agreements (to the extent not otherwise payable under clauses (i), (ii) and (iii) above), ratably according to the amounts due to the Credit Providers entitled thereto.

Within ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners and Credit Providers pursuant to this Section.

The restoration of the City to its prior position after any and all default have been cured shall not extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

In the event funds are not adequate to cure any of the Events of Default described in the events of default paragraphs (i), (iii) or (iv) above, the available funds shall be allocated to the Obligations and Credit Agreement Obligations that are outstanding in proportion to the quantity of Obligations and Credit Agreement Obligations that are currently due and in default under the terms of each Supplemental Indenture.

The restoration of the City, the Trustee or any Credit Provider to its prior position after any and all defaults have been cured, as provided in the Master Indenture, shall not extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

Registration, Transfer and Exchange

Registration and Payment. The Bonds will be initially issuable only in the name of Cede & Co., as nominee of DTC which will act as securities depository for the Bonds. Principal and semiannual interest on the Bonds will be paid by the Paying Agent/Registrar to Cede & Co., as nominee for DTC, which shall disburse such payments to the DTC Participants who will distribute such payments to the Beneficial Owners as described herein.

For so long as DTC is the securities depository for the Bonds, the term "Owner" shall refer solely to DTC. In the event that DTC is no longer the securities depository for the Bonds, the term "Owner" shall refer to a successor securities depository or the Beneficial Owners of the Bonds which are shown as registered Owners on the registration books of the Paying Agent/Registrar.

Future Registration. In the event that DTC is no longer the securities depository for the Bonds and a successor securities depository is not appointed by the City, printed certificates for the Bonds will be delivered to the owners thereof, and thereafter, the Bonds may be transferred, registered and assigned only on the registration books of the Paying Agent/Registrar and such registration shall be at the expense of the City except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by execution of an assignment form on the Bonds or by other instruments of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar to the last assignee (the new Owner) in exchange for such transferred and assigned Bonds in accordance with the provisions of the Master Indenture. Such new Bond must be in the denomination of \$5,000 for any one maturity or any integral multiple thereof. The last assignee's claim of title to the Bond must be proved to the satisfaction of the Paying Agent/Registrar.

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 45 days prior to the date fixed for redemption.

Record Date for Interest Payment. The record date ("Record Date") for the interest payment on the Bonds on an interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on the Bonds on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Successor Paying Agent/Registrar. Provision is made in the Master Indenture for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. The Paying Agent/Registrar selected by the City 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. A successor Paying Agent/Registrar, if any, shall be determined by the City. Upon a change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, 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, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, 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 issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("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, in turn, is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its registered 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 a Standard & Poor's rating of AA+. 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 and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds are discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of obligations with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct and Indirect Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Obligation certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Supplemental Indentures will be given only to DTC. Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City or the Underwriters.

Effect of Termination of Book-Entry-Only System

In the event the Book-Entry-Only System with respect to the Bonds is discontinued by DTC, or the use of the Book-Entry-Only System with respect to the Bonds is discontinued by the City, printed certificates will be issued to the respective holders of the Bonds, as the case may be, and the respective Bonds will be subject to transfer, exchange, and registration provisions as set forth in the Supplemental Indentures, summarized under "Registration, Transfer and Exchange – Future Registration."

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SECURITY FOR THE BONDS

General

The Bonds are special obligations of the City and are solely secured by and payable from sources pledged under the Master Indenture.

The Bonds are **not** secured by any mortgage or security interest in the Cowboys Project or the Rangers Project or any of the revenues thereof or by any property of the City, the Dallas Cowboys, the National Football League, the Texas Rangers, Major League Baseball, or any of their respective affiliates, owners or partners, or, except as expressly provided herein, by the City, Tarrant County, the State or any agency, political corporation or subdivision thereof and neither the faith and credit of any of them has been pledged to the payment of the Bonds, except as described herein.

THE BONDS DO NOT CONSTITUTE GENERAL OBLIGATIONS OF THE STATE, TARRANT COUNTY, THE CITY, OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE. NEITHER THE TAXING POWER OF THE STATE, TARRANT COUNTY, THE CITY (EXCEPT FOR THE PLEDGED SPECIAL TAXES), NOR ANY OTHER POLITICAL SUBDIVISION OF THE STATE IS PLEDGED AS SECURITY FOR THE BONDS.

Senior Lien Obligations

The Series 2018A Bonds and the Series 2018B Bonds, together with the Series 2017 Bonds and any Additional Senior Lien Obligations (the "Senior Lien Obligations") are secured by and payable from a first and senior lien on and pledge of the Pledged Special Taxes. Pledged Special Taxes consist of (a) the gross revenues due or owing to, or received by, the City from (i) the levy and collection of a sales and use tax within the City at a rate of one-half of one percent (0.5%) (the "Sales Tax"), (ii) the levy and collection of a tax at a rate of five percent (5%) on the gross rental receipts from the short-term rental in the City of a motor vehicle (the "Motor Vehicle Rental Tax"), and (iii) the levy and collection of a tax on the occupancy of a room in a hotel located within the City, at a rate of two percent (2%) of the price paid for such room (the "Hotel Tax"); (b) any net amounts owing to the City under a Swap Agreement, and (c) such other money, income, revenues or other property as may be specifically included in such term in a Supplemental Indenture. Such term does not include any monies, rents, or other revenues of the City that are derived or received by the City because of its ownership or leasing of the Arlington Venue Projects to a private party.

The Senior Lien Obligations, the interest on which is excludable from gross income for federal income tax purposes (including the Series 2018A Bonds but excluding the Series 2018B Bonds), are additionally secured by (a) amounts on deposit in (i) the Tax Receipts Account, (ii) the Senior Lien Tax-Exempt Debt Service Subaccount, (iii) the Senior Lien Debt Service Reserve Subaccount, and (iv) the Tax-Exempt Obligation Surplus Debt Redemption Subaccount; (b) any Investment Securities or other investments or earnings belonging to any of the accounts and subaccounts identified in clause (a), above, and not required to be used for the other purposes permitted by the Act and the Indenture; and (c) any additional funds, accounts, revenues, or other moneys or funds of the City which hereafter may be, by Supplemental Indenture, expressly and specifically pledged to the payment of all, but not less than all, of the Outstanding Senior Lien Tax-Exempt Obligations (collectively, the "Pledged Senior Lien Tax-Exempt Obligation Accounts").

The Senior Lien Obligations, the interest on which is not excludable from gross income for federal income tax purposes (the "Taxable Obligations," including the Series 2018B Bonds), are additionally secured by (a) the Pledged Rent, (b) amounts on deposit in (i) the Tax Receipts Account, (ii) the Senior Lien Taxable Debt Service Subaccount, (iii) the Senior Lien Debt Service Reserve Subaccount, and (iv) the Taxable Obligation Surplus Debt Redemption Subaccount; (c) any Investment Securities or other investments or earnings belonging to any of the accounts and subaccounts identified in clause (b), above, and not required to be used for the other purposes permitted by the Act and the Indenture; and (d) any additional funds, accounts, revenues, or other moneys or funds of the City which hereafter may be, by Supplemental Indenture, expressly and specifically pledged to the payment of all, but not less than all, of the Outstanding Senior Lien Taxable Obligations (collectively, the "Pledged Senior Lien Taxable Obligation Accounts"). "Pledged Rent" means (A) an amount equal to the annual amount of \$2,000,000 (paid in equal monthly installments pursuant to the Lease (defined herein)) commencing on the operational date and thereafter during the Initial Term ending on January 1, 2054 (the "Base Rent"), and (B) any other revenues of the City that are derived or received by the City because of its ownership or leasing of the Arlington Venue Projects to a private party but only to the extent pledged to the payment of Bonds as Pledged Rent. To the extent that the debt service on the Outstanding Taxable Obligations is less than the amount of Pledged Rent received by the City in any fiscal year, such excess Pledged Rent is expected to be available to pay debt service on the Tax-Exempt Obligations subject to conditions and limitations. (See "SECURITY FOR THE BONDS – Flow of Funds – Pledged Rent Payments").

Subordinate Lien Obligations

The Series 2018C Bonds, together with any Additional Subordinate Lien Obligations (the "Subordinate Lien Obligations"), are secured by and payable from a junior and subordinate lien on and pledge of the Pledged Special Taxes. The Subordinate Lien Obligations, the interest on which is excludable from gross income for federal income tax purposes (including the Series 2018C Bonds) are additionally secured by (a) amounts on deposit in (i) the Tax Receipts Account, (ii) the Subordinate Lien Tax-Exempt Debt Service Subaccount, (iii) the Subordinate Lien Debt Service Reserve Subaccount, and (iv) the Tax-Exempt Obligation Surplus Debt Redemption Subaccount; (b) any Investment Securities or other investments or earnings belonging to any of the accounts and subaccounts identified in clause (a), above, and not required to be used for the other purposes permitted by the Act and the Indenture; and (c) any additional funds, accounts, revenues, or other moneys or funds of the City which hereafter may be, by Supplemental Indenture, expressly and specifically pledged to the payment of all, but not less than all, of the Outstanding Subordinate Lien Tax-Exempt Obligations (collectively, the "Pledged Subordinate Lien Tax-Exempt Obligation Accounts").

Pledged Special Taxes

“Pledged Special Taxes” consist of (i) the gross revenues due or owing to, or received by, the City from the levy and imposition of the Sales Tax, the Hotel Tax and the Motor Vehicle Rental Tax from time to time, less any amounts withheld by persons in payment of costs of collection to the extent permitted by the City’s ordinances levying the Sales Tax, the Hotel Tax, and the Motor Vehicle Rental Tax (collectively, the “Special Tax Ordinances”), (ii) any net amounts owing to the City under a Swap Agreement, and (iii) such other money, income, revenues or other property as may be specifically included in such term in a Supplemental Indenture. Such term does not include any monies, rents, or other revenues of the City that are derived or received by the City because of its ownership or leasing of the Arlington Venue Projects to a private party.

Debt Service Reserve Accounts and Debt Service Reserve Requirements

The Master Indenture establishes a “Senior Lien Debt Service Reserve Subaccount” and a “Subordinate Lien Debt Service Reserve Subaccount.” Moneys on deposit in the Senior Lien Debt Service Reserve Subaccount shall be used solely and exclusively for the purposes of making transfers to the Senior Lien Tax-Exempt Debt Service Subaccount and the Senior Lien Taxable Debt Service Subaccount on a pro rata basis in the event that the moneys on deposit in said subaccounts are not sufficient to pay Debt Service on the Senior Lien Obligations or any Additional Senior Lien Obligations when due, or to make payments to Credit Providers for the payment of related Credit Agreement Obligations relating to Senior Lien Obligations, on the dates and in the full amounts required by a supplemental indenture issuing Senior Lien Obligations, or any Credit Agreement related thereto. Moneys on deposit in the Subordinate Lien Debt Service Reserve Subaccount shall be used solely and exclusively for the purposes of making transfers to the Subordinate Lien Tax-Exempt Debt Service Subaccount and the Subordinate Lien Taxable Debt Service Subaccount on a pro rata basis in the event that the moneys on deposit in said subaccounts are not sufficient to pay Debt Service on the Subordinate Lien Obligations or any Additional Subordinate Lien Obligations when due, or to make payments to Credit Providers for the payment of related Credit Agreement Obligations relating to Subordinate Lien Obligations, on the dates and in the full amounts required by a supplemental indenture issuing Subordinate Lien Obligations, or any Credit Agreement related thereto.

Senior Lien Obligations... The Senior Lien Debt Service Reserve Subaccount for the benefit of the Senior Lien Obligations, including the Series 2018A Bonds and Series 2018B Bonds, will be funded to the “Senior Lien Debt Service Reserve Requirement” pursuant to the Master Indenture which is equal to the least of: (i) Maximum Annual Debt Service on the Outstanding Senior Lien Obligations as of the date of issuance, (ii) 125% of Average Annual Debt Service on the Outstanding Senior Lien Obligations as of the date of issuance, or (iii) 10% of the original principal amount of the Outstanding Senior Lien Obligations, provided, however, that as a result of a redemption conducted pursuant to the provisions of a Supplemental Indenture, the Senior Lien Debt Service Reserve Requirement may be reduced to the amount calculated above; provided, however, that such reduction of the Senior Lien Debt Service Reserve Requirement pursuant to such redemption, shall not reduce the amount on deposit in the Senior Lien Debt Service Reserve Subaccount below an amount equal to Maximum Annual Debt Service on the Outstanding Senior Lien Obligations.

Upon the issuance of the Series 2018A Bonds and the Series 2018B Bonds, the Senior Lien Debt Service Reserve Requirement will be \$26,542,375, which will be funded in full on the Date of Delivery of the Series 2018A Bonds with the deposit of a debt service reserve fund surety policy Credit Agreement issued by Assured Guaranty Municipal Corp. (the “Senior Lien Debt Service Reserve Fund Policy”) into the Senior Lien Debt Service Reserve Subaccount. The Senior Lien Debt Service Reserve Subaccount currently has a cash balance of \$11,020,000. Under the terms of the Indenture, the Trustee shall withdraw those funds from the Senior Lien Debt Service Reserve Subaccount on September 1, 2018, pursuant to Section 5.8 of the Master Indenture, and deposit them into the Tax Receipts Account and which shall then flow through the flow of funds under the Indenture and ultimately are expected to flow into the Tax-Exempt Obligation Surplus Debt Redemption Subaccount to be used to redeem Outstanding Obligations.

Subordinate Lien Obligations... The Subordinate Lien Debt Service Reserve Subaccount for the benefit of the Subordinate Lien Obligations, including the Series 2018C Bonds, will be funded to the “Subordinate Lien Debt Service Reserve Requirement” which is equal to the Maximum Annual Debt Service on the Outstanding Subordinate Lien Obligations as of the date of issuance, provided, however, that as a result of a redemption, the Subordinate Lien Debt Service Reserve Requirement may be reduced to the new Maximum Annual Debt Service on the Outstanding Subordinate Lien Obligations calculated as of the redemption date.

The Subordinate Lien Debt Service Reserve Requirement as of the issuance of the Series 2018C Bonds is \$13,162,500, which will be funded in full on the Date of Delivery of the Series 2018C Bonds with the deposit of a debt service reserve fund surety bond Credit Agreement issued by Build America Mutual Assurance Company (the “Subordinate Lien Debt Service Reserve Fund Policy”) into the Subordinate Lien Debt Service Reserve Subaccount.

Flow of Funds – Pledged Special Taxes

(a) All Hotel Tax revenues shall be deposited, transferred and credited as received to the Hotel Tax Receipts Subaccount and shall then be transferred to the Tax Receipts Account pursuant to (d) below.

(b) All Motor Vehicle Rental Tax revenues shall be deposited, transferred and credited as received to the Motor Vehicle Rental Tax Receipts Subaccount and shall then be transferred to the Tax Receipts Account pursuant to (d) below.

(c) All Sales Tax revenues shall be deposited, transferred and credited as received to the Sales Tax Receipts Subaccount and shall then be transferred to the Tax Receipts Account pursuant to (d) below.

(d) On the Business Day prior to each date payment of Debt Service is due, all Pledged Special Taxes on deposit in the Hotel Tax Receipts Subaccount, the Motor Vehicle Rental Tax Receipts Subaccount and the Sales Tax Receipts Subaccount shall be transferred to the Tax Receipts Account and then shall be transferred to following accounts and subaccounts in the following order of priority as follows:

(i) First, subject to the provisions of subsection (e) under the heading “- Flow of Funds – Pledged Rent Payments” below, to the Senior Lien Tax-Exempt Debt Service Account and the Senior Lien Taxable Debt Service Account, on a pari passu basis, amounts necessary to make the amounts on deposit in the Senior Lien Tax-Exempt Debt Service Subaccount and the Senior Lien Taxable Debt Service Subaccount equal to the Debt Service due and payable with respect to Senior Lien Tax-Exempt Obligations, Senior Lien Taxable Obligations and their related Credit Agreement Obligations, as applicable, on the next Debt Service payment date;

(ii) Second, to the Senior Lien Debt Service Reserve Subaccount the amount required to cause the amount on deposit in the Senior Lien Debt Service Reserve Subaccount to be equal to the Senior Lien Debt Service Reserve Requirement, plus any amount required by the Master Indenture to restore or replenish any deficiencies in the Senior Lien Debt Service Reserve Subaccount so that the amount required by the Master Indenture is on deposit therein when, as and in the amounts therein required;

(iii) Third, subject to the provisions of subsection (f) under the heading “- Flow of Funds – Pledged Rent Payments” below, to the Subordinate Lien Tax-Exempt Debt Service Subaccount and the Subordinate Lien Taxable Debt Service Subaccount, on a pari passu basis, amounts necessary to make the amounts on deposit in the Subordinate Lien Tax-Exempt Debt Service Subaccount and the Subordinate Lien Taxable Debt Service Subaccount equal to the Debt Service due and payable with respect to Subordinate Lien Tax-Exempt Obligations, Subordinate Lien Taxable Obligations and their related Credit Agreement Obligations, as applicable, on the next Debt Service payment date;

(iv) Fourth, to the Subordinate Lien Debt Service Reserve Subaccount the amount required to cause the amounts on deposit in the Subordinate Lien Debt Service Reserve Subaccount to be equal to the Subordinate Lien Debt Service Reserve Requirement, plus any amount required by the Master Indenture to restore or replenish any deficiencies in the Subordinate Lien Debt Service Reserve Subaccount so that the amount required by the Master Indenture is on deposit therein when, as and in the amounts therein required;

(v) Fifth, to the Administrative Expenses Subaccount, an amount necessary to pay Administrative Expenses of which the City has actual notice;

(vi) Sixth, to the Excess Tax Revenue Account, any amount remaining after the foregoing transfers until such time as the City Contribution has been met, as and to the extent set forth in the Master Indenture; and

(vii) Seventh, at such time as the City Contribution has been satisfied, to (A) the Tax-Exempt Obligation Surplus Debt Redemption Subaccount, as specified in a Letter of Instructions, or (B) if the City obtains and delivers to the Trustee an opinion of Bond Counsel to the effect that the deposit of Pledged Special Taxes to the Taxable Obligation Surplus Debt Redemption Subaccount will not have an adverse effect on the exclusion from gross income for federal income tax purposes of interest on Outstanding Tax-Exempt Obligations, to the Taxable Obligation Surplus Debt Redemption Subaccount as specified in a Letter of Instructions.

Flow of Funds – Pledged Rent Payments

On the second Business Day prior to each date payment of Debt Service is due, all Pledged Rent shall be transferred from the Rent Subaccount and applied as follows and subject to the following limitations:

(a) First, unless otherwise directed by a Supplemental Indenture, to the Senior Lien Taxable Debt Service Subaccount an amount necessary to pay Debt Service due and payable on Senior Lien Taxable Obligations and their related Credit Agreement Obligations on the next Debt Service Payment date.

(b) Second, unless otherwise directed by a Supplemental Indenture, to the Subordinate Lien Taxable Debt Service Subaccount an amount necessary to pay Debt Service due and payable on Subordinate Lien Taxable Obligations and their related Credit Agreement Obligations on the next Debt Service Payment date.

(c) Third, to the extent that the Debt Service on all Outstanding Taxable Obligations is less than the amount of Pledged Rent received by the City and deposited to the Rent Subaccount in any bond year and pursuant to a Letter of Instruction, such

excess Pledged Rent shall be used (i) for Capital Improvement Costs or (ii) if the City obtains and delivers to the Trustee an opinion of Bond Counsel to the effect that the application of amounts on deposit in the Rent Subaccount to pay Debt Service on Tax-Exempt Obligations will not have an adverse effect on the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Obligations, to the Senior Lien Tax-Exempt Debt Service Subaccount or the Subordinate Lien Tax-Exempt Debt Service Subaccount, as directed by the City in a Letter of Instructions, or (iii) only if the City Contribution, including Incurred Financing Costs (if any), has been deposited in full to the City Project Cost Account and/or Excess Tax Revenue Account, shall be transferred to the Taxable Obligation Surplus Debt Redemption Subaccount to be used to redeem Taxable Obligations pursuant to the Master Indenture.

(d) Pledged Rent shall never be deposited to an account or subaccount established under the Indenture if the deposit thereof would result in the interest on Tax-Exempt Obligations becoming includable in the gross income of the Owners of Tax-Exempt Obligations.

(e) The Senior Lien Taxable Debt Service Subaccount shall be funded, first, from amounts on deposit in the Rent Subaccount; and second, to the extent that the amount on deposit in the Senior Lien Taxable Debt Service Subaccount is insufficient to pay Debt Service on Senior Lien Taxable Obligations when due, from Pledged Special Taxes on deposit in the Tax Receipts Account; and third, to the extent of any remaining deficiency, from the amounts on deposit in the Senior Lien Debt Service Reserve Subaccount.

(f) The Subordinate Lien Taxable Debt Service Subaccount shall be funded, first, from amounts on deposit in the Rent Subaccount; and second, to the extent that the amount on deposit in the Subordinate Lien Taxable Debt Service Subaccount is insufficient to pay Debt Service on Subordinate Lien Taxable Obligations when due, from Pledged Special Taxes on deposit in the Tax Receipts Account; and third, to the extent of any remaining deficiency, from the amounts on deposit in the Subordinate Lien Debt Service Reserve Subaccount.

(g) If and at such time as all Obligations have been paid in accordance with their terms, amounts representing Pledged Rent, including any amounts on deposit in the Taxable Obligation Surplus Debt Redemption Subaccount, the Senior Lien Taxable Debt Service Subaccount and the Subordinate Lien Taxable Debt Service Subaccount, may thereafter be transferred or deposited, at the written direction of the City, as provided in the Lease.

Adjustments in Transfer Requirements

The amounts required to be transferred to the Senior Lien Tax-Exempt Debt Service Subaccount, the Subordinate Lien Tax-Exempt Debt Service Subaccount, the Senior Lien Taxable Debt Service Subaccount and the Subordinate Lien Taxable Debt Service Subaccount shall be reduced by an amount equal to the total of (i) any moneys already on deposit in the respective subaccounts which are in excess of the amount of Debt Service due on the next Interest Payment Date or Principal Payment Date for the applicable Outstanding Obligations, after taking into account investment earnings actually realized (including accrued interest and amortization of original issue discount or premium), and money deposited therein from the proceeds of Obligations, and (ii) any moneys transferred to the subaccounts at the direction of the City from other funds of the City, if any, that are free of the lien of the Master Indenture. It is provided, however, that the amounts required to be transferred shall never be less than the amount required to pay all amounts due and owing on Outstanding Obligations and Credit Agreement Obligations when due and payable.

The City agrees to require that any amounts payable by a counterparty pursuant to a Swap Agreement with respect to any funds and accounts held by the Trustee shall be paid directly to the Trustee and shall be applied as provided in a Supplemental Indenture or in a Letter of Instructions pursuant to the terms of the Swap Agreement.

Debt Service Account

(a) On the due date therefor, the Trustee shall pay to the Owner out of the applicable subaccount of the Debt Service Account, or to a Credit Provider, as applicable, Debt Service on the Outstanding Obligations or the Credit Agreement Obligations. In the event that the Trustee is not the Paying Agent/Registrar with respect to a series of Obligations, the Trustee shall pay to the Paying Agent/Registrar for such Obligations, one Business Day prior to the date payment thereon is due, the amount of Debt Service required to be paid on such Obligations on such payment date. Such amounts paid to the Paying Agent/Registrar shall be held and applied by the Paying Agent/Registrar as directed in the Master Indenture.

(b) The amount accumulated in the respective subaccounts of the Debt Service Account for each Sinking Fund Installment may, and if so directed and authorized by Supplemental Indenture shall, be applied by the Trustee on the Business Day preceding the due date of such Sinking Fund Installment, as fixed in the Supplemental Indenture, to:

(i) the purchase of Obligations of the series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable from Sinking Fund Installments for such Obligations when such Obligations are redeemable by application of said installments plus unpaid

interest accrued to the date of purchase, such purchases to be made in such manner as is specified in the Supplemental Indenture, or

(ii) the redemption, pursuant to the provisions of the applicable Supplemental Indenture authorizing such Obligations, if then redeemable by their terms, at a price not exceeding the Redemption Price.

(c) If a stated Interest Payment Date or a Principal Payment Date, or a date fixed for redemption of Obligations, shall not be a Business Day, then the Interest Payment Date, Principal Payment Date or redemption date shall be deemed to be the next succeeding Business Day and, payment made on such date, shall have the same force and effect as if made on the original date payment was due.

(d) Amounts on deposit in the Administrative Expenses Subaccount shall be disbursed by the Trustee to pay Administrative Expenses as directed by the City in a Letter of Instructions.

(e) The Obligations may be subject to optional redemption, mandatory sinking fund redemption or special redemption from the Debt Service Account, as set forth in a Supplemental Indenture.

(f) Obligations may be redeemed pursuant to the provisions of a Supplemental Indenture after the date upon which the subaccounts in the Debt Service Account contain amounts sufficient to pay Debt Service on all Outstanding Obligations for the next twelve (12) months.

(g) Payments received by the City pursuant to a Swap Agreement for any series of Obligations shall be deposited to the applicable Debt Service subaccount and used for the payment of Debt Service on the applicable Obligations.

Debt Service Reserve Account

(a) Moneys on deposit in the Senior Lien Debt Service Reserve Subaccount and Subordinate Lien Debt Service Reserve Subaccount, shall be used solely and exclusively for the purposes of making transfers to the respective subaccounts of the Debt Service Account in the event that the moneys on deposit in said subaccounts are not sufficient to pay Debt Service on the Obligations when due, or to make payments to Credit Providers for the payment of Credit Agreement Obligations, on the dates and in the full amounts required by this Indenture, by any Supplemental Indenture, or by any Credit Agreement.

(b) Subject to the rights reserved in subsection (c) of this Section, the subaccounts of the Debt Service Reserve Account shall be established and maintained in the following amounts and in the following manner, to wit:

(i) The Senior Lien Debt Service Reserve Subaccount shall be initially funded from proceeds of Senior Lien Tax-Exempt Obligations and/or other lawfully available funds and subsequently, to the extent required, from transfers from the Tax Receipts Account as provided by the Master Indenture until the Senior Lien Debt Service Reserve Subaccount contains an amount equal to the Senior Lien Debt Service Reserve Requirement.

(ii) The Subordinate Lien Debt Service Reserve Subaccount shall be initially funded from proceeds of Subordinate Lien Tax-Exempt Obligations and/or other lawfully available funds, and subsequently, to the extent required, from transfers from the Tax Receipts Account as provided by the Master Indenture until the Subordinate Lien Debt Service Reserve Subaccount contains an amount equal to the Subordinate Lien Debt Service Reserve Requirement.

(iii) It is expressly provided that proceeds from or attributable to the issuance of any Taxable Obligations shall never be deposited to the Senior Lien Debt Service Reserve Subaccount or the Subordinate Lien Debt Service Reserve Subaccount nor shall they be used to pay or to secure the payment of any Tax-Exempt Obligations, except as set forth in the Master Indenture; and

(iv) Supplemental Indentures authorizing the issuance of Obligations may specify the terms, amounts, and methods of funding any additional Debt Service Reserve Requirements in amounts greater than the amounts initially required for the Obligations.

(c) In lieu of funding the Senior Lien Debt Service Reserve Subaccount, or the Subordinate Lien Debt Service Reserve Subaccount from the proceeds of Obligations or with Pledged Special Taxes to the amount of the Senior Lien Debt Service Reserve Requirement or the Subordinate Lien Debt Service Reserve Requirement, respectively, pursuant to a Letter of Instructions the Trustee shall accept into a Debt Service Reserve Fund Policy providing amounts up to the respective Debt Service Reserve Requirement. Such Debt Service Reserve Fund Policy must provide for the payment of the principal of and interest on the Obligations when due, and in order to avoid a default thereof, up to an amount equal to the respective Debt Service Reserve Requirement to the extent cash and investment in the respective subaccounts of the Debt Service Reserve Account do not equal such Debt Service Reserve Requirement. The total dollar amount of the Debt Service Reserve Fund Policy with respect

to the payment of such Obligations shall be deemed for all purposes hereof to satisfy a corresponding amount of the respective Debt Service Reserve Requirement. A determination by the City that the terms and provisions of a particular Debt Service Reserve Fund Policy is in compliance with the requirements of this subsection shall be conclusive absent manifest error. To the extent Debt Service Reserve Fund Policies are entered into, the Trustee shall pay, pursuant to a Letter of Instructions, the costs thereof from amounts that would otherwise be deposited to the applicable subaccount of the Debt Service Reserve Account pursuant to the Master Indenture. A Debt Service Reserve Fund Policy entered into for the purpose of providing all or a part of the amount equal to the Senior Lien Debt Service Reserve Requirement, or the Subordinate Debt Service Reserve Requirement shall constitute a Credit Agreement hereunder.

(d) If, at any time, a transfer is required from the Senior Lien Debt Service Reserve Subaccount, or the Subordinate Lien Debt Service Reserve Subaccount for the purposes stated in subsection (a) above, the Trustee shall make such transfer on the dates on which transfers are required to be made to the Paying Agent/Registrar under the Master Indenture or a Supplemental Indenture; provided, that cash and investments on deposit in the applicable Debt Service Reserve Subaccount shall be applied for such purposes prior to making demand under a Credit Agreement for such purpose.

(e) Amounts on deposit in the Senior Lien Debt Service Reserve Subaccount shall be calculated by the Trustee as of September 1 in each fiscal year and upon the redemption of Outstanding Senior Lien Taxable Obligations or Outstanding Subordinate Lien Obligations pursuant to the provisions of a Supplemental Indenture. After such calculations, any funds on deposit in the Senior Lien Debt Service Reserve Subaccount in excess of the Senior Lien Debt Service Reserve Requirement shall be transferred to the Senior Lien Tax Receipts Subaccount for further deposits pursuant to the Master Indenture; provided, however, that no transfers from the Senior Lien Debt Service Reserve Subaccount shall be made pursuant this section that would reduce the amount on deposit in the Senior Lien Debt Service Reserve Subaccount to an amount that is less than the Maximum Annual Debt Service on the Outstanding Senior Lien Obligations

(f) Amounts on deposit in the Subordinate Lien Debt Service Reserve Subaccount shall be calculated by the Trustee as of September 1 in each fiscal year and upon the redemption of Outstanding Subordinate Lien Obligations. After such calculations, any funds on deposit in the Subordinate Lien Debt Service Reserve Subaccount in excess of the Subordinate Lien Debt Service Reserve Requirement, shall be transferred to the Tax Receipts Account for further deposits pursuant to the Master Indenture; provided, however, that no transfers from the Senior Lien Debt Service Reserve Subaccount shall be made pursuant this section that would reduce the amount on deposit in the Senior Lien Debt Service Reserve Subaccount to an amount that is less than the Maximum Annual Debt Service on the Outstanding Senior Lien Obligations.

Restoration of Deficiencies

Should the Subaccounts of the Debt Service Account or the Subaccounts of the Debt Service Reserve Account, or any other fund or account, contain less than the amount required to be on deposit in the Subaccounts therein, then such deficiency shall be restored from the first available Pledged Special Taxes pursuant to the priority set forth in the Master Indenture, and further transfers to any accounts pursuant to the Master Indenture shall be suspended until such deficiency has been restored. If such amounts are insufficient to cure any deficiencies, amounts on deposit in the Taxable Obligation Surplus Debt Redemption Account, for which notice has not been given with respect to the redemption of Taxable Obligations, shall be transferred first to the Senior Lien Taxable Debt Service Subaccount or Senior Lien Debt Service Reserve Subaccount, as applicable to restore any such deficiency and then to the Subordinate Lien Taxable Debt Service Subaccount or Subordinate Lien Debt Service Reserve Subaccount, as applicable; amounts on deposit in the Tax-Exempt Obligation Surplus Debt Redemption Account, for which notice has not been given with respect to the redemption of Tax-Exempt Obligations, shall be deposited first to the Senior Lien Tax-Exempt Debt Service Subaccount or the Senior Lien Debt Service Reserve Subaccount as applicable to restore any such deficiency and then to the Subordinate Lien Tax-Exempt Debt Service Subaccount or the Subordinate Lien Debt Service Reserve Subaccount, as applicable. Pledged Rent shall not be deposited to the Senior Lien Debt Service Reserve Subaccount or to the Subordinate Lien Debt Service Reserve Subaccount.

Surplus Debt Redemption Account

(a) Amounts deposited to the subaccounts of the Surplus Debt Redemption Account pursuant to the Indenture shall be used and applied in accordance with this Section.

(b) Until expended, money on deposit in the subaccounts of the Surplus Debt Redemption Account shall be invested in Investment Securities as set forth in a Letter of Instructions, subject to any investment restrictions set forth in a Credit Agreement or Supplemental Indenture.

(i) Moneys deposited to the Tax-Exempt Obligation Surplus Debt Redemption Subaccount shall be applied exclusively for the purpose of (i) redeeming any Tax-Exempt Obligations that are subject to redemption prior to Stated Maturity from money on deposit therein, (ii) purchasing Tax-Exempt Obligations for cancellation, at the option of the City, at a price not to exceed the principal amount thereof plus accrued interest; (iii) to optionally redeem Tax-Exempt Obligations subject to optional redemption; and (iv) to discharge Outstanding Tax-Exempt Obligations not otherwise scheduled for redemption by their terms, pursuant to the provisions of the Master Indenture.

(ii) Amounts on deposit in the Taxable Surplus Debt Redemption Subaccount shall be applied to the redemption, discharge or purchase of Taxable Obligations as directed in a Letter of Instructions.

(c) Notwithstanding any provision to the contrary herein, in the event the amount on deposit in the Senior Lien Tax-Exempt Debt Service Subaccount or the Subordinate Lien Tax-Exempt Debt Service Subaccount is insufficient to pay Debt Service on Tax-Exempt Obligations when due, amounts on deposit in the Tax-Exempt Surplus Debt Redemption Subaccount shall be transferred first to the Senior Lien Tax-Exempt Debt Service Subaccount and then to the Subordinate Lien Tax-Exempt Debt Service Subaccount pursuant to the provisions of the Master Indenture, in each case to the extent of such deficiency, prior to transferring amounts on deposit from the Senior Lien Debt Service Reserve Subaccount or Subordinate Lien Debt Service Reserve Subaccount, respectively, for such purpose.

(d) Notwithstanding any provision to the contrary herein, in the event the amount on deposit in the Senior Lien Taxable Debt Service Subaccount or the Subordinate Lien Taxable Debt Service Subaccount is insufficient to pay Debt Service on Taxable Obligations when due, amounts on deposit in the Taxable Obligation Surplus Debt Redemption Subaccount shall be transferred first to the Senior Lien Taxable Debt Service Subaccount and then to the Subordinate Lien Taxable Debt Service Subaccount, pursuant to the provisions of the Master Indenture, in each case to the extent of such deficiency, prior to transferring amounts on deposit from the Senior Lien Debt Service Reserve Subaccount or Subordinate Lien Debt Service Reserve Subaccount, respectively, for such purpose.

Investment of Funds and Accounts

(a) Subject to restrictions set forth in a Credit Agreement, if any, amounts in any fund or account created under the Master Indenture may, to the extent permitted by Applicable Law, be invested in Investment Securities. All investments shall be made by the Trustee pursuant to a Letter of Instructions which Letter of Instructions shall be in accordance with Applicable Law and the City's investment policy approved by the City Council from time to time. Such investments shall mature in such amounts and at such times as may, in the judgment of the Authorized Officer executing such Letter of Instructions, be necessary to provide funds when needed to make timely payments from such fund or account. In order to avoid loss in the event of a need for funds, the City may, in lieu of a liquidation of investments in the fund or account needing funds, exchange such investments for investments in another fund or account that may be liquidated at no, or at a reduced, loss.

(b) Except as otherwise provided in the Master Indenture, obligations purchased as an investment of moneys in any fund or account or subaccount created in or confirmed by the Master Indenture shall be deemed at all times to be a part of such fund or account and, except to the extent otherwise provided in the Master Indenture, the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

(c) Investment Securities held in the accounts and subaccounts hereunder shall be valued by the Trustee at their book value, excluding accrued interest, as of the last business day of each month, in accordance with the City's official investment policy approved by the City Council from time to time.

(d) Except as otherwise provided in the Master Indenture, the Trustee shall sell or cause to be sold at the best price obtainable, or present for redemption or exchange, any Investment Security purchased as an investment pursuant to the Master Indenture whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made.

(e) To the extent not invested in Investment Securities, funds and accounts shall be fully secured in the same manner as is required for the public funds of the City.

Additional Obligations

The City reserves the right to issue Additional Senior Lien Obligations and Additional Subordinate Lien Obligations (together, the "Additional Obligations"); however, once the City has fully funded the City Contribution to the Rangers Project, which is expected with the issuance of the Bonds, the City will no longer be able to issue Additional Obligations for new money purposes and the issuance of Additional Obligations will be solely for the purposes of restructuring and/or refunding Outstanding Obligations.

Refunding Obligations... The City reserves the right to issue Additional Obligations for the purpose of refunding Outstanding Obligations (of the same or lower priority) (the "Refunding Obligations") or related outstanding Credit Agreement Obligations in principal amount, after giving effect to any premiums received on the sale thereof, sufficient to provide for the payment thereof.

(a) Each series of Refunding Obligations shall be authorized and issued pursuant to a Supplemental Indenture which shall prescribe the terms of such Refunding Obligations and the security therefor; provided, that, tax-exempt Refunding Obligations shall be issued only upon receipt by the Trustee of an opinion of Bond Counsel to the effect that the issuance and delivery of the

Refunding Obligations will not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on Outstanding Tax-Exempt Obligations.

(b) Refunding Obligations which meet either of the two tests described in (i) or (ii) below shall NOT be subject to the tests in paragraphs (c) and (d):

(i) The issuance of the Refunding Obligations would result in a net present value savings of Debt Service to the City; or

(ii) The issuance of the Refunding Obligations would result in a reduction of the City's Maximum Annual Debt Service for all Outstanding Obligations.

(c) Additional Senior Lien Obligations that do NOT meet either of the two tests described in paragraph (b) above shall be issued only if:

(i) The City is not then in default as to any covenant, condition or obligation prescribed by any Indenture authorizing the issuance of Outstanding Obligations or such Additional Senior Lien Obligations;

(ii) The Director of Finance of the City has executed a certification that the Pledged Special Taxes (with respect to Additional Senior Lien Tax-Exempt Obligations) or the Pledged Special Taxes and Pledged Rent (with respect to Additional Senior Lien Taxable Obligations) for either the completed fiscal year next preceding the date of issuance of the Additional Senior Lien Obligations or a consecutive twelve-month period out of the last fifteen months next preceding the date of issuance of the Additional Senior Lien Obligations is equal to at least 1.30 times the Maximum Annual Debt Service (calculated on a fiscal year basis and net of capitalized interest to be used in that year, if any) of all Senior Lien Obligations which will be outstanding after the issuance of the proposed Additional Senior Lien Obligations; and

(iii) The Director of Finance of the City has executed a certification that the pro forma Pledged Special Taxes (with respect to Additional Senior Lien Tax-Exempt Obligations) or the pro forma Pledged Special Taxes and Pledged Rent (with respect to Additional Senior Lien Taxable Obligations), using reasonable revenue growth assumptions, will be at least 1.10 times the annual Debt Service (calculated on a fiscal year basis and net of capitalized interest to be used in that year, if any) in each fiscal year of all Obligations which will be outstanding after the issuance of the proposed Additional Senior Lien Obligations; and

(d) Additional Subordinate Lien Obligations that do NOT meet either of the two tests described in paragraph (b) above shall be issued only if:

(i) The City is not then in default as to any covenant, condition or obligation prescribed by any Indenture authorizing the issuance of Outstanding Obligations or such Additional Subordinate Lien Obligations; and

(ii) The Director of Finance of the City has executed a certification that the pro forma Pledged Special Taxes (with respect to Additional Subordinate Lien Tax-Exempt Obligations) or the pro forma Pledged Special Taxes and Pledged Rent (with respect to Additional Subordinate Lien Taxable Obligations), using reasonable revenue growth assumptions, will be at least 1.10 times the annual Debt Service (calculated on a fiscal year basis and net of capitalized interest to be used in that year, if any) in each fiscal year of all Obligations which will be outstanding after the issuance of the proposed Additional Subordinate Lien Obligations.

(e) The City may issue Refunding Obligations for the purpose of obtaining funds to pay a Termination Payment due to the counterparty to a Swap Agreement in connection with the termination thereof. The lien of the Master Indenture and payment of Refunding Obligations issued pursuant to this paragraph (e) shall be subordinate to the lien and payment of Obligations or Credit Agreement Obligations issued for any purpose specified in the Master Indenture.

PLEGDED SPECIAL TAXES AND PLEDGED RENT

Sales Taxes

As shown below, the City currently collects a total of 1.75% in sales taxes within the City. The City collects a 1.00% sales tax that is used by the City for various governmental functions. The City's 1.00% sales tax is not pledged to the Bonds. The City also collects a 0.25% sales tax specifically for street maintenance purposes. The 0.25% sales tax collected for street maintenance purposes is not pledged to the Bonds. Only the City's 0.50% sales tax levied and collected specifically for the benefit of the Arlington Venue Projects pursuant to Chapter 334, is pledged to the Bonds. The State also levies a 6.25% sales tax within the City. The State sales tax is not pledged to the payment of the Bonds.

Sales Taxes		
General Government	1.00%	
Street Maintenance	0.25%	
Venue Projects (the "Sales Tax")	0.50% ⁽¹⁾	
Total City Sales Tax Rate		1.75%
State Sales Tax Rate		<u>6.25%</u>
Total Sales Tax Rate		8.00%

⁽¹⁾ Pledged to the Bonds.

In general, as applied to the Sales Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable Services" include certain amusement services; personal services; cable television services; motor vehicle parking and storage services; the repair, maintenance and restoration of most tangible personal property; certain telecommunication services; credit reporting services; debt collection services; insurance services; information services; real property services; data processing services; real property repair and remodeling services; and security services, telephone answering services; internet access services; and certain transmission or delivery of taxable electricity usage. Many items are exempted by State law from sales and use taxes, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g. by restaurants, lunch counters, etc.), health care supplies (including medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use (unless a city has taken steps to repeal the exemption), certain telecommunication services, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations. Also, State law provides an exemption from sales taxes on items purchased under a contract in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years.

In general, a sale of a taxable item is deemed to occur within the municipality, county or special district in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a municipality, and the tax is levied there, if the item is shipped from outside the state or from a municipality which does not impose a use tax, to a point within a municipality that imposes a use tax.

The Comptroller of Public Accounts of the State of Texas (the "State Comptroller") administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under non-sales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities and counties, including the tax base against which the Sales Tax is levied. Municipalities may by local option determine to tax certain telecommunications services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation). With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales tax, while municipalities, on a local basis, may tax such use.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the State Comptroller by the "taxpayer", who is, generally speaking, the business that collects the tax resulting from a taxable transaction. The State Comptroller collects sales and use taxes based upon the amount of taxes reported by the seller or purchaser. Taxpayers who collect \$500 or more in state sales or use tax in a month must file monthly. Monthly sales and use tax returns are due on or before the 20th day of the month following the month in which the taxes were collected. Taxpayers who collect less than \$500 state sales and use tax per month (or less than \$1,500 per calendar quarter) may file quarterly. Quarterly sales and use tax returns are due on or before the 20th day of the month after the end of the quarter in which the taxes were collected. Taxpayers who collect less than \$1,000 in state sales and use tax per year may file yearly. Yearly sales and use tax returns are due on or before January 20th. The State Comptroller keeps 2 percent of the sales taxes as payment for the State's services in collecting the taxes, and the State Comptroller then remits the municipality its portion of taxes collected. Under State law, a taxpayer may deduct and withhold 1/2 percent of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, taxpayers who file monthly or quarterly may prepay the taxes due; the amount of prepayment must be a reasonable estimate of the state and local tax liability for the entire reporting period. A taxpayer who prepays its tax liability on this basis may deduct and withhold 1 1/4 percent of the amount of the prepayment in addition to the 1/2 percent allowed for the cost of collecting the sales and use tax. The State Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible, but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the State Comptroller distributes the funds monthly. In 1989, the State Comptroller initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the State Comptroller. The City participates in this program. Otherwise, the State Comptroller mails the monthly allocation check, which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The following table sets forth the month in which political subdivisions typically receive their sales and use tax receipts by type of reporting taxpayer.

Monthly Allocation Received	Includes the Following Reporting Taxpayers
January	Monthly
February	Monthly - Quarterly - Yearly
March	Monthly
April	Monthly
May	Monthly - Quarterly
June	Monthly
July	Monthly
August	Monthly - Quarterly
September	Monthly
October	Monthly
November	Monthly - Quarterly
December	Monthly

The State Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the State Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. A person who has already filed security is exempt from filing security and is entitled, on request, to have the State Comptroller return the security if in the State Comptroller's judgment the person has for two consecutive years continuously complied with the conditions of the security. The State Comptroller's audit procedures include auditing the largest 2 percent of the sales and use taxpayers (who report about 65 percent of all sales and use tax in the State annually), each every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The State Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the State Comptroller may collect the delinquent tax by using one or more of the following methods: (1) collection by an automated collection center or local field office; (2) estimating the taxpayer's liability based on the highest amount due in the previous 12 months and billing them for it; (3) filing liens and requiring a new or increased payment bond; (4) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties; (5) removing a taxpayer's sales and use tax permit; and (6) certifying the account to the Attorney General's Office to file suit for collection. A municipality may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the State Comptroller.

For a table showing the City's collection of the 0.5% Sales Tax pledged to the payment of the Bonds. See "Table 6 -- Pledged Special Taxes."

The top 10 sales tax payers account for 17.9% of total collections and represent a very diversified group of entities. The City has approximately 11,794 retailers overall. The strongest single retail segment is restaurants and bars accounting for approximately 13.5% in 596 establishments. The single largest retailer represents approximately 0.5% of total collections.

Motor Vehicle Rental Tax

The City’s motor vehicle rental tax of 5.00% is collected pursuant to Chapter 334, Texas Local Government Code, as amended. The tax is collected monthly and is due to the City by the end of the month following the month of collection. The State levies a rental car tax but the reporting of such tax is not done on a geographic basis. For a table showing collections of the Motor Vehicle Rental Tax pledged to the payment of the Bonds. See “Table 6 – Pledged Special Taxes.”

Hotel Tax

Under the provisions of Section 351.002 and 351.003 of the Texas Tax Code, the City is authorized to levy and collect a hotel occupancy tax not to exceed seven percent of the price paid for a room in a hotel in the City which costs \$2 or more per day and is ordinarily used for sleeping to pay for or finance a variety of public improvements, including, specifically, convention center facilities. Currently, the City collects a 7.00% hotel occupancy tax pursuant to the Texas Tax Code, the proceeds of which are used to fund various programs in the City, including the City’s Convention Center operations and its Convention and Visitor’s Bureau. The City’s 7.00% hotel occupancy tax is not pledged to the payment of the Bonds. The City also levies and collects a 2.00% hotel occupancy tax pursuant to Chapter 334, Texas Local Government Code, as amended (the Hotel Tax). Only the 2.00% Hotel Tax collected pursuant to Chapter 334, Texas Local Government Code is pledged to the Bonds. The State levies and collects a 6.00% hotel occupancy tax. The State hotel occupancy tax is not pledged to the Bonds. For a table showing the City’s collection of the 2.00% Hotel Tax pledged to the payment of the Bonds. See “Table 6 – Pledged Special Taxes.”

Local Hotel Occupancy Taxes		
Convention and Tourism	7.00%	
Venue Projects (the "Hotel Tax")	<u>2.00%</u> ⁽¹⁾	
Total Local Hotel Occupancy Tax Rate		9.00%
State Hotel Occupancy Tax Rate		<u>6.00%</u>
Total Hotel Occupancy Tax Rate		15.00%

⁽¹⁾ Pledged to the Bonds.

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The City's top 20 hotels by the number of rooms is shown in the table below:

Property Name	Property Location	# of Rooms
Sheraton Arlington	1500 Convention Center Dr	311
Hilton	2401 E Lamar Blvd	308
Doubletree by Hilton Arlington DFW South	1507 N Watson Rd	237
Crowne Plaza Suites	700 Avenue H East	202
Blue Cypress Hotel & Resort	117 S Watson Rd	192
La Quinta # 692 North	825 N Watson Rd	178
Homewood Suites by Hilton	4550 Waxwing Drive	155
Hilton Garden Inn Arlington South	521 E. Interstate 20	155
Holiday Inn	1311 Wet N Wild Way	147
Motel 6 #6036 - South Arlington	1980 W Pleasant Ridge Rd	142
Homestead Studio Suites # 9704	1221 N Watson Rd	137
Studio Plus # 46	2420 E Lamar Blvd	137
Courtyard by Marriott	1500 Nolan Ryan Expwy	132
Intown Suites Arlington Oak Village	1727 Oak Village Blvd	132
Intown Suites Six Flags	2211 N Collins St	132
Hilton Garden Inn Arlington	2190 E Lamar Blvd	132
Hawthorn Suites	2401 Brookhollow Plaza Dr	129
La Quinta # 960 South	4001 Scots Legacy Dr	128
Hyatt Place	2380 E Road to Six Flags	127
Sleep Inn Arlington	750 Six Flags Dr	126

Pledged Special Taxes Collections

The table below displays the Pledged Special Taxes from the collection of the 0.50% Sales Tax, 2.00% Hotel Tax, and 5.00% Motor Vehicle Rental Tax. All such Pledged Special Taxes are levied and collected pursuant to Chapter 334 and are pledged to the payment of the Bonds, together with the Series 2017 Bonds, Additional Senior Lien Obligations, Additional Subordinate Lien Obligations, and related Credit Agreement Obligations.

Table 6 - Pledged Special Taxes

The table below displays the history of the City's collections of the Pledged Special Taxes since the taxes were imposed in 2005. (Note that only a ten year history will be shown in future continuing disclosure filings.) Collections over the last 12 months ending in February 2018 are \$34,506,999, which is the amount of Pledged Special Taxes the City will use to certify compliance with the debt service coverage requirements for the issuance of the Bonds.

Fiscal Year	Sales Tax Receipts	Percent Change	Percent of Total Pledged Revenue	Hotel Tax Receipts	Percent Change	Percent of Total Pledged Revenue	Motor Vehicle Rental Tax Receipts	Percent Change	Percent of Total Pledged Revenue	Total Pledged Special Tax Receipts	Total Percent Change
2005 ⁽¹⁾	\$10,199,454			\$ 730,787			\$ 366,959			\$11,297,200	
2006	22,070,968			1,360,672			793,711			24,225,351	
2007	22,653,714	2.6%	91.0%	1,459,619	7.3%	5.9%	781,397	-1.6%	3.1%	24,894,730	2.8%
2008	23,486,334	3.7%	91.3%	1,517,390	4.0%	5.9%	726,384	-7.0%	2.8%	25,730,108	3.4%
2009	23,122,330	-1.5%	92.1%	1,376,441	-9.3%	5.5%	597,408	-17.8%	2.4%	25,096,179	-2.5%
2010	23,610,462	2.1%	92.0%	1,485,956	8.0%	5.8%	578,274	-3.2%	2.3%	25,674,692	2.3%
2011	24,704,639	4.6%	91.0%	1,823,412	22.7%	6.7%	630,567	9.0%	2.3%	27,158,618	5.8%
2012	25,576,155	3.5%	91.3%	1,757,222	-3.6%	6.3%	670,165	6.3%	2.4%	28,003,542	3.1%
2013	26,716,577 ⁽²⁾	4.5%	91.3%	1,891,698	7.7%	6.5%	662,010	-1.2%	2.3%	29,270,285	4.5%
2014	26,706,128	0.0%	90.7%	2,090,079	10.5%	7.1%	638,400	-3.6%	2.2%	29,434,607	0.6%
2015	28,175,880	5.5%	90.5%	2,239,887	7.2%	7.2%	709,485	11.1%	2.3%	31,125,252	5.7%
2016	29,447,861	4.5%	89.8%	2,407,926	7.5%	7.3%	934,377	31.7%	2.8%	32,790,164	5.3%
2017	30,235,652	2.7%	89.4%	2,568,323	6.7%	7.6%	1,002,859	7.3%	3.0%	33,806,835	3.1%

⁽¹⁾ Represents a partial year of collections. The City began levying and collecting the Pledged Special Taxes in mid-2005.

⁽²⁾ Includes approximately \$500,000 in adjustments for years 2007 to 2012 paid to the City by the State Comptroller.

Pledged Rent

Based on the terms of the Lease for the Rangers Ballpark, the City expects to receive Pledged Rent consisting of \$2,000,000 annually, payable in monthly installments, beginning on the date that the Rangers Ballpark becomes operational and continuing through January 1, 2054. The rental payments shall only be pledged to the Series 2018B Bonds and any Additional Taxable Obligations; however, Pledged Rent payments may be used for the payment of Tax-Exempt Obligations under certain circumstances. See "SECURITY FOR THE BONDS - Flow of Funds - Pledged Rent Payments".

BOND INSURANCE

BOND INSURANCE POLICY FOR THE SERIES 2018A BONDS

Concurrently with the issuance of the Series 2018A Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its municipal bond insurance policy for the Series 2018A Bonds (the "AGM Policy"). The AGM Policy guarantees the scheduled payment of principal of and interest on the Series 2018A Bonds when due as set forth in the form of the AGM Policy included as Appendix E to this Official Statement.

The AGM Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On January 23, 2018, KBRA issued a financial guaranty surveillance report in which it affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On June 26, 2017, S&P issued a research update report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 8, 2016, Moody's published a credit opinion affirming its existing insurance financial strength rating of "A2" (stable outlook) on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Capitalization of AGM

At December 31, 2017:

- The policyholders' surplus of AGM was approximately \$2,254 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,108 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves of AGM and its subsidiaries (as described below) were approximately \$1,657 million. Such amount includes (i) 100% of the net unearned premium reserves of AGM and AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, CIFG Europe S.A. and Assured Guaranty (London) plc (together, the "AGM European Subsidiaries") and (ii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves and net unearned premium reserves of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves of the AGM European Subsidiaries were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Series 2018A Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "BOND INSURANCE - Bond Insurance Policy for the Series 2018A Bonds - Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

AGM makes no representation regarding the Series 2018A Bonds or the advisability of investing in the Series 2018A Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE- Bond Insurance Policy for the Series 2018A Bonds".

BOND INSURANCE POLICY FOR THE SERIES 2018C BONDS

Concurrently with the issuance of the Series 2018C Bonds, Build America Mutual Assurance Company ("BAM") will issue its municipal bond insurance policy for the Series 2018C Bonds (the "BAM Policy"). The BAM Policy guarantees the scheduled payment of principal of and interest on the Series 2018C Bonds when due as set forth in the form of the BAM Policy included as an exhibit to this Official Statement.

The BAM Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at:

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2018C Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2018C Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2018C Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the BAM Policy), and BAM does not guarantee the market price or liquidity of the Series 2018C Bonds, nor does it guarantee that the rating on the Series 2018C Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2017 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$515 million, \$87.7 million and \$427.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Series 2018C Bonds or the advisability of investing in the Series 2018C Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE- Bond Insurance Policy for the Series 2018C Bonds".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Series 2018C Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2018C Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2018C Bonds, whether at the initial offering or otherwise.

BOND INSURANCE RISK FACTORS

The City has obtained a commitment from AGM (an "Insurer") to provide the AGM Policy and a commitment from BAM (an "Insurer") to provide the BAM Policy. The Series 2018A Bonds and the Series 2018C Bonds are collectively referred to herein as the "Insured Bonds". The following risk factors related to municipal bond insurance policies generally apply.

In the event of default of the scheduled payment of principal of or interest on the Insured Bonds when all or a portion thereof becomes due, any owner of the Insured Bonds shall have a claim under the respective Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Insured Bonds by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the respective Policy; however, such payments will be made by the respective Insurer at such time and in such amounts as would have been due absence such prepayment by the City (unless the respective Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Insured Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS – Defaults and Remedies"). The respective Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the bondholders.

The long-term ratings on the Insured Bonds will be dependent in part on the financial strength of the respective Insurer and its claims-paying ability. The respective Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the respective Insurer and of the ratings on the Insured Bonds, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Insured Bonds. See the disclosure described in "ADDITIONAL INFORMATION - Ratings" herein.

The obligations of the Insurers under their Policies are general obligations of the respective Insurer and in an event of default by an Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Financial Advisor or the Underwriters has made independent investigation into the claims-paying ability of any Insurer and no assurance or representation regarding the financial strength or projected financial strength of any Insurer is given.

INVESTMENT CONSIDERATIONS

Source of Payment is Limited

The Bonds are special obligations of the City and are secured by and payable solely from the sources pledged under the Master Indenture. The Bonds are not a debt or obligation of the State, Tarrant County, or any other municipality or entity. The Owners thereof shall never have the right to demand payment of the Bonds from any source other than the Pledged Special Taxes and the Pledged Tax-Exempt Obligation Accounts, to the extent of the rights of Owners thereto. The Bonds are not payable from and are not secured by an ad valorem tax on the property of the City.

There is no mortgage or other security interest in the Cowboys Project or the Rangers Project in favor of the Owners.

Fluctuation in Collections of Pledged Special Taxes

The primary source of payment for the Senior Lien Obligations (including the Series 2018A and Series 2018B Bonds) and Subordinate Lien Obligations (including the Series 2018C Bonds) is a lien on and pledge of Pledged Special Taxes, consisting of the Sales Tax, the Hotel Tax, and the Motor Vehicle Rental Tax. Taxable Obligations (including the Series 2018B Bonds) are additionally secured by the Pledged Rent.

The City expects that the major portion of the Pledged Special Taxes will be derived from the collection of the Sales Tax. Over the past ten years the City has experienced fluctuation in the amount of Sales Tax revenue generated within the City. Similar fluctuations have been experienced in the collection of the Hotel Tax and the Motor Vehicle Rental Tax. See "Table 6 – Pledged Special Taxes" and "APPENDIX A – THE CITY OF ARLINGTON, TEXAS ECONOMIC AND DEMOGRAPHIC FACTORS".

The generation of revenues from the Pledged Special Taxes is subject to a variety of factors, none of which are within the City's control. Collections can be adversely affected by (a) changes in State Law and administrative practices governing the remittance and allocation of receipts, (b) changes in the tax base against which the Pledged Special Taxes are assessed, and (c) changes in economic activity and conditions within the City and general geographic area.

The amount of Pledged Special Taxes received by the City is dependent on people coming to the City, renting motor vehicles, staying in hotels and motels, and spending money within the City. Many factors may affect these revenues including the price of fuel, the general cost of living, the employment levels of employers within and outside of the City, discretionary spending on items that would produce Pledged Special Taxes and the overall impact of the economy to individuals that would otherwise be contributing to the Pledged Special Taxes. The City is unable to predict what impact economic conditions such as these may have on the continued collection of the Pledged Special Taxes.

Although the City has no reason to expect that receipts of Sales Tax and other Pledged Special Taxes will ever be insufficient to pay its outstanding Bonds and other Obligations, the City can give no assurance that the Pledged Special Taxes actually received will be sufficient to provide the amounts needed to fully pay debt service on the Bonds and other Obligations when due.

Increases in Internet sales may result in a decrease in Sales Tax revenue to the City. The emergence of Internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the state and national level. In October, 1998, the United States Congress enacted the Internet Tax Freedom Act which provided a three year moratorium on certain aspects of taxation of the Internet (existing taxes imposed by Texas were exempted from the moratorium). Congress extended the moratorium for additional three-year terms in 2001 and 2004. In October 2007, Congress extended the moratorium for an additional seven years through 2014. The Internet Tax Freedom Act was made permanent on June 9, 2015 without amendment. For more information, see <https://www.congress.gov/bill/114th-congress/house-bill/235>. Legislative changes relating to the taxation of Internet sales and services, and any effect of such changes on the Sales Tax received by the City, cannot be predicted at this time.

Additionally, the tax base of taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the Texas legislature. See "PLEGGED SPECIAL TAXES AND PLEGGED RENT - Sales Tax". Texas law generally provides that the Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

The Texas Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8.25 percent, and the current total sales and use tax rate within the City's boundaries is 8 percent (including State, City, and sales, street maintenance, and use taxes as well as the Sales Tax). The State has no personal or corporate income tax. The rate of the sales and use taxes authorized in the State could be further increased by the Legislature and the City has no way of predicting any such increase or the effect that would have on the Sales Tax which secures the Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could affect the tax base against which the Sales Tax is levied; and the City, except in certain limited instances described below, has no control over the components of the tax base. The City currently has no statutory or other authority to increase or decrease the rate of the Sales Tax.

Collection of Sales Tax Beyond City's Control

Generally, the seller of taxable items and services collects the Sales Tax from the consumer at the point of a taxable transaction and remits the taxes to the Comptroller. The City has no control over the collection efforts of the Comptroller and the Comptroller's collection efforts are subject to applicable State law and to federal bankruptcy code provisions with respect to the protection of debtors.

Remittance of Sales Tax by Comptroller

State law requires the Comptroller to remit sales taxes to the City on a quarterly basis. As a matter of convenience and accommodation to local taxing entities, the Comptroller currently remits sales taxes to the City and other taxing units on a monthly basis. While there is no reason to believe that the Comptroller's current practice will be discontinued, there is no assurance that the Comptroller will continue to remit these sales taxes on a monthly basis. Thus, temporary cash flow irregularities could occur.

Although State law protects sales tax data of individual tax payers, the City is entitled to confidential information from remitters of Sales Tax in the City, which it uses to monitor collection efforts of the Comptroller and to target economic development objectives. The availability of such information has made the City aware that a large "big box" retailer or other entity, such as a national call center located in the City, may produce a significant percentage of Sales Tax revenues for the City, and that such entities can have business reversals, may occasionally redirect resources and may relocate from the City, thereby potentially adversely affecting Sales Tax revenues. The City uses economic development incentives, zoning and other City services in accordance with strategies designed to retain and attract new businesses to the City, although such efforts are subject to competition from other municipalities in the area, in the State and nationally.

Subordinate Lien Obligations

The Series 2018C Bonds are Subordinate Lien Obligations. As such, their claim on the Pledged Revenues is inferior to the claim of the Senior Lien Obligations and will be paid after Debt Service on the Senior Lien Obligations and making any required deposits to the Senior Lien Debt Service Reserve Subaccount. See "SECURITY FOR THE BONDS – Flow of Funds – Pledged Special Taxes".

Rent Payments

The Taxable Obligations including the Series 2018B Bonds are secured by the Pledged Rent in addition to the Pledged Special Taxes. Receipt of Pledged Rent payments is contingent on the Rangers Ballpark being completed and the ability of the Tenant (as defined herein) to make such payments. The first Rent Payment will begin on the Operational Date, currently scheduled for the Rangers' first regular season home game of the 2020 baseball season. See "THE RANGERS BALLPARK; THE LEASE AND RELATED AGREEMENTS – Rangers Ballpark Lease Agreement".

THE RANGERS BALLPARK; THE LEASE AND RELATED AGREEMENTS

The Texas Rangers

The Texas Rangers are a professional baseball team existing and operating under the rules and regulations of Major League Baseball. The Texas Rangers corporate offices are located within the City and the team plays their home games at the existing Globe Life Park in Arlington (the "Existing Ballpark"). Upon the issuance of the Bonds to fund the construction of a new baseball stadium, the team will play its home games at the new Rangers Ballpark to be constructed within the City.

Description of Rangers Ballpark

The new Rangers Ballpark will be a flexible, retractable roof, multi-purpose, multi-functional ballpark and sports, special events, concert and community and entertainment venue project designed to seat approximately 40,000 spectators to be used for the home games for the Texas Rangers and which may also be used for one or more additional professional or amateur sporting events, and which may also contain additional retail, restaurant and food establishments, team training facilities and museums, and which term also includes water, sewer, drainage and road improvements, necessary to service the Rangers Ballpark, as well as parking facilities adjacent to the Rangers Ballpark.

Ballpark Funding and Closing Agreement

Pursuant to the Ballpark Funding and Closing Agreement dated as of July 3, 2017 and as amended January 30, 2018 (the "Agreement"), by and between the City and Rangers Stadium Company (the "Tenant"), the tenant under the Rangers Ballpark Lease Agreement dated July 3, 2017 between the Tenant and the City (the "Lease"), the City and Tenant agreed to the method of funding and constructing the Rangers Project. Under the Agreement, the City, subject to its discretion, agreed to fund the City Contribution. The Tenant agreed under the Agreement to fund the difference between the project costs of the Rangers Project and the City Contribution. Also in the Agreement, in the event that the City cannot fund the City Contribution in net bond proceeds to fund the Rangers Project, the City agreed to allow excess Pledge Special Tax revenues not needed for debt service on any outstanding Obligations, to be transferred to an account (the "Excess Tax Revenue Account") to pay construction costs or to reimburse the Tenant for reimbursement costs until the City Contribution is reached in aggregate. The City also agreed to pay the Tenant's financing costs for funding the deficit in the City Contribution. The City is not required to pay or reimburse the Tenant for any deficit in the City Contribution if the deficit is fully funded to the Excess Tax Revenue Account prior to the expenditure of the proceeds of the Obligations issued to finance the construction of the Rangers Project. Also pursuant to the Agreement, the Tenant is required to demonstrate to the City its ability to fund the construction costs of the Rangers Project (less the City Contribution) before the City issues Obligations to fund the City Contribution. The proceeds of the Bonds issued to fund the City Contribution shall not be released to pay the construction costs of the Rangers Ballpark until the City has been provided a guaranteed maximum price construction contract for the construction of the Rangers Ballpark. As a result of the City Contribution being fully funded with the proceeds of the Bonds, no construction costs or reimbursements are being paid from the Excess Tax Revenue Account.

Rangers Ballpark Lease Agreement

The Lease provides for the lease of the land on which the Rangers Ballpark is to be constructed as well as the Rangers Ballpark upon construction. The Lease commenced on July 3, 2017 and terminates on January 1, 2054. The Lease term may be extended for two additional periods of five years each. The Tenant pays the City annual rental payments of \$2,000,000 (payable in monthly installments), a portion of which is to be derived from the proceeds received by the Tenant or its Affiliates from the sale of the naming rights for the Rangers Ballpark, during the initial term and annual rental payments of \$1,000,000 (payable in monthly installments) during the extension periods. Notwithstanding the above, the Tenant and the City may agree to an increase in the amount of Base Rent in order to accommodate additional City financing capacity for the City Contribution.

The Tenant is entitled to sublet the Rangers Project as long as such sublets are in conformance with the Lease, and is further entitled to collect and own as its exclusive property all revenues, profits, royalties, payments of every kind and rentals derived from, produced within or associated with the Rangers Project or any component thereof. The Tenant is required to operate and maintain the Rangers Project in a first class manner and is in full control of the operation, maintenance and management of all components of the Rangers Project.

The Tenant is required to indemnify the City against all liabilities, damages, claims, losses, damages, causes of action, and suits arising or incidental of any use, occupancy or operation of the Rangers Project during the term of the Lease, subject to any exceptions as described in the Lease.

Failure of the Tenant to pay amounts due under the Lease when due and the continuation of such failure for ten days is a default under the Lease and the City may elect to take any remedy provided in the Lease. Further, in the event of any material breach of any covenant of the Lease by Tenant other than failure to pay rent, the City may give Tenant or any leasehold mortgagee notice of such default unless within thirty (30) days from and after the date such notice is given, Tenant or any leasehold mortgagee shall have commenced to remove or to cure such breach within 30 days or, with respect to a leasehold mortgagee not in possession, 90 days. The following are events of default of Tenant entitling the City without notice to exercise any remedies as set forth in the Lease, (i) failure to keep and maintain the insurance amounts and coverages required under the Lease, (ii) the making of any general assignment for the benefit of creditors by the Tenant, (iii) the filing of a voluntary petition in bankruptcy or a voluntary petition for an arrangement or reorganization under the United States Federal Bankruptcy Act (or similar statute or law of any foreign jurisdiction) by Tenant; (iv) the appointment of a receiver or trustee for all or substantially all of Tenant's interest in the Rangers Project or its leasehold estate if not removed or stayed within 60 days, (v) any action taken by Tenant which causes a breach under the Non-Relocation Agreement (defined herein), beyond any applicable cure period; and (vi) the entry of a final judgment, order or decree of a court of competent jurisdiction adjudicating Tenant to be bankrupt and the expiration without appeal of the period, if any, allowed by applicable law in which to appeal therefrom.

The Lease further provides that (a) the occurrence of any event that constitutes a default under the Non-Relocation Agreement beyond all applicable cure periods, or (b) subject to the provisions of the Lease with respect to the leasehold mortgagee's right to cure, a default beyond all applicable cure periods by Tenant, or any affiliate of Tenant, under any of the other Cross-Defaulted Project Documents (as defined in the Lease), shall constitute an event of default of Tenant under the Lease entitling the City, without notice, to exercise any of the remedies set forth in the Lease.

Remedies

Upon the City becoming entitled to pursue the City's remedies against Tenant, as provided in the Lease, and subject to the additional rights of any leasehold mortgagee to cure existing defaults pursuant to the Lease (which remain uncured beyond the expiration of any applicable grace, notice or cure period), the City may declare Tenant in default under the Lease and (a) enforce the performance of the Lease, (b) pursue any remedy in any manner provided and permitted by applicable law or in equity, including specific performance or damages, (c) terminate Tenant's right of possession under the Lease, and/or terminate the Lease at the City's discretion; provided that the City may not terminate or suspend Tenant's right of possession or the Lease during the baseball season in which the fact or circumstance giving rise to the default first arose. Upon the City's election to terminate the Lease, the Lease shall cease and come to an end as if that were the day originally fixed therein for the expiration of the term of the Lease. All amounts actually and reasonably expended by the City to cure any default or to pursue remedies under the Lease shall be paid by Tenant to the City upon demand and shall be in addition to rent and other payments otherwise payable. All remedies of the City under the Lease shall be cumulative, and the failure to assert any remedy, and any waiver of any event of default, shall not be deemed to be a waiver of such remedy or event of default at later dates. Any amounts due to the City pursuant to the Lease shall be limited by the waiver of consequential damages set forth in the Lease.

Lease Guaranty

Rangers Baseball LLC, a Delaware limited liability company ("Rangers Baseball") has executed a Lease Guaranty in favor of the City guaranteeing (i) all Initial Term Fixed Rent (as defined in the Lease Guaranty), and Extension Period Rent (as defined in the Lease Guaranty) due and owing or to become due and owing to the City, as landlord under the Lease, by Tenant, and by any successor lessee permitted under the Lease; (ii) all premiums for casualty insurance with respect to the improvements comprising the Rangers Ballpark, in coverage amounts as required pursuant to the Lease; (iii) all amounts payable by reason of any indemnity, breach of warranty or event of default by Tenant under the Lease; and (iv) all costs incurred by Landlord in enforcing its rights and remedies under the Lease and/or the Lease Guaranty; including, without limitation, reasonable attorney's fees, court costs and investigation fees; and (iv) performance of all of Tenant's other obligations under the Lease (the "Guaranteed Obligations").

Rangers Baseball shall be primarily liable, jointly and severally, with Tenant and any other guarantor of Tenant's obligations in respect to the payment of the Guaranteed Obligations. Rangers Baseball's agreement to guarantee the Guaranteed Obligations is expressly subject to the right of Rangers Baseball to assert any defenses (whether substantive or procedural), set offs and counterclaims that Tenant could itself assert against City under the Lease with the same force and effect as if Rangers Baseball had executed the Lease directly. Upon a default under the Lease, Rangers Baseball may cure any default by the Tenant and upon the termination of the Lease, Rangers Baseball or a third party designated by Rangers Baseball shall become "Tenant" under the Lease or a substitute lease agreement and will continue to guaranty the Guaranteed Obligations. Upon the expiration of the term of the Lease, Rangers Baseball's obligations under the Lease Guaranty shall terminate. The City is entitled to enforce the provisions of the Lease Guaranty without first pursuing any right or remedy against the Tenant.

Non-Relocation Agreement

The City and Rangers Baseball have entered into a Non-Relocation Agreement (the "Non-Relocation Agreement") which obligates Rangers Baseball to cause the Texas Rangers (the "Rangers") to play all of its Home Games (as defined in the Non-Relocation Agreement) at the Existing Ballpark until the Rangers Ballpark is operational and then at the Rangers Ballpark upon its completion and continuing thereafter throughout the term of the Lease and to maintain its principal corporate and executive offices in their present location, at the Rangers Ballpark or related facilities located on the leased premises under the Lease. The obligation to play Home Games are subject to reasonable exceptions for International Play (as defined in the Non-Relocation Agreement) and play in neutral venues and in the case of postseason games, the Rangers are permitted to play at any location required by Major League Baseball.

If at any time during the term of the Agreement the Rangers Ballpark becomes unsuitable by reason of (i) force majeure or (ii) casualty, the Rangers are obligated to play during such period in a ballpark of its selection located in North Texas provided a suitable ballpark is available and is in compliance with Major League Baseball rules and regulations. If, at any time, such a ballpark is not available in North Texas, the Rangers may play their Home Games in any facility approved by Major League Baseball until such time as a suitable ballpark in North Texas becomes available.

If there is a League Labor Dispute (as defined in the Non-Relocation Agreement), then during the pendency thereof, the Rangers shall not be obligated to play at the Rangers Ballpark or Existing Ballpark, or in North Texas, any Home Games that have been canceled by Major League Baseball, provided that any replacement games must be played at the Existing Ballpark or the Rangers Ballpark or in North Texas, as applicable.

Rangers Baseball's obligations under the Non-Relocation Agreement are not conditioned or contingent upon the completion of construction or continued suitability for use by the team of the Existing Ballpark or the Rangers Ballpark, or the presence of adequate and convenient parking facilities and the locations thereof.

If the Tenant's right to possession under the Lease is terminated by the City pursuant to the terms of the Lease, Rangers Baseball shall automatically assume the obligations of "Tenant" under the Lease without further action required by the City or the Rangers; provided, that the City and Rangers shall, at the request of either party, enter into a new lease containing identical terms as the Lease containing identical terms, except the term of such new lease will be for the then unexpired term.

Rangers Baseball has the right to terminate the Non-Relocation Agreement only if (i) the City fails to provide the City Contribution as required under the Agreement (and such default is continuing beyond the expiration of any applicable cure period; or if the City defaults in warranties or covenants contained in Article 5 or Section 3.1 of the Non-Relocation Agreement; (ii) the Lease is terminated by the Tenant pursuant to certain provisions of the Lease giving the Tenant the right to termination; (iii) the Existing Ballpark lease is terminated pursuant to certain provisions of the Existing Ballpark lease, or (iv) the City modifies or repeals any portion of the Zoning District Ordinance relating to property owned by the City and leased to the Rangers or an affiliate, without the prior agreement of Rangers Baseball or its affiliate.

Purchase Option Agreement

The City and Rangers Baseball have entered into a Purchase Option Agreement (the "Agreement") pursuant to which the City grants to Rangers Baseball, so long as the Lease is in effect and the Tenant is not in default thereunder, the option to purchase the Rangers Project prior to the termination of the Lease for an amount equal to the difference between (i) \$100,000,000 and (ii) the sum of (A) all rent paid by the Tenant during the Lease through the date of calculation of the purchase price, (B) all operating costs paid by Tenant and verified to the City's satisfaction through the date of calculation of the purchase price and (C) any Project Costs and Tenant Specific Costs (as such terms are defined in the Agreement) paid by Tenant or its affiliate through the date of calculation of the purchase price. The purchase price cannot be less than zero dollars.

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THE DALLAS COWBOYS COMPLEX; THE LEASE AND RELATED AGREEMENTS

The Dallas Cowboys

The Dallas Cowboys are a professional football team with its corporate headquarters presently located in Frisco, Texas. The Dallas Cowboys Football Club, Ltd., a Texas limited partnership (the "Cowboys' Owner") was granted a franchise (the "Franchise") in 1960 by the NFL to field and operate the Dallas Cowboys as a competing member of the NFL. The NFL is an association of member owners of professional football team headquartered in New York, New York that sanctions and authorizes competitive football games in various United States cities and towns. Pursuant to the Franchise Agreement, the AT&T Stadium is the home football stadium for the Dallas Cowboys.

Description of Cowboys Project

The centerpiece of the Cowboys Project is the AT&T Stadium, a multi-functional enclosed facility with a retractable roof and a seating capacity of 75,000 persons but can accommodate up to 100,000 in ticketed areas within the venue. The AT&T Stadium has been designed with maximum flexibility to be used for a variety of sporting and entertainment attractions and its facilities are currently used for a variety of events. The Cowboys Project may also include offices for the Dallas Cowboys, practice facilities, locker rooms, workout rooms, training and dressing rooms, food preparation and concessionaire facilities, parking facilities and related infrastructure. The Cowboys Project is located within the vicinity of Globe Life Park in Arlington, the current home of the Texas Rangers baseball club, and Six Flags Over Texas Theme Park.

The Funding of the Cowboys Project

In 2005, the City issued its Tax-Exempt Special Tax Bonds, Series 2005 (the "Series 2005A Bonds"), its Tax-Exempt Special Tax Bonds, Series 2005B (Multi-Modal)(the "Series 2005B Bonds") and its Taxable Special Tax Revenue Bonds, Series 2005C (the "Series 2005C Bonds") to fund the City's contribution to the construction costs of the Cowboys Project. The Series 2005A, Series 2005B and Series 2005C Bonds were all secured by the Pledged Special Taxes and the Series 2005C Bonds were additionally secured by rent received from the lease of the Cowboy Project (the "Cowboys Complex Lease") to the Cowboys Owner. The Series 2005A Bonds were fully discharged on August 15, 2015 and the Series 2005C Bonds were fully discharged on March 4, 2016. The Series 2005B Bonds were refunded into fixed rate bonds by the City's Special Tax Revenue Bonds, Series 2008 and Special Tax Revenue Bonds, Series 2009 (together, the "Cowboys Project Prior Obligations"). The Cowboys Project Prior Obligations were defeased by the Senior Lien Special Tax Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds"). The Series 2017 Bonds issued with respect to the Cowboys Project currently constitute all of the Outstanding Senior Lien Obligations and are the only Obligations currently Outstanding with a pledge of the Pledged Special Taxes.

The City does currently have outstanding its Dallas Cowboys Complex Admissions and Parking Taxes Revenue Obligations, Series 2006 (the "Series 2006 Bonds") in the aggregate principal amount of \$133,485,000. The Series 2006 Bonds, however, contain a pledge of the Cowboys Parking Tax and Cowboys Admissions Tax and do not contain a pledge of the Pledged Special Taxes or rent received from the Cowboys Complex Lease.

Cowboys Complex Lease Agreement

The City currently owns the Cowboys Project and the land on which it was constructed, as well as certain surrounding parking parcels. The City leases the Cowboys Project to the Cowboys' Owner for an initial term of 30 years (the "Thirty-Year Period") which began when the Cowboys Project opened in 2009, at an annual rental rate of \$2,000,000. The Cowboys' Owner also makes payments to the City equal to 5%, but not to exceed \$500,000 annually, of the net naming rights revenue received by the Cowboys' Owner in connection with the naming of all of a portion of the Cowboys Complex. The Cowboys Complex Lease contains renewal and extension options at guaranteed annual rental payments of \$1,000,000 for the first 10-year option and \$1,250,000 per year for all remaining options. If all options are exercised by the Cowboys' Owner, the Cowboys' Owner could occupy the Cowboys Complex for up to 70 years. **The rent received by the City from the Cowboys Complex Lease is NOT Pledged Rent, is NOT pledged to the Bonds or the Outstanding Senior Lien Obligations and WILL NOT be pledged to any Additional Senior Lien Obligations or any Additional Subordinate Lien Obligations issued pursuant to the Master Indenture.**

Franchise Agreement

The City and the Cowboys' Owner have entered into the Cowboys Franchise Agreement (the "Franchise Agreement"), which obligates the Cowboys' Owner to cause the Dallas Cowboys to play all of its home games at AT&T Stadium through the term of the Cowboys Complex Lease.

The Cowboys' Owner has the right to terminate the Franchise Agreement only if the Cowboys Complex Lease is terminated by the Tenant pursuant to certain provisions of the Cowboys Complex Lease giving the Tenant the right to terminate.

Purchase Option Agreement

The City and the Cowboys' Owner have executed a Purchase Option Agreement (the "Purchase Option Agreement") pursuant to which the City grants to the Cowboys' Owner, so long as the Cowboys Complex Lease is in effect and the Cowboys' Owner is not in default thereunder, the option to purchase the Cowboys Complex prior to the termination of the Cowboys Complex Lease for the sum of \$100,000,000 less (i) the sum of rent (including base rent and naming rights) paid by the Cowboys' Owner through the date of calculation of the purchase price, (ii) all operating costs paid by Cowboys' Owner, and (iii) any Project Costs in excess of \$650,000,000 paid by the Cowboys' Owner. The purchase price cannot be less than zero dollars.

TAX MATTERS

SERIES 2018A BONDS AND SERIES 2018C BONDS

Tax Exemption

In the opinion of Bracewell LLP, Bond Counsel, under existing law, (i) interest on the Series 2018A Bonds and Series 2018C Bonds is excludable from gross income for federal income tax purposes and (ii) the Series 2018A Bonds and Series 2018C Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code").

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Series 2018A Bonds and Series 2018C 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 Ordinances authorizing the issuance of the Series 2018A Bonds and Series 2018C Bonds 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 Series 2018A Bonds and Series 2018C Bonds for federal income tax purposes and, in addition, will rely on representations by the City, the City's Financial Advisor and the Underwriters, respectively, with respect to matters solely within the knowledge of the City, the City's Financial Advisor and the Underwriters, respectively, which Bond Counsel has not independently verified. If the City fails to comply with the covenants contained in the Ordinance or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Series 2018A Bonds and Series 2018C Bonds could become includable in gross income from the date of delivery, regardless of the date on which the event causing such inclusion occurs.

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 Series 2018A Bonds and Series 2018C 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 on 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 Series 2018A Bonds or the Series 2018C 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 Series 2018A Bonds or the Series 2018C Bonds could adversely affect the value and liquidity of the Series 2018A Bonds or the Series 2018C Bonds regardless of the outcome of the audit.

Additional Federal Income Tax Consequences

Collateral Tax Consequences

Prospective purchasers of the Series 2018A Bonds and Series 2018C 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, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit, 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 Series 2018A Bonds and Series 2018C Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Series 2018A Bonds and Series 2018C 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 Series 2018A Bonds and Series 2018C Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of all of the Series 2018A Bonds and the Series 2018C Bonds exceeds the stated redemption price payable at maturity of such Series 2018A Bonds or the Series 2018C Bonds. Such Series 2018A Bonds and Series 2018C 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 Premium 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 Bond.

Tax Legislative Changes

Public Law No. 115-97 (i.e., the Tax Cuts and Jobs Act), which makes significant changes to the Code, including changing certain provisions affecting tax-exempt obligations, such as the Series 2018A and Series 2018C Bonds, was signed into law on December 22, 2017. Further, current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Series 2018A and Series 2018C Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Series 2018A and Series 2018C Bonds. Prospective purchasers of the Series 2018A and Series 2018C Bonds should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

SERIES 2018B BONDS

THE FOLLOWING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR AS TO THE TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES 2018B BONDS, INCLUDING THE EFFECT AND APPLICABILITY OF (I) U.S. FEDERAL, STATE, LOCAL OR FOREIGN TAX LAWS, (II) GIFT AND ESTATE TAX LAWS, AND (III) ANY INCOME TAX TREATY.

General

The following discussion summarizes certain material U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of the Series 2018B Bonds by an initial holder (as described below). This discussion is based upon the provisions of the Internal Revenue Code, applicable U.S. Treasury Regulations promulgated thereunder, judicial authority and administrative interpretations, as of the date of this document, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Neither the City nor Bond Counsel offers any assurance that the Service will not challenge one or more of the tax consequences described in this discussion, and neither the City nor Bond Counsel has obtained, nor do the City or Bond Counsel intend to obtain, a ruling from the Service or an opinion of counsel with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Series 2018B Bonds.

This discussion is limited to holders who purchase the Series 2018B Bonds in this initial offering for a price equal to the issue price of the Series 2018B Bonds (i.e., the first price at which a substantial amount of the Series 2018B Bonds is sold for cash other than to bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers, the “Issue Price”) and who hold the Series 2018B Bonds as capital assets (generally, property held for investment). This discussion does not address the tax considerations arising under the laws of any foreign, state, local or other jurisdiction or income tax treaties or any U.S. federal estate or gift tax considerations. In addition, this discussion does not address all tax considerations that may be important to a particular holder in light of the holder’s circumstances or to certain categories of investors that may be subject to special rules, such as certain U.S. expatriates, banks, REITs, RICs, insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, investors that hold their Series 2018B Bonds as part of a hedge, straddle or an integrated or conversion transaction, or investors whose “functional currency” is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences for individuals or (ii) the indirect effects on persons who hold equity interests in a holder. This summary also does not consider the taxation of the Series 2018B Bonds under state, local or non-U.S. tax laws.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the Series 2018B Bonds, the tax treatment of such partnership or a partner of such partnership generally will depend upon the status of the partner and the activities of the partnership. *Partnerships acquiring Series 2018B Bonds and partners of partnerships acquiring the Series 2018B Bonds should consult their own tax advisors about the U.S. federal income tax consequences of acquiring, holding and disposing of the Series 2018B Bonds.*

INVESTORS CONSIDERING THE PURCHASE OF THE SERIES 2018B BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE SERIES 2018B BONDS UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Certain Tax Consequences to U.S. Bondholders

As used herein “U.S. Bondholder” means a beneficial owner of a Series 2018B Bond that for U.S. federal income tax purposes is an individual citizen or resident of the United States, a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof (including the District of Columbia), an estate the income of which is subject to U.S. federal income taxation regardless of its source or a trust where a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust (or a trust that has made a valid election under U.S. Treasury Regulations to be treated as a domestic trust).

Interest on the Series 2018B Bonds

A U.S. Bondholder generally will be required to include as ordinary interest income any stated interest payments in income in accordance with its method of accounting for U.S. federal income tax purposes.

Original Issue Discount

If the Issue Price of the Series 2018B Bonds of any stated maturity is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Series 2018B Bonds of such maturity will be treated as being issued with “original issue discount.” The amount of the original issue discount will equal the excess of the principal amount payable on such Series 2018B Bonds at maturity over the Issue Price, and the amount of the original issue discount on such Series 2018B Bonds will be amortized over the life of the Series 2018B Bonds using the “constant yield method” provided in the U.S. Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Series 2018B Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of such Series 2018B Bonds that exceeds actual cash interest payments to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on such Series 2018B Bonds each taxable year will be reported annually to the Service and to the beneficial owners. The portion of the original issue discount included in each beneficial owner’s gross income while the beneficial owner holds such Series 2018B Bonds will increase the adjusted tax basis of such Series 2018B Bonds in the hands of such beneficial owner.

Premium

If the Issue Price of the Series 2018B Bonds of any stated maturity is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased such Series 2018B Bond with “amortizable bond premium” equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of such Series 2018B Bond and may offset interest otherwise required to be included in respect of such Series 2018B Bond during any taxable year by the amortized amount of such excess for the taxable year. Series 2018B Bond premium on such Series 2018B Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of such Series 2018B Bond. However, if such Series 2018B Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the U.S. Treasury Regulations which could result in a deferral of the amortization of some Series 2018B Bond premium until later in the term of such Series 2018B Bond. Any election to amortize Series 2018B Bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the Service.

Make-Whole Redemption

In certain circumstances (see “THE BONDS—Redemption Provisions”) the City may be obligated to pay amounts on the Series 2018B Bonds that are in excess of stated interest or principal on the Series 2018B Bonds. The City does not intend to treat the possibility of paying such additional amounts as resulting in the Series 2018B Bonds being treated as contingent payment debt instruments under the applicable Treasury Regulations. Assuming such position is respected, a U.S. Bondholder would be required to include in income the amount of any such additional payment at the time such payments are received or accrued in accordance with the holder’s method of accounting for U.S. federal income tax purposes. The City’s treatment will be binding on all Bondholders, except a Bondholder that discloses its differing treatment in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which the Series 2018B Bond was acquired. The City’s position is not binding on the Service, and if the Service were to successfully challenge this position, a Bondholder might be required to accrue interest income at a higher rate than the stated interest rate on the Series 2018B Bonds, and to treat as ordinary interest income any gain realized on the taxable disposition of Series 2018B Bonds. The remainder of this discussion assumes that the Series 2018B Bonds will not be treated as contingent payment debt instruments. ***Investors should consult their own tax advisors regarding the possible application of the contingent payment debt instrument rules to the Series 2018B Bonds.***

Disposition of the Series 2018B Bonds

A U.S. Bondholder will generally recognize capital gain or loss on the sale, redemption, exchange, retirement or other taxable disposition of a Series 2018B Bond. This gain or loss will equal the difference between the U.S. Bondholder’s adjusted tax basis in the Series 2018B Bond and the amount realized (excluding any proceeds attributable to accrued but unpaid stated interest which will be recognized as ordinary interest income to the extent any such Bondholder has not previously included such amounts in income) by the Bondholder. A U.S. Bondholder’s adjusted tax basis in the Series 2018B Bonds will generally equal the amount the U.S. Bondholder paid for the Series 2018B Bonds increased by any original issue discount previously included in the Bondholder’s income and decreased by the amount of the Series 2018B Bond premium that has been previously amortized. The gain or loss generally will be long-term capital gain or loss if the Bondholder held the Series 2018B Bonds for more than one year at the time of the sale, redemption, exchange, retirement or other taxable disposition. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced rate of U.S. federal income tax. The deductibility of capital losses is subject to certain limitations.

Information Reporting and Backup Withholding

Information reporting will apply to payments of principal and interest made by the City on, or the proceeds of the sale or other disposition of, the Series 2018B Bonds with respect to U.S. Bondholders (unless such holder is an exempt recipient such as a corporation), and backup withholding may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Bondholder’s U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder’s actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Additional Tax on Investment Income

An additional 3.8% net investment income tax, or the “NIIT,” is imposed on the “net investment income” of certain U.S. Bondholders who are individuals and on the undistributed “net investment income” of certain estates and trusts, to the extent the sum of net investment income and other modified adjusted gross income exceeds specified dollar amounts. Among other items, “net investment income” would generally include interest income and net gain from the disposition of property, such as the Series 2018B Bonds, less certain deductions. ***U.S. Bondholders should consult their tax advisors with respect to the tax consequences of the NIIT.***

Certain Tax Consequences to Non-U.S. Bondholders

As used herein, a “non-U.S. Bondholder” means a beneficial owner of Series 2018B Bonds that is an individual, corporation, estate or trust that is not a U.S. Bondholder.

Interest on the Series 2018B Bonds—Portfolio Interest

Subject to the discussions below under the headings “—Information Reporting and Backup Withholding” and “Foreign Account Tax Compliance,” payments to a non-U.S. Bondholder of interest on the Series 2018B Bonds generally will be exempt from withholding of U.S. federal tax under the “portfolio interest” exemption if the non-U.S. Bondholder properly certifies as to the non-U.S. Bondholder’s foreign status as described below, and that:

- the non-U.S. Bondholder does not own, actually or constructively, 10% or more of the City’s voting stock;
- the non-U.S. Bondholder is not a “controlled foreign corporation” for U.S. federal income tax purposes that is related to the City (actually or constructively); and

- the non-U.S. Bondholder is not a bank whose receipt of interest on the Series 2018B Bonds is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of such Bondholder's trade or business.

The foregoing exemption from withholding tax will not apply unless (i) the non-U.S. Bondholder provides his, her or its name and address on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form), and certifies under penalties of perjury, that such holder is not a U.S. person, (ii) a financial institution holding the Series 2018B Bonds on a non-U.S. Bondholder's behalf certifies, under penalties of perjury, that it has received an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) from such holder and provides the Trustee with a copy, or (iii) the non-U.S. Bondholder holds their Series 2018B Bonds directly through a "qualified intermediary," and the qualified intermediary has sufficient information in its files indicating that such holder is not a U.S. Bondholder.

If a non-U.S. Bondholder cannot satisfy the requirements described above, payments of principal and interest made to such holder will be subject to the 30% U.S. federal withholding tax, unless such non-U.S. Bondholder provides the Trustee with a properly executed (a) IRS Form W-8BEN or IRS Form W-8BEN-E or successor form claiming an exemption from or a reduction of withholding under an applicable tax treaty or (b) IRS Form W-8ECI (or successor form) stating that interest paid on the Series 2018B Bonds is not subject to withholding tax because it is effectively connected with such non-U.S. Bondholder's conduct of a trade or business in the United States.

If a non-U.S. Bondholder is engaged in an active trade or business in the United States and interest on the Series 2018B Bonds is effectively connected with the active conduct of that trade or business (and, in the case of an applicable income tax treaty, is attributable to a U.S. permanent establishment maintained by such holder), such non-U.S. Bondholder will be subject to U.S. federal income tax on the interest on a net income basis (although exempt from the 30% withholding tax) in the same manner as if such non-U.S. Bondholder were a U.S. person as defined under the Code. In addition, if a non-U.S. Bondholder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the Series 2018B Bonds, that is effectively connected with the active conduct by such non-U.S. Bondholder of a trade or business in the United States.

Disposition of the Series 2018B Bonds

Subject to the discussions below under the headings "—Information Reporting and Backup Withholding" and "Foreign Account Tax Compliance," a non-U.S. Bondholder generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement or other taxable disposition of a Series 2018B Bond unless:

- the gain is effectively connected with the conduct by the non-U.S. Bondholder of a U.S. trade or business (and, if required by an applicable income tax treaty, is treated as attributable to a permanent establishment maintained by the Bondholder in the United States);
- the non-U.S. Bondholder is a nonresident alien individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met;
- the gain represents accrued interest, in which case the rules for taxation of interest would apply.

If a non-U.S. Bondholder is described in the first bullet point above, the non-U.S. Bondholder generally will be subject to U.S. federal income tax in the same manner as a U.S. Bondholder. If a non-U.S. Bondholder is described in the second bullet point above, the Bondholder generally will be subject to U.S. federal income tax at a flat rate of 30% or lower applicable treaty rate on the gain derived from the sale or other disposition, which may be offset by U.S. source capital losses.

Information Reporting and Backup Withholding

Payments to non-U.S. Bondholders of interest on their Series 2018B Bonds and any amounts withheld from such payments generally will be reported to the Service and such holder. Backup withholding will not apply to payments of principal and interest on the Series 2018B Bonds if the non-U.S. Bondholder certifies as to his, her or its non-U.S. Bondholder status on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) under penalties of perjury or such non-U.S. Bondholder otherwise qualifies for an exemption (provided that neither the City nor its agent, if any, know or have reason to know that such Bondholder is a U.S. person or that the conditions of any other exemptions are not in fact satisfied).

The payment of the proceeds of the disposition of Series 2018B Bonds to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding unless a non-U.S. Bondholder provides the certification described above or such Bondholder otherwise qualifies for an exemption. Backup withholding is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the non-U.S. Bondholder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the non-U.S. Bondholder's actual U.S. federal income tax liabilities provided the required information is timely provided to the Service.

Foreign Account Tax Compliance

Pursuant to the Foreign Account Tax Compliance Act ("FATCA"), withholding at a rate of 30% generally will be required in certain circumstances on payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition (including payments of principal) of, Series 2018B Bonds held by or through certain foreign financial institutions (including investment funds) that do not qualify for an exemption from these rules, unless the institution either (i) enters into, and complies with, an agreement with the Service to undertake certain diligence and to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold 30% on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, undertakes such diligence and reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which the Series 2018B Bonds are held will affect the determination of whether such withholding is required. Similarly, in certain circumstances, payments of interest in respect of, and, after December 31, 2018, gross proceeds from the sale or other disposition of, Series 2018B Bonds held by or through a non-financial foreign entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (a) certifies that such entity does not have any "substantial United States owners" or (b) provides certain information regarding the entity's "substantial United States owners," which will be provided to the Service, as required. Prospective Bondholders should consult their tax advisors regarding the possible implications of these rules on their investment in the Series 2018B Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Supplemental Indentures, the City made the following agreement for the benefit of the owners 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 annually, and timely notice of specified events, to the Municipal Securities Rule Making Board (the "MSRB"). This information will be available free of charge via the Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org.

Annual Reports

The City shall provide annually to the MSRB, (1) within six months after the end of each fiscal year of the City, financial information and operating data with respect to the City of the general type included in the final Official Statement, being information described in Tables 1 and 6, including debt service coverage, and financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Appendix B hereto or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (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 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Securities and Exchange Commission Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year for the preceding year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Disclosure Event Notices

The City shall notify the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional Trustee or change in the name of the Trustee, if material.

For the purposes of the event identified in (12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

Availability of Information from MSRB

The City has agreed to provide the foregoing information, only as described above to the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

The City has also agreed to notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the subcaption "Annual Reports" above by the time required by such subcaption.

Limitations and Amendments

The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement 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, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Bonds in the offering described herein 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 of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the owners and Beneficial Owners of the Bonds. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

In 2013, the City did not timely file notice of the upgrading of its underlying, unenhanced credit rating with respect to its water and wastewater system revenue bonds and general obligation bonds by S&P. The City filed event notices with respect to the upgrades on May 28, 2014. Also for fiscal year 2013, the City filed its required quantitative financial information and operating data, including the City's September 30, 2013 audited financial statements (the "2013 Audit"), with the Municipal Advisory Council of Texas by the required date but due to an administrative error, the 2013 Audit was not timely filed with EMMA. After noticing the error, the City filed the 2013 Audit with EMMA on May 22, 2014, and an event notice with respect to the oversight on June 10, 2014. Additionally, the City did not timely file a notice of defeasance upon the issuance of the City's Water and Wastewater System Revenue Refunding Bonds Series 2013B, which defeased portions of the City's Water and Wastewater System Revenue Refunding Bonds, Series 2003 and Water and Wastewater System Revenue Bonds, Series 2004 (the "Defeasance"). The City filed an event notice with respect to the Defeasance on May 8, 2017. The City has implemented procedures to ensure that event notices are timely filed in the future.

ADDITIONAL INFORMATION

Legal Holdings and Eligibility to Secure Public Funds in Texas

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (i) are negotiable instruments, (ii) are investment securities to which Chapter 8 of the Texas Business and Commerce Code applies, and (iii) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Financial Advisor

Estrada Hinojosa & Company, Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Estrada Hinojosa & Company, Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Underwriting

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2018A Bonds from the City at an underwriting discount of \$1,177,720.58 from the initial public offering prices for the Series 2018A Bonds shown on page ii. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Series 2018A Bonds if any Series 2018A Bonds are purchased. The Series 2018A Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2018B Bonds from the City at an underwriting discount of \$100,778.07 from the initial public offering prices for the Series 2018B Bonds shown on page ii. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Series 2018B Bonds if any Series 2018B Bonds are purchased. The Series 2018B Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have agreed, subject to certain conditions, to purchase the Series 2018C Bonds from the City at an underwriting discount of \$751,480.93 from the initial public offering prices for the Series 2018C Bonds shown on page ii. The Underwriters' obligation is subject to certain conditions precedent. The Underwriters will be obligated to purchase all of the Series 2018C Bonds if any Series 2018C Bonds are purchased. The Series 2018C Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriters.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy of completeness of such information.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

RBC Capital Markets, LLC ("RBCCM") has provided the following information for inclusion in this Official Statement. RBCCM and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, RBCCM and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). RBCCM and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offerings of the City. RBCCM and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City. RBCCM and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future.

Morgan Stanley & Co. LLC, an underwriter of the Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

Legal Matters

The City will furnish to the Underwriters a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bracewell LLP, Bond Counsel, with respect to the Bonds being issued in compliance with the provisions of applicable law and the interest on the Series 2018A Bonds and Series 2018C Bonds being excludable from gross income for purposes of federal income tax. The forms of Bond Counsel's opinions are attached hereto as Appendix D.

Though it represents the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions or subcaptions, "INTRODUCTION – General and Authority for Issuance," "THE BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance With Prior Undertakings"), "ADDITIONAL INFORMATION – Legal Holdings and Eligibility to Secure Public Funds in Texas," "ADDITIONAL INFORMATION – Registration and Qualification," "ADDITIONAL INFORMATION – Legal Matters" (except for the last sentence of the second paragraph thereof), and "APPENDIX C – The Master Indenture" and such firm is of the opinion that the information relating to the Bonds and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Master Indenture and the Supplemental Indentures. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. The legal opinions of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the City by West & Associates, L.L.P., Dallas, Texas, Disclosure Counsel to the City. Certain legal matters will be passed upon for the Underwriters by their co-counsel, Locke Lord LLP, Dallas, Texas, and Mahomes Bolden PC, Dallas, Texas, whose fees are also contingent on the sale and delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Ratings

The Series 2018A Bonds have been rated "AA" by S&P by virtue of the municipal bond insurance policy to be issued by AGM at the time of delivery of the Series 2018A Bonds. The Series 2018A Bonds and Series 2018B Bonds have been rated "A1" by Moody's, "A+" by S&P, and "AA+" by Fitch without regard to credit enhancement. The Series 2017 Bonds, which constitute all of the currently outstanding Senior Lien Obligations, have also been rated "A1" by Moody's, "A+" by S&P, and "AA+" by Fitch without regard to credit enhancement.

The Series 2018C Bonds have been rated "AA" by S&P by virtue of the municipal bond insurance policy to be issued by BAM at the time of delivery of the Series 2018C Bonds. The Series 2018C Bonds have been rated "A3" by Moody's without regard to credit enhancement. The City shared certain information with S&P and Fitch about the Series 2018C Bonds but, except as described above, decided not to obtain a rating from either agency. (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein).

An explanation of the significance of such ratings may only be obtained from the rating agencies furnishing the same. The City furnished to such rating agencies the information contained in this Official Statement and certain publicly available materials and information about the City. Generally, rating agencies base their ratings on such materials and information, as well as investigations, studies, and assumptions of the rating agencies. A securities rating is not a recommendation to buy, sell or hold securities. Such ratings may be changed at any time, and no assurance can be given that they will not be revised downward or withdrawn entirely by any or all of such rating agencies if, in the judgment of any or all, circumstances so warrant. Such circumstances may include, without limitation, changes in or unavailability of information relating to the City. Any such downward revision or withdrawal of any or all of such ratings may have an adverse effect on the market price and marketability of the Bonds.

Litigation

The City is currently involved in several lawsuits in which some liability is possible. The potential liability as of February 2018 cannot be determined.

The City is currently involved with a personal injury lawsuit in which the plaintiff alleges she was injured when she partially fell into a manhole with an undersized cover. In addition to asserting her own damages, the plaintiff's husband and children, and step-children are asserting bystander claims and loss of consortium claims. This case is set for jury trial on April 16, 2018. The City's maximum liability for damages is capped at \$500,000.00 by the Texas Tort Claims Act.

The City is currently involved with in an employment lawsuit regarding the termination of employment of a former Arlington police officer. The trial court previously ruled that the employee was subject to back pay award of \$164,471. However, that case was appealed, and the matter was ultimately remanded for a new arbitration by the trial court. Both sides have filed a second appeal regarding the decision requiring a new arbitration. In the event of a court ruling against the City, it is possible, although unlikely, that the City could be required to pay back pay from January 21, 2011 to the time of a final court ruling.

The City is currently involved with litigation with an individual who was held in the Arlington Municipal Jail. The individual was held after attempting to run over an Arlington police officer. The police officer shot the individual in the leg. In addition to claiming excessive use of force, the individual asserts that he did not receive proper medical care. The case has currently been stayed by the federal court pending resolution of the appeal of the individual's state law criminal conviction.

As of February 18, 2018, there are twenty-five lawsuits pending against the City. Four of those lawsuits are brought in the Justice Courts with maximum damage caps of \$10,000 each. Seven additional cases assert state law tort claims which are subject to the Texas Tort Claims Act (TTCA). The TTCA limits liability for money damages to \$250,000 for each person and \$500,000 for each single occurrence for bodily injury and death. Further, the TTCA limits liability for property damage to \$100,000.00 for each single occurrence. See Texas Civil Practice and Remedies Code, Section 101.023(c). One of the state court lawsuits is subject to full indemnity by a third party pursuant to a contractual agreement.

Various other claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of Arlington's Self Insurance & Risk Management Program limitations (see Note 13 of the City's audited basic financial statements in Appendix B hereto) of insurance coverage, if any, on all claims will not have a material adverse effect on the City's financial position as a whole.

Registration and Qualification

The sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon exemptions provided therein; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities act of any jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemptions from securities registration or qualification provisions.

Forward - Looking Statements

The statements contained in this Official Statement and in any other information 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. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligations to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners, and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

Miscellaneous

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents, indentures and ordinances contained in the Official Statement are made subject to all of the provisions of such statutes, documents, indentures and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Pricing Certificates approved by the Authorized Officer will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the public offering of the Bonds by the Underwriters.

/s/ Mike Finley
Authorized Officer
City of Arlington, Texas

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APPENDIX A

**THE CITY OF ARLINGTON, TEXAS
ECONOMIC AND DEMOGRAPHIC FACTORS**

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**THE CITY OF ARLINGTON, TEXAS
ECONOMIC AND DEMOGRAPHIC FACTORS**

THE CITY OF ARLINGTON

The City

The City is located in the eastern part of Tarrant County, equidistant between Dallas and Fort Worth on Interstate Highways 20 and 30, which are limited access highways. The City's location places it at the geographical center of the Dallas-Fort Worth metropolitan area. The land area of the City contained within its corporate boundaries is approximately 99.5 square miles.

The City was incorporated January 17, 1920, under the provisions of the Home Rule Amendment to the Texas State Constitution. The City provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and wastewater utilities, and general administrative services.

General

The City operates under the Council-Manager form of government as established by its Charter. There is a nine member City Council (the "Council") vested with local legislative power. Three council members and the Mayor are elected "at large" and five council members are elected in five single member districts. All members of the Council are elected for terms of two years, with the elections being held in even/odd years for approximately half the seats. The Council elects both a Mayor Pro Tem and a Deputy Mayor Pro Tem from among its members.

Mayor and City Council

Policy-making and supervisory functions are the responsibility of and are vested in the Council under provisions of the City Charter. Ordinance, resolutions and zoning decisions are presented at Council meetings at 6:30 p.m. on the second and fourth Tuesday of each month. Council meetings are broadcast on the local cable public access station and webcast. A simple majority of the Council constitutes a quorum. The Mayor is required to vote on all matters considered by the Council, but has limited power to veto Council actions that can be overridden by simple majority action of the Council.

Administration

The City Manager is the administrative head of the municipal government and carries out the policies of the Council. With the assistance of three Deputy City Managers, he coordinates the functions of the various municipal agencies and departments responsible for the delivery of services to residents. The City Manager is appointed by the Council and serves at the pleasure of the Council.

Excluding the positions and offices of the City Attorney, City Auditor and certain others whose appointments are reserved for Council action, the City Manager appoints and removes all City employees. The City Manager exercises control over all City departments and divisions and supervises their personnel; recommends Council legislative actions; advises Council on the City's financial conditions and needs; prepares and submits to Council the annual budget; and performs such duties required by Council.

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Population

The 2017 estimated population for the City of Arlington is 383,862. The following table presents population figures for selected years.

**Population and Rates of Change
Arlington and the United States
Selected Years**

<u>Year</u>	<u>Arlington</u>	<u>Annual Rate of Change</u>	<u>United States</u>	<u>Annual Rate of Change</u>
1980	160,113	7.66%	226,545,805	1.15%
1990	261,721	6.35%	248,765,170	0.98%
2000	332,969	2.72%	281,421,906	1.31%
2010	365,438	0.98%	308,745,538	0.97%
2011	365,530	0.03%	312,759,230	1.30%
2012	365,860	0.09%	314,395,013	0.52%
2013	365,930	0.02%	316,128,839	0.55%
2014	369,508	0.98%	318,857,056	0.86%
2015	379,370	2.67%	321,418,820	0.80%
2016	380,740	0.36%	323,127,513	0.53%
2017 ⁽¹⁾	383,862	0.82%	326,474,013	1.04%

⁽¹⁾ 2017 estimated population calculated with a five year average of 0.82% annual growth.
Source: U.S. Census, North Central Texas Council of Governments and City estimate.

Employment

Arlington Major Employers

<u>Employer</u>	<u>Type of Business</u>	<u>Number of employees</u>
Arlington Independent School District	Public Education	8,200
University of Texas at Arlington	Higher Education	5,300
General Motors	Automobile Assembly	4,484
Texas Health Resources	Medical	4,063
Six Flags Over Texas	Amusement Park	3,800
The Parks Mall at Arlington	Retail	3,500
GM Financial	Automobile Financing	3,300
City of Arlington	Municipality	2,509
J.P. Morgan Chase	Banking Services	1,965
Texas Rangers Baseball Club	Major League Baseball	1,881
Total		39,002

The table below presents unemployment information for the City for the years 2013 through 2017.
Source: City Economic Development (OED) Department.

Unemployment Rates

	<u>June 2017</u>	<u>June 2016</u>	<u>June 2015</u>	<u>June 2014</u>	<u>June 2013</u>
Arlington	4.0%	4.1%	4.2%	5.2%	6.4%
Texas	4.7%	5.0%	4.7%	5.4%	6.8%
United States	4.5%	5.1%	5.5%	6.3%	7.8%

Source: Texas Workforce Commission.

Building Permits

During the FY 2016 the City issued 5,612 building permits with a total value of \$510,043,530. Presented below is a table covering building permit activity for the last four fiscal years.

	2016		2015		2014		2013	
	Permits	Declared Value	Permits	Declared Value	Permits	Declared Value	Permits	Declared Value
New Single Family	377	\$ 67,997,363	388	\$ 86,937,841	328	\$ 135,154,940	580	\$ 128,592,698
New Multifamily	2	34,378,989	6	43,345,523	-	-	-	-
New Commercial	141	231,298,862	142	128,197,757	143	150,605,419	125	94,840,703
Other (Residential and Commercial)	5,092	176,368,316	4,282	142,759,827	4,683	108,306,498	3,890	93,256,722
Grand Total	5,612	\$ 510,043,530	4,818	\$ 401,240,948	5,154	\$ 394,066,857	4,595	\$ 316,690,123

Source: City Financial and Management Resources Department.

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INVESTMENTS

The City invests its funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the City. Both state law and the City investment policies are subject to change.

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are (A) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor or (B) are invested through (i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the District adopts or (ii) a depository institution with a main office or branch office in this state that the District selects; and (a) the broker or depository institution selected arranges for the deposit of the funds in the banking deposits in one or more federal insured depository institutions, regardless of where located, for the District's account; and (b) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (c) the District appoints as the District's custodian of the banking deposits issued for the District's account: (1) the depository institution selected pursuant to (ii) above or (2) an entity described by Section 2256.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3; (8) certificates of deposit (i) issued by a depository institution that has its main office or a branch office in the State of Texas, that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (a) where the funds are invested by an investing entity through: (i) a broker that has its main office or a branch office in this state and is selected from a list adopted by the City; or (ii) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity; (b) where the broker or the depository institution selected by the investing entity under (a) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (iv) the investing entity appoints the depository institution selected by the investing entity under (a), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the City; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City with a third party selected and approved by the City and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (12) through (14) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share and (14) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph or has a duration of less than one year and the investment portfolio is limited to investment grade securities, including asset-backed securities, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than “Aaa” or “AAAm” or an equivalent by at least one nationally recognized rating service. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all City funds must be invested in investments that protect principal, and consistent with the operating requirements of the City, and yield a market rate of return. Under Texas law, City investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived.” No person may invest City funds without express written authority from the City Council or Chief Financial Officer of the City.

At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

Current Investments

As of December 31, 2017 the following percentages of the City’s operating funds were invested in the following categories of investments:

<u>Type of Investment</u>	<u>% Invested</u>
Federal Agencies	78.69%
Statewide Local Government Investment Pools ⁽¹⁾	8.10%
Municipals	7.73%
CDs	5.48%
	<u>100.00%</u>

Source: City of Arlington, Finance Department.

⁽¹⁾ Currently in TexStar, TexPool, and Texas Daily.

The City’s primary investment objective is to provide for the protection of principal with an emphasis on safety and liquidity. The City maintains a comprehensive cash management program that includes prudent investment of its available funds. Investment maturities are targeted to provide available cash for the operating requirements of the City.

As of June 30, 2017, the weighted average maturity of the City’s operating portfolio was 347 days and the market value of the operating portfolio was 100 percent of its book value. No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

PENSION FUND

Texas Municipal Retirement System

A. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 872 administered by TMRS, an agent, multiple-employer public employee retirement system. TMRS is an agency created by the State of Texas and administered in accordance with Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of TMRS with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS’s defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. The contribution rate for the employees is 7%, and the City matching ratio is currently 2 to 1, both as adopted by the governing body of the City.

Initiated in 1998, the City provides on an annually repeating basis annuity increases for retirees, which are also referred to as cost of living adjustments (COLAS). Currently, that amount is equal to 50% of the change in the consumer price index (CPI). The amount of the COLA percentage can only be changed by a City-adopted ordinance.

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,640
Inactive employees entitled to but not yet receiving benefits	1,070
Active Employees	<u>2,462</u>
	5,172

C. Contributions

The contribution rates for employees in TMRS is 7% of employee gross earnings, and the City matching percentage is 200%, both as adopted by the governing body of the City. Under the TMRS Act, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 7% of their annual gross earnings during the 2017 fiscal year. The contribution rates for the City of Arlington were 15.08% and 15.73% in calendar years 2016 and 2017, respectively. The city's contributions to TMRS for the year ended September 30, 2017, were \$25,821,067 and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

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Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2015	\$ 1,086,413,400	\$ 919,641,045	\$ 166,772,355
Changes for the year:			
Service Cost	26,189,763	-	26,189,763
Interest	72,528,701	-	72,528,701
Change of benefit terms	-	-	-
Difference between expected and actual experience	1,387,760	-	1,387,760
Changes of assumptions	-	-	-
Contributions-employer	-	23,983,655	(23,983,655)
Contributions-employee	-	11,245,390	(11,245,390)
Net investment income	-	62,140,092	(62,140,092)
Benefit payments, including refunds			
of employee contributions	(50,018,009)	(50,018,009)	-
Administrative expense	-	(701,918)	701,918
Other changes	-	(37,818)	37,818
Net changes	50,088,215	46,611,392	3,476,823
Balance at 12/31/16	\$ 1,136,501,615	\$ 966,252,437	\$ 170,249,178

Plan fiduciary net position as a percentage of the total pension liability	85.02%
Covered-employee payroll	\$160,574,881
Net pension liability as a percentage of covered employee payroll	106.02%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's net pension liability	\$330,462,881	\$170,249,178	\$38,875,543

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2017, the City recognized pension expense of \$39,651,318.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ -	\$9,041,407
Changes in actuarial assumptions	5,764,015	-
Difference between projected and actual investment earnings	44,060,143	-
Contributions subsequent to the measurement date	19,968,319	-
Total	\$69,792,477	\$9,041,407

There is \$19,968,319 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2017	\$ 13,514,279
2018	13,665,380
2019	13,358,755
2020	244,337
2021	-
Thereafter	-
Total	\$ 40,782,751

Part-Time, Seasonal and Temporary Employees Deferred Income Plan

The Part-Time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) provides a retirement benefit for those employees not eligible to participate in the Texas Municipal Retirement System. PSTDIP issues stand-alone financial statements that can be obtained from the City at 101 S. Mesquite Street, Suite 800, Arlington, TX 76010.

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Plan Description

The Part-Time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) provides a retirement benefit for those employees not eligible to participate in the Texas Municipal Retirement System. Its financial statements are presented below.

**City of Arlington, Texas
Part-time, Seasonal and Temporary
Employees Deferred Income Plan**

**Statement of Fiduciary Net Position
June 30, 2017**

Assets	
Cash and deposits	\$ 98,308
Receivables	40,659
Accrued Interest	-
Investments	
Mutual funds - bonds	2,100,103
Mutual funds - equities	602,799
Total investments	<u>2,702,902</u>
Total assets	<u>\$ 2,841,869</u>
Liabilities	
Accrued expenses	<u>\$ 3,711</u>
Net position restricted for pensions	<u>\$ 2,838,158</u>

**Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2017**

Additions	
Contributions:	
Employer	\$ 60,813
Employees	101,289
Total contributions	<u>162,102</u>
Net investment income	
Interest and dividends	11,910
Net appreciation in fair value of investments	118,433
Total investments	<u>130,343</u>
Total additions	<u>292,445</u>
Deductions	
Benefit payments	137,960
Administrative expenses	44,296
Total deductions	<u>182,256</u>
Net increase in net position	110,189
Net position restricted for pensions	
Beginning of year	<u>2,727,969</u>
End of year	<u>\$ 2,838,158</u>

Plan administration. The City's Retirement Committee administers the Part-time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) – a single-employer defined benefit pension plan that provides benefits for all part-time, seasonal and temporary employees. Management of the PSTDIP is vested in the City's Retirement Committee consists of an odd number of persons, but not less than three, that are determined and appointed by the City acting through City Council. The Committee includes the Director of Human Resources appointed as Chair, the Chief Financial Officer, and a representative of the City Manager's Office. The Committee meets on a quarterly basis and has final approval for all administrative actions.

Plan membership. As of July 1, 2016, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	15
Inactive plan members entitled to but not yet receiving benefits	3,504
Active plan members	<u>779</u>
	4,298

Benefits. PSTDIP provides retirement, disability and death benefits for part-time, seasonal and temporary employees. Monthly retirement benefits for plan members are calculated as the lesser of a) a life annuity with an actuarial equivalent value equal to 2.5 times employee contributions with interest, or b) average compensation times percentage of average pay times credited service not in excess of 30. Average compensation is determined by dividing the sum of monthly compensation by the months of credited service earned prior to termination. Percentage of average pay ranges from 1.5 percent to 2.0 percent based on number of months of credited service. A plan member is eligible to retire upon attaining age 65. If an employee is terminated by reason of total and permanent disability, the employee will be eligible for a life only annuity in an amount actuarially equivalent to a lump sum payment equal to 2.5 times employee contributions with interest. With the approval of the Retirement Committee, the Disability Retirement Pension shall be paid as a lump sum in lieu of a life annuity. Death benefits are the same as for disability.

Contributions. The Retirement Committee establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended June 30, 2016, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 2.6 percent of annual payroll.

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Actuarially</u> <u>Determined</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Actual Contribution</u> <u>as a % of</u> <u>Covered Payroll</u>
2015	\$ 22,419	\$ 22,419	\$ -	\$ 2,590,679	0.7%
2016	53,802	53,802	-	3,352,500	1.6%
2017	81,875	60,813	21,062	3,376,300	1.8%

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Committee. It is the policy of the Committee to pursue an investment strategy with the primary focus on current income generation and capital preservation while allowing for modest consideration for capital growth. The majority of assets are to be held in fixed income securities or other income producing investments with moderate levels of principal volatility. The following was the Committee's adopted asset allocation policy as of June 30, 2017:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	20%
Fixed-Income	77%
Cash (or equivalents)	3%

Rate of return. For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 4.03 percent. For all assets, a total return is calculated (including market value appreciation or depreciation, plus interest and dividends). The monthly rates of return are then geometrically linked.

Net Pension Asset of the City

The components of the net pension asset of the City at June 30, 2017 were as follows:

Total pension liability	\$ 2,627,093
Plan fiduciary net position	<u>(2,838,158)</u>
City's net pension asset	<u>\$ (211,065)</u>
Plan fiduciary net position as a percentage of the total pension liability	108.0%

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 6/30/2016	\$ 2,527,272	\$ 2,727,969	\$ (200,697)
Changes for the year:			
Service Cost	187,047	-	187,047
Interest	127,591	-	127,591
Change of benefit terms	-	-	-
Difference between expected and actual experience	(76,857)	-	(76,857)
Changes of assumptions	-	-	-
Contributions-employer	-	60,813	(60,813)
Contributions-employee	-	101,289	(101,289)
Net investment income	-	130,343	(130,343)
Benefit payments, including refunds			
of employee contributions	(137,960)	(137,960)	-
Administrative expense	-	(44,296)	44,296
Other changes	-	-	-
Net changes	99,821	110,189	(10,368)
Balance at 6/30/17	\$ 2,627,093	\$ 2,838,158	\$ (211,065)

Plan fiduciary net position as a percentage of the total pension liability	108.0%
Covered-employee payroll	\$3,376,300
Net pension liability as a percentage of covered employee payroll	(6.3%)

Actuarial Assumption. The total pension liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.0 percent
Investment rate of return	5.0 percent

Mortality rates were based on the RP-2000 Combined Tables with Blue Collar Adjustment, Projected with Scale BB.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Cash & Cash Equivalents	0.00%
Fixed Income	.62%
Domestic Large Cap Equity	5.22%
Domestic Mid Cap Equity	5.79%
Domestic Small Cap Equity	6.05%
International Developed Equity	4.97%
International Emerging Equity	6.46%

Discount rate. A single discount rate of 5.0 percent was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 5.0 percent and a municipal bond rate of 3.56 percent (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2017). The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position and the future contributions were sufficient to finance the future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension asset of the City, calculated using the discount rate of 5.0 percent, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (4.0 percent) or 1 percentage point higher (6.0 percent) than the current rate:

	1% Decrease (4.0%)	Current Discount Rate (5.0%)	1% Increase (6.0%)
City's net pension asset	\$51,872	\$(211,065)	\$(426,429)

The actuarial assumptions used in the July 1, 2017 actuarial valuation included were (a) 5.0 percent investment return, (b) 2.5 percent inflation rate adjustment, and (c) 3.0 percent salary increases. The accrual basis of accounting is utilized by the PDIT fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are stated at the approximate value of the financial asset based on either the month end price, the last available price, or the last available activity. Because the assets of the plan exceed the actuarial liability, amortization of the unfunded liability is discontinued and the contribution required for the plan was developed under the aggregate cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities; the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

Thrift Savings Plan

All full-time City employees may participate in the Thrift Savings Plan (the "Thrift"), a single-employer defined contribution plan administered by the Retirement Committee at the City. The plan provisions and contribution savings are adopted and amended by the City Council, within the options available in the federal statutes governing Internal Revenue Code, section 401(k). This voluntary IRS Code 401(k) plan allows all full-time City employees to contribute between 1 percent to 10 percent of their salary with the City matching the first 6 percent of employee contributions at 50 cents to the dollar. Partial vesting of employer contributions begins after three years of participation with full vesting taking place after six years of participation. At September 30, 2017, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$195,481,000.

The City's total payroll during fiscal 2017 was \$172,946,000. The current year contribution was calculated based on a covered payroll of \$118,762,000, resulting in a required and actual employer contribution of \$3,191,000 and actual employee contributions of \$8,142,000. The employer contribution represents 2.69 percent of the covered payroll. The employee contribution represents approximately 6.85 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2017. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

The Thrift Savings Plan does not issue separate GAAP financial reports. Its financial statements are presented below as of and for the year-ended September 30, 2017. (amounts in thousands):

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OTHER POST EMPLOYMENT BENEFITS

Disability Income Plan

Effective October 1, 1992, the City began providing active employees with disability insurance through a policy obtained from a commercial carrier. Previously, all City employees had participated in a Disability Income Plan (DIP), a single-employer other postemployment benefit disability plan, which had been funded by actuarially determined contributions. This plan had been accounted for in the DIP fund. Benefits to employees who were disabled while participating under the previous plan will continue to be paid from the remaining assets of the DIP fund, a fiduciary fund of the City.

Summary of Significant Accounting Policies

Basis of Accounting. DIP's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Cash and cash-like investments with original maturity dates less than one year are stated at cost that approximates fair value. Investments are stated at fair value based on either the month end price, the last available price or the last available activity.

Plan Description and Contribution Information

Membership of the plan consisted of the following at July 1, 2017, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits: 12

Plan Description. DIP is a single-employer defined benefit disability income plan that covers the employees of the City. The plan originally provided in-service death benefits and long term disability benefits commencing upon disablement. The plan was amended to eliminate the in-service death benefit and to start disability payments at age 65. The plan contemplates that long term disability benefits will be provided through a separate LTD insurance contract prior to age 65. The retired life liability for current disabled employees (many of whom are under age 65) is retained under the plan.

Contributions. The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City's contribution is determined through an actuarial valuation. For the year ended September 30, 2017, the City contributed \$68,000 to the plan. Administrative costs of DIP are financed through investment earnings.

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

As of July 1, 2017, the most recent actuarial valuation date, the plan was 91.2 percent funded. The actuarial accrued liability for benefits was \$1,450,275, and the actuarial value of assets was \$1,322,267, resulting in an unfunded actuarial accrued liability (UAAL) of \$128,008.

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	7/1/2017
Actuarial cost method	Entry age normal
Amortization method	Level dollar amortization
Remaining amortization period	5 years (closed)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.0 percent
Inflation rate	2.5 percent

Funding Policy. The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City fully funds the required contributions each year.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset (dollar amounts in thousands):

Annual required contribution	\$ 35
Interest on net OPEB asset	(21)
Adjustment to annual required contribution	79
Annual OPEB cost (expense)	93
Contributions made	(68)
Decrease in net OPEB asset	25
Net OPEB asset - beginning of year	(411)
Net OPEB asset - end of year	\$ (386)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2017 and the seven preceding years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Contribution</u>	<u>Net OPEB Obligation (Asset)</u>
9/30/17	\$93,000	73.10%	\$ (386,000)
9/30/16	113,000	57.50%	(411,000)
9/30/15	117,000	55.60%	(459,000)
9/30/14	119,000	94.10%	(511,000)
9/30/13	120,000	206.70%	(518,000)
9/30/12	283,000	126.10%	(390,000)
9/30/11	249,000	149.80%	(316,000)
9/30/10	305,000	127.21%	(192,000)

In September of 2012, the City amended the Disability Income Plan to limit benefit eligibility to:

- Former employees who were receiving disability income from the trust as of September 18, 2012, and
- Former employees who, as of September 18, 2012, were receiving benefits from the City's Long Term Disability (LTD) plan and were in active service prior to January 1, 1993.

Because the amendment closed the plan to any future disabled employees, there is no longer any liability attributable to the City's active employees.

DIP does not issue separate GAAP financial reports. Its financial statements are presented below as of September 30, 2016 (in thousands):

Net Position

Assets	
Investments	\$ 1,317
Total assets	1,317
Net position, held in trust for	
Other postemployment benefits	\$ 1,317

Changes in Net Position

Additions	
Employer contributions	\$ 68
Net appreciation in fair value of investments	-
Other additions	60
Total additions	\$ 128
Deductions	
Benefits	(122)
Plan administration	(18)
Total deductions	(140)
Increase in net position	(12)
Net position, October 1, 2016	1,329
Net position, September 30, 2016	\$ 1,317

Retiree Health Insurance

The City administers a single-employer self-funded health care plan. The plan provides post-retirement health care benefits to eligible retirees and their dependents.

To be eligible for retiree health insurance, an employee must be eligible to retire from the City based upon the policies and requirements of the Texas Municipal Retirement System ("TMRS") and elect to retire at the time of separation from the City. If a retiree has coverage through another employer, they must waive the City retiree coverage until the employer based coverage terminates. As of July 1, 2017, there were 1,009 retired employees who met this requirement.

An employee may retire from the City based on one of the following circumstances: (1) the employee becomes eligible and elects to retire under the Texas Municipal Retirement System (TMRS) after either 20 years of service credit at any age, or after a minimum of five years of service at age 60; (2) the employee becomes eligible and elects to retire under the provisions of TMRS relating to disability retirement.

A Retiree may be eligible for insurance benefits that include: medical, dental, and vision benefits, regardless of the number of years worked for the City. However, to be eligible for a contribution from the City toward medical insurance, the Retiree must meet all of the following requirements:

- Be a minimum of age 50 and have a minimum of 10 years of full-time service with the City and age plus years of service with the City must equal at least 70.
- Elect to receive their TMRS pension at the time of separation from the City.
- Be hired/re-hired OR transferred to a Full-time status prior to January 1, 2006.

Retiree Health Insurance City Contributions

The City’s contribution toward Retiree health insurance premiums is based upon five criteria: Date of Hire, Re-hire, or Full-time Status; Years of Full-time Service with the City; Age; Election of TMRS Pension; and Date of Retirement.

1. Retirees who were hired/re-hired or transferred into a full-time status prior to 1/1/2006 have a City contribution based on their years of eligible service with the City. Retirees who were hired/re-hired or transferred into a full-time status after 1/1/2006 have no City contribution; however they may elect to pay the full cost and remain on the City’s health plan.
2. Retirees who are TMRS eligible and elect a pension, are a minimum of age 50 and have 10 years of full-time service with the City are eligible for a City contribution if hired, re-hired, or transferred into a full-time status prior to 1/1/2006.
3. Retirees who are TMRS eligible, have elected a pension but have less than 10 years of full-time service with the City are not eligible for the City contribution, but may elect insurance benefits and pay the full premium.
4. Retirees who retired prior to 1/1/2008 have a City contribution toward their dependent’s health coverage. Retirees who are retiring after 1/1/2008 do not have a contribution toward their dependent’s health care.
5. Effective January 1, 2014, the City’s retiree contribution was changed to a flat rate based on date of retirement. The contribution for retirees over the age of 65 has \$50 of the contribution designated for Medicare pharmacy coverage.

Funding Policy. The City Council through the budget process has the authority to establish and amend contribution requirements of the plan. Currently the plan is funded on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation (dollar amounts in thousands):

Annual required contribution	\$ 7,928
Interest on net OPEB Obligation	1,493
Adjustment to annual required contribution	<u>(2,117)</u>
Annual OPEB cost (expense)	7,304
Contributions made	<u>(6,118)</u>
Increase in net OPEB obligation	1,186
Net OPEB obligation – beginning of year	<u>37,334</u>
Net OPEB obligation – end of year	<u>\$ 38,520</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the seven preceding years are as follows (dollar amounts in thousands):

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Annual OPEB</u> <u>Contribution</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
9/30/2017	\$ 7,304	83.76%	\$ 38,520
9/30/2016	7,338	90.27%	37,334
9/30/2015	7,998	62.50%	36,620
9/30/2014	8,366	59.31%	33,633
9/30/2013	8,723	65.31%	30,229
9/30/2012	12,133	46.66%	27,203
9/30/2011	8,379	56.14%	20,731
9/30/2010	8,398	31.80%	17,056

Funded Status and Funding Progress. As of July 1, 2017, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$109.2 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$109.2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$150.6 million, and the ratio of the UAAL to the covered payroll was 72.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

Valuation date	7/1/2017
Investment rate of return	4% per annum, net of expenses
Actuarial cost method	Individual Entry Age Normal Cost Method
Amortization method	Level dollar, open
Remaining amortization period	30 years
Healthcare Cost trend rate - medical	7.50% initial (2016) 4.25% ultimate (2032)
Inflation Rate	2.50%

Supplemental Death Benefits Plan

Plan Description. The City contributes to the Supplemental Death Benefit Fund (SDBF), a cost-sharing multiple-employer defined benefit group term life insurance plan operated by TMRS. This is a separate trust administered by the TMRS Board of Trustees. SDBF provides a death benefit of \$7,500 for retirees. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for SDBF. That report may be obtained from the TMRS website at www.TMRS.com.

Funding Policy. Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently .15 percent of covered payroll. The TMRS Board of Trustees sets the employer contribution rate based on the mortality and service experience of all employees covered by the plan and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. Contributions are made monthly based on covered payroll of employee members of the City. Contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions over payments then become net position available for OPEB. The City's contributions to SDBF for the years ended September 30, 2017, 2016, and 2015, were \$251,051, \$247,020, and \$230,122, respectively, which equaled the required contributions each year.

ASSETS

Investments	195,471
Total Assets	<u>\$ 195,471</u>

LIABILITIES

Accounts Payable	12
Retired City Mgr 401(k) plan payable	66
Total Liabilities	<u>\$ 78</u>

NET POSITION

Held in trust for pension benefits	195,405
Assigned pension trust	76
Total Net Position	<u>195,481</u>

Changes in Net Position
Thrift Savings Plan

ADDITIONS	
Employer contributions	\$ 3,191
Employee contributions	8,142
Net appreciation in fair value of investments	26,523
Other additions	100
	<u>37,956</u>
DEDUCTIONS	
Benefits	16,811
Plan administration	112
Other deductions	85
	<u>17,008</u>
Increase in Net Position	20,948
Net Position, October 1	<u>174,533</u>
Net position, September 30	<u>\$ 195,481</u>

City contributions for the above plans for the year ended September 30, 2017, are as follows (amounts in thousands):

TMRS	\$25,821
THRIFT	8,142
PTDIT	<u>63</u>
	<u>\$34,024</u>

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APPENDIX B

EXCERPTS FROM THE CITY OF ARLINGTON, TEXAS ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2016

The information contained in this Appendix consists of excerpts from the City of Arlington, Texas Annual Financial Report for the Year Ended September 30, 2016, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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The Honorable Mayor, City Council, and City Manager
The City of Arlington, Texas

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas (the "City") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Arlington Housing Authority or the Arlington Convention and Visitors Bureau, Inc. (the "component units"), discretely presented component units, which statements reflect 9%, 8%, and 89% of assets, net position, and revenues, respectively, of the aggregate discretely presented component units. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Arlington Convention and Visitors Bureau, Inc. were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation

of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Arlington, Texas, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 through 19, the Budgetary Comparison Schedule – General Fund, the Schedule of Changes in the City's Net Pension Liability and Related Ratios – TMRS, the Schedule of the City's Contributions – TMRS, the Schedule of Changes in the City's Net Pension Liability and Related Ratios – Part-Time Deferred Income Trust Plan, the Schedule of the City's Contributions – Part-Time Deferred Income Trust Plan, the Schedule of Funding Progress – Disability Income Plan, and the Schedule of Funding Progress – Postemployment Healthcare Plan on pages 79 through 85, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements, individual fund budgetary comparison schedules, and the schedules of capital assets used in the operation of governmental funds listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the responsibility of management and was derived



from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 21, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

GRANT THORNTON LLP

Dallas, Texas

February 21, 2017



CITY OF ARLINGTON, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2016 (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the City of Arlington's (City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities and financial position of the City of the fiscal year ended September 30, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in the letter of transmittal (p. vii - xi of report) and statistical section (p. 127 - 154 of report), as well as information found on the City's website at www.arlington-tx.gov including City Council's Priorities, the annual budget and business plan, and other community information. It should be noted that the Independent Auditors' Report describes the auditors' association with the various sections of this report and that all of the additional information from the website and other City sources is unaudited and has not been updated for events that may have occurred subsequent to the issuance of the respective report.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through 73, 76, 78, and 79.

FINANCIAL HIGHLIGHTS

- The City's **increase** in total net position of \$74.7M for the year was \$37.3M higher than the \$37.4M net position reported last year. The increase is primarily related to increased revenues in property and sales tax, operating grants and contributions, and charges for services increase in the proprietary funds. The Water and Sewer and Storm Water Utility's net position increased by \$26M in fiscal year 2016 compared to \$19M in fiscal year 2015.
- The City's governmental funds reported combined ending fund balances of \$335.7M, an **increase** of \$48.9M over last year. This increase is due to a combination of:
 - An **increase** of \$65.6M of fund balance committed for capital projects and special revenues.
 - A **decrease** of \$17.7M restricted for debt service and capital projects.
 - A **decrease** in unassigned General Fund balance of \$.06M.
- The 2016 General Fund assigned fund balance was \$60.9M with \$.48M unassigned, an overall **increase** in the aggregate from prior year. In 2015, the comparable balances were \$56.3M and \$.54M. Fund balance assignment changes in the General Fund include decreases in park performance and court security of \$.02M, and \$.01M respectively. Increases to encumbrances, working capital, and subsequent years' expenses of \$2.9M, 1.5M, and .4M respectively were also noted.
- Total debt of \$696.5M **increased** \$30.4M during the year. Debt issues in 2016 include \$34.4M in Permanent Improvement Bonds and \$47.4M in Permanent Improvement Refunding bonds, \$30.2M in Combination Tax and Revenue Certificate of Obligation Bonds, \$39.2M in Water and Wastewater System Revenue bonds, and \$2.1M bonds related to the Texas Water Development Board (TWDB) Clean and Drinking Water Programs. Bond principal payments for 2016 total \$122.5M on existing obligations with an additional \$47.4M in principal refunded. Exclusive of Cowboy's Stadium debt, City of Arlington debt is allocated 63% for general government, with the remaining 37% to water, wastewater and storm water activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This is the portion of the CAFR on which the

auditors express an opinion. The report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with broad overview the City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the assets, liabilities, deferred inflows and deferred outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating. The Statement of Net Position combines governmental funds' current financial resources (short-term spendable resources) with additional accruals, capital assets and long-term obligations. Other non-financial factors should also be taken into consideration to assess the overall health or financial condition of the City, such as changes in the City's property tax base and the condition of the City's infrastructure.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting.

Both of the government-wide financial statements distinguish between functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). In the aforementioned statements, the City's business is divided into three types of activities:

- **Governmental Activities** – Functions of the City that are principally supported by taxes and intergovernmental revenues are reported here including general government, public safety, public works, public health, parks and recreation, public welfare, convention and event services and interest and fiscal charges. Property taxes, sales taxes, and franchise fees provide the majority of funding for these activities, with the addition of charges for services, grants and contributions.
- **Business-type Activities** – Functions that are intended to recover all or a significant portion of their costs through user fees and charges are reported here. The City's water and sewer system and storm water utilities are reported here.
- **Component Units** – The City includes one blended component unit with financial activity in 2016 in its report – Arlington Property Finance Authority, Inc. For fiscal year 2016, the City includes six discretely presented component units in its report – Arlington Housing Authority (AHA), Arlington Convention and Visitors Bureau (ACVB), Arlington Housing Finance Corporation (AHFC), Arlington Tomorrow Foundation (ATF), Arlington Economic Development Corporation (new, no activity) and the Arlington Convention Center Development Corporation (ACDC). Although legally separate, these component units are important because the City is financially accountable for them.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

A fund is a self-balancing set of accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide detailed information about the most significant funds – not the City as a whole.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. The majority of the City's basic services are reported in governmental funds. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are defined in a reconciliation following the fund financial statements.

The City maintains twenty-one individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, and the Streets Capital Projects Fund, all of which are considered to be major funds. Data from the other eighteen governmental funds are combined into a single, aggregate, nonmajor fund presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer and storm water utilities operations. The City uses its internal service funds to account for its fleet services, general services, and self-insurance functions. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water and Sewer and Storm Water Utilities funds. All internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements elsewhere in the Comprehensive Annual Financial Report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for several funds, including the Part-Time Deferred Income Trust, Thrift Savings Plan, and Disability Income Plan, as well as certain amounts held on behalf of developers, property owners and others. All of the City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. While individual funds are provided in the report, the assets and activities of these funds are excluded from the City's government-wide financial statements, because the City cannot use these assets to finance its operations.

NOTES TO THE FINANCIAL STATEMENTS AND OTHER INFORMATION

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and postemployment healthcare to the employees.

THE CITY AS A WHOLE – Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's combined net position was \$2B as of September 30, 2016. The largest portion of the City's net position

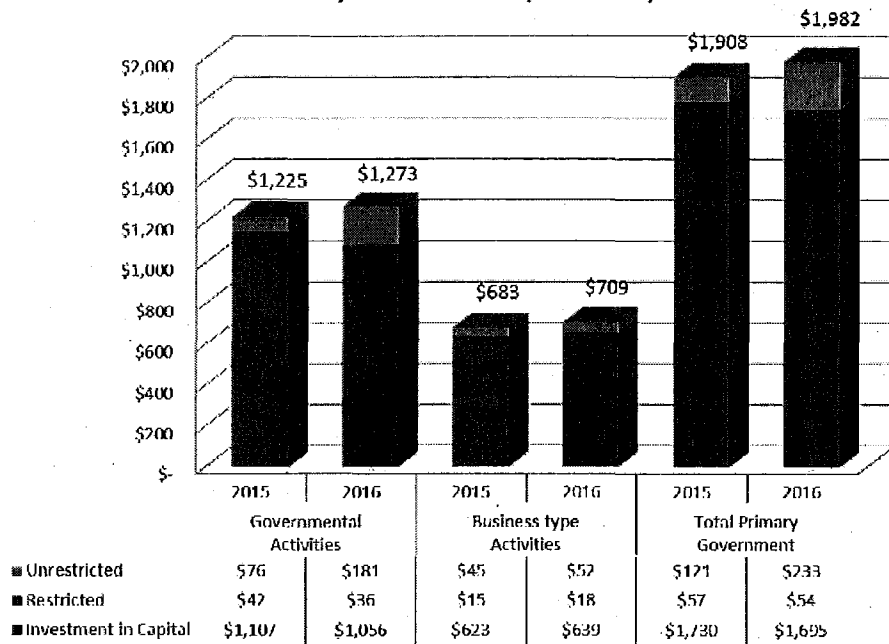
\$1.7B (85%) reflects its investments in capital assets (e.g. land, building, equipment, improvements, and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently these assets are not available for future spending, and with exception of business type assets, do not generate direct revenue for the City. They do represent, however, an obligation on the part of the City to maintain these assets into the future.

Table 1
Summary of Net Position
(Amounts Expressed in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Current and other assets	\$370	\$424	\$138	\$174	\$508	\$598
Capital assets	1,571	1,576	728	751	2,299	2,327
Deferred outflows of resources	32	90	4	7	36	97
Total assets and deferred outflows of resources	1,973	2,090	870	932	2,843	3,022
Long-term liabilities	666	775	160	206	826	981
Other liabilities	71	27	27	16	98	43
Deferred inflows of resources	11	14	-	1	12	15
Total liabilities and deferred inflows of resources	748	816	187	223	935	1039
Net position:						
Net investment in capital assets	1,107	1,056	623	639	1,730	1,695
Restricted	42	36	15	18	57	54
Unrestricted	76	181	45	52	121	233
Total net position	\$1,225	\$1,273	\$683	\$709	\$1,908	\$1,982

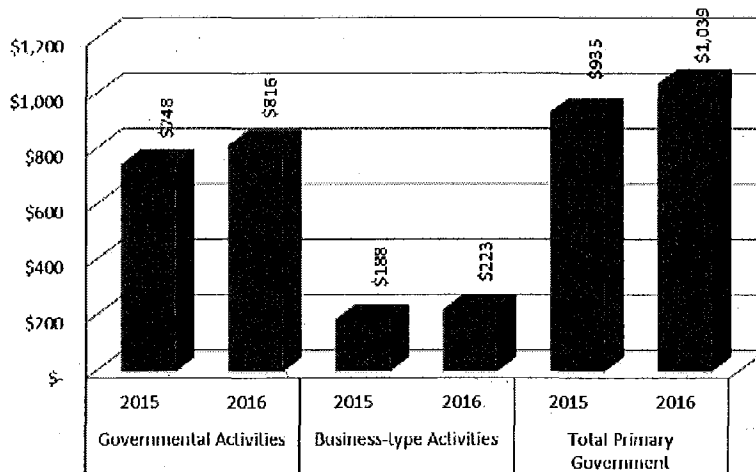
Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Position (In Millions)



An additional portion of the City's net position of \$54M (3%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position of \$233M (12%) may be used to meet the government's ongoing obligations to citizens and creditors.

Summary of Liabilities and Deferred Inflows of Resources (in Millions)



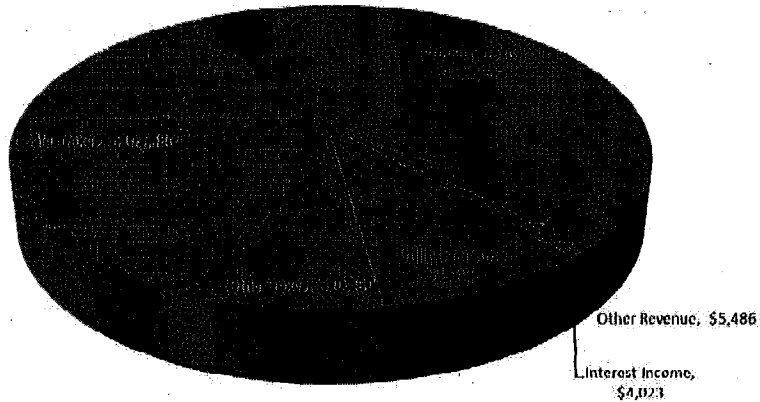
Liabilities and deferred inflows of resources increased from \$936M to \$1.04B for the total government, an increase of 10%. The increase, of which the majority is primarily shown in the governmental activities, results from the change in net pension liability from the prior to the current year of the City on the Statement of Net Position. Additional information on GASB 68 is discussed elsewhere in the notes to the financial statements.

Governmental Activities

The City's general revenues increased compared to the prior year, increasing overall by 3.6%. Sales and property tax revenue accounted for the majority of the increase this year compared to last.

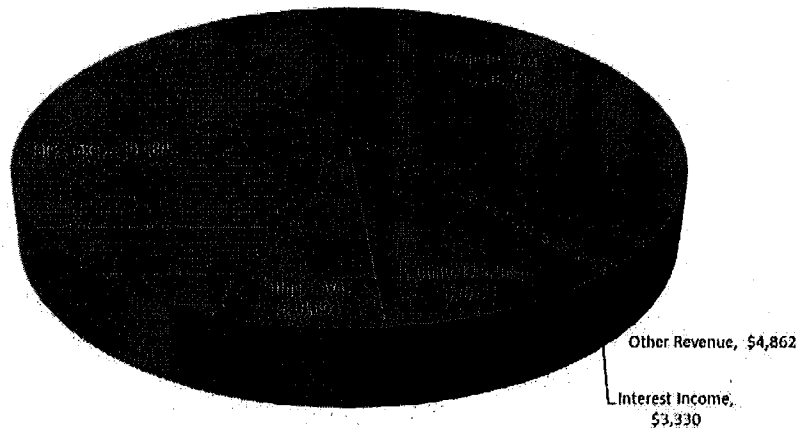
Property tax collections were up from the prior year by about \$3.2M. The residential property values increased by 3.7% and commercial property values increased by 1.9% compared to the prior year. The City anticipates property values to increase with continued state of economic conditions. The property tax rate for 2016 was set at \$0.6480 per \$100 assessed valuation; remaining unchanged for the thirteenth consecutive year.

**2016 General Revenue
(in thousands)**



Sales tax revenue increased by \$4.7M, up 4.8% from the prior year. Consumer confidence continued to strengthen during the year and the dramatic drop in gasoline prices created more disposable income for the average consumer. The City also benefited from major events at AT&T Stadium and the Texas Rangers playoff berth. Taking these factors into consideration, strong sales tax collections in 2016 indicate the economy in Arlington is continuing to improve. Utility franchise fee collections decreased 3.94% in 2016, primarily due to decreased revenue for electrical and gas utilities.

**2015 General Revenue
(in thousands)**



Governmental activities increased the City's net position by \$48.3M, and business-type activities increased net position by \$26M, for a total increase of \$74.4M. Changes from 2015 to 2016 are shown in Table 2.

Table 2
Changes in Net Position
(amounts expressed in thousands)

	Governmental Activities		Business-type Activities		Total	
	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>
Revenues						
Program Revenues:						
Charges for services	\$ 62,095	\$ 58,809	\$ 136,030	\$ 144,661	\$ 198,125	\$ 203,470
Operating grants and contributions	12,700	62,107	-	-	12,700	62,107
Capital grants and contributions	10,479	5,814	1,148	1,820	11,627	7,634
General Revenues:						
Taxes	235,573	244,953	-	-	235,573	244,953
Utility franchise fees	26,477	25,435	-	-	26,477	25,435
Interest income	3,330	4,023	564	652	3,894	4,675
Other	4,862	5,486	-	-	4,862	5,486
Total revenues	355,516	406,627	137,742	147,133	493,258	553,760
Expenses						
General government	69,680	75,486	-	-	69,680	75,486
Public Safety	142,489	156,414	-	-	142,489	156,414
Public Works	64,549	61,115	-	-	64,549	61,115
Public Health	2,849	2,741	-	-	2,849	2,741
Parks and recreation	33,410	32,449	-	-	33,410	32,449
Public welfare	10,019	14,978	-	-	10,019	14,978
Convention and event services	8,387	8,384	-	-	8,387	8,384
Interest and fiscal charges	22,299	23,016	-	-	22,299	23,016
Water, sewer and storm water	-	-	102,158	104,437	102,158	104,437
Total expenses	353,682	374,583	102,158	104,437	455,840	479,020
Increase in net position before transfers	1,834	32,044	35,584	42,696	37,418	74,740
Transfers and capital contributions	16,535	16,619	(16,535)	(16,619)	-	-
Increase in net position	18,369	48,663	19,049	26,077	37,418	74,740
Net Position, October 1	1,206,486	1,224,855	664,043	683,092	1,870,529	1,907,947
Impact of change in accounting principle	-	-	-	-	-	-
Net Position, September 30	\$ 1,224,855	\$ 1,273,518	\$ 683,092	\$ 709,169	\$ 1,907,947	\$ 1,982,687

Tax revenues were up \$9.4M from 2015, largely attributable to strong sales tax revenues and property tax collections. Operating grants and contributions increased \$49.4M compared to the prior year due to increased revenue in the Innovation and Venture Capital fund.

Overall, expenditures increased approximately \$23.5M (5.2%) from the prior year. Increases over all categories are primarily attributed to increased pension expenses. In addition, in general and public safety categories there were salary and benefit increases, expenditures for the demolition of a dangerous building, and increased expenditures for building maintenance. Public welfare expenses increased primarily due to the payback of a loan to the Water fund and the purchase of the LaJoya apartment complex.

The revenue increase of \$9.4M in business activities (Water and Wastewater/Storm Water Utility) is largely a result of an increase in water sales and sewer service revenues in the current year. Increases in expenses were primarily for the cost of purchasing water and sewage treatment.

CAPITAL ASSET AND DEBT ADMINISTRATION

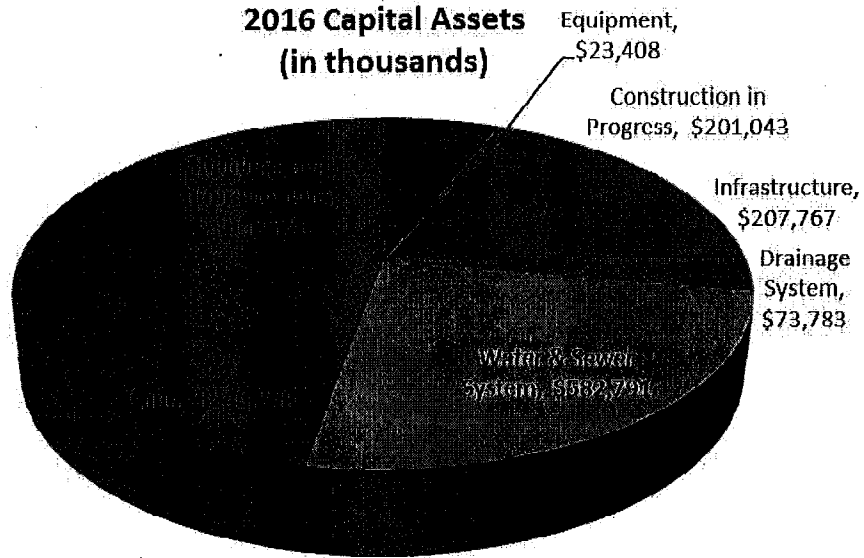
Capital Assets

At the end of the fiscal year 2016, the City had \$2.3B invested in a broad range of capital assets. This amount is a slight increase from the prior fiscal year. Footnote 5 in the notes to the financial statements provides more detailed information regarding the City's capital asset activity.

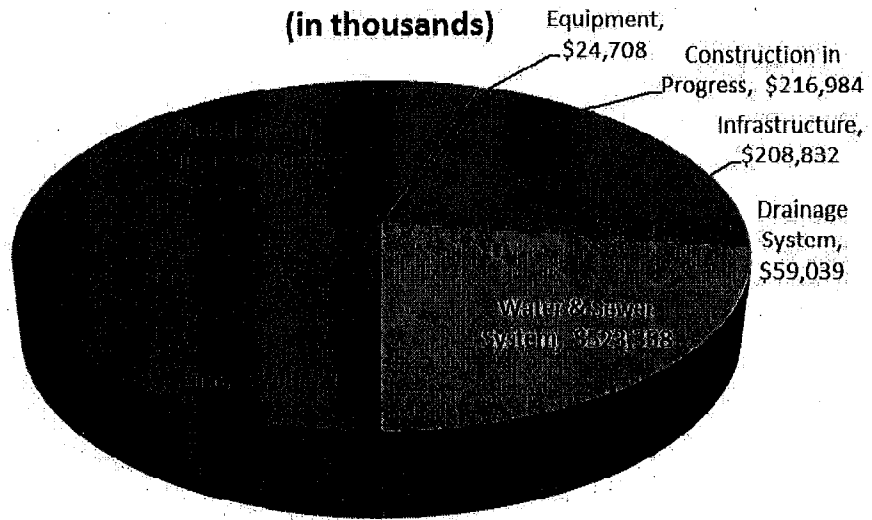
Table 3
Capital Assets, net of Accumulated Depreciation
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
Land	\$ 226,911	\$ 226,911	\$ 21,910	\$ 22,347	\$ 248,821	\$ 249,258
Buildings and improvements	1,016,389	989,673	1,364	1,306	1,017,753	990,979
Equipment	24,124	22,993	584	415	24,708	23,408
Construction in progress	95,045	130,841	121,939	70,202	216,984	201,043
Infrastructure	208,832	207,767	0	-	208,832	207,767
Drainage system	-	-	59,039	73,783	59,039	73,783
Water and sewer system	-	-	523,358	582,791	523,358	582,791
Totals	\$1,571,301	\$1,578,185	\$728,194	\$750,844	\$2,299,495	\$2,329,029

**2016 Capital Assets
(in thousands)**

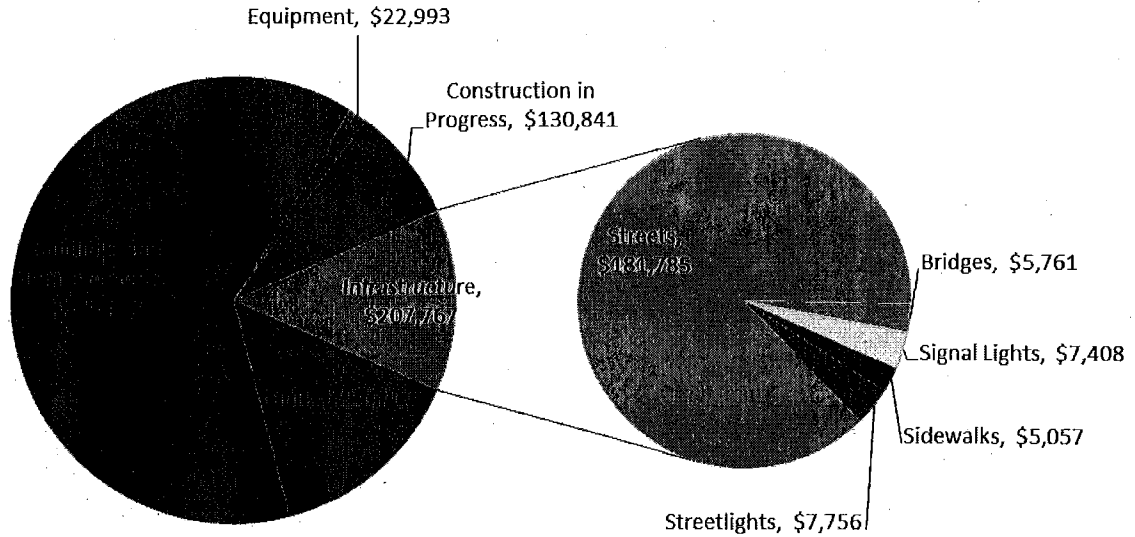


**2015 Capital Assets
(in thousands)**



The City's governmental activities infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):

2016 Capital Assets – Governmental Infrastructure Detail (in thousands)

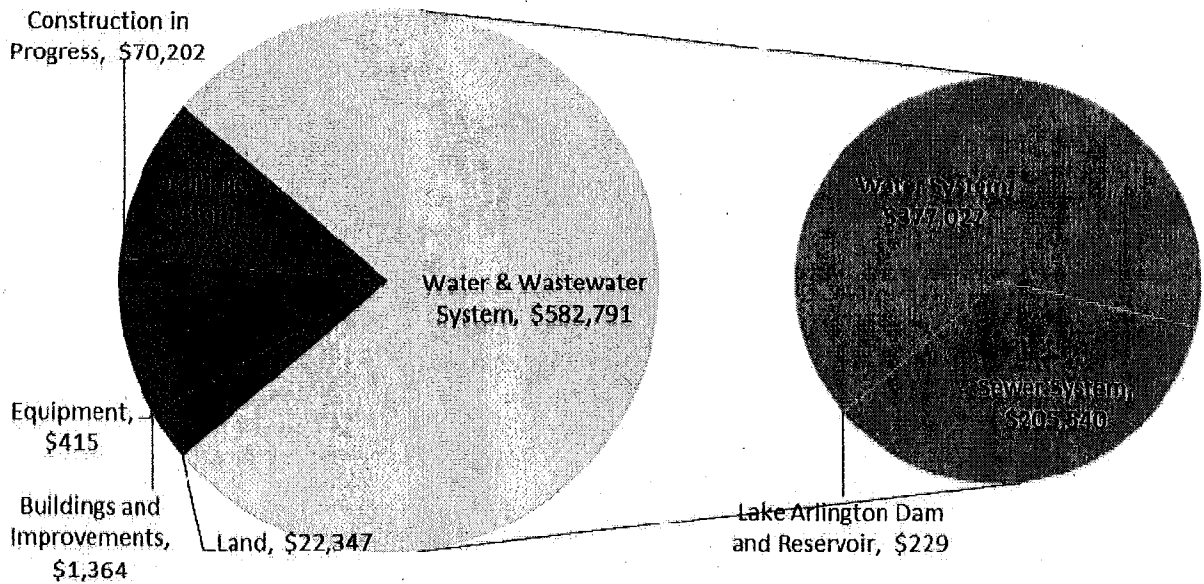


Asset	Book Value	Accumulated Depreciation	Net Value
Sidewalks	\$ 68,887	\$ (63,830)	\$ 5,057
Streetlights	19,202	(11,446)	7,756
Streets	735,844	(554,059)	181,785
Bridges	32,097	(26,336)	5,761
Signal Lights	17,032	(9,624)	7,408
	<u>\$ 873,062</u>	<u>\$ (665,295)</u>	<u>\$ 207,767</u>

The City's water and sewer enterprise infrastructure investment, including accumulated depreciation, breaks down as follows (in thousands):

Asset	Book Value	Accumulated Depreciation	Net Value
Lake Arlington	\$ 2,619	\$ (2,390)	\$ 229
Water System	568,530	(191,508)	377,022
Sewer System	308,560	(103,020)	205,540
	<u>\$ 879,709</u>	<u>\$ (296,918)</u>	<u>\$ 582,791</u>

2016 Capital Assets – Enterprise Infrastructure Detail (in thousands)



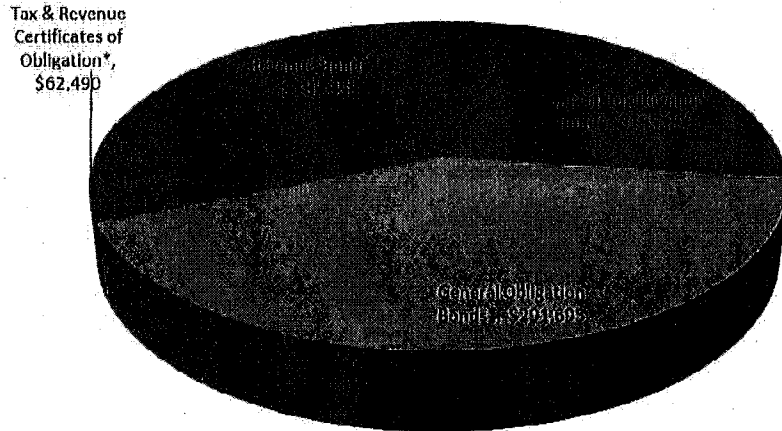
Major capital asset additions during the fiscal year include the following:

- Private developer capital contributions of \$1.8M to the City's water and sewer infrastructure in connection with various residential and commercial developments
- Water and sewer system capital improvements and expansion of \$33.1M
- Storm drainage system capital improvements and expansion of \$25.6M
- Street construction projects capital outlay totaling \$34.1M
- Improvements to parks and recreation facilities of \$6.9M

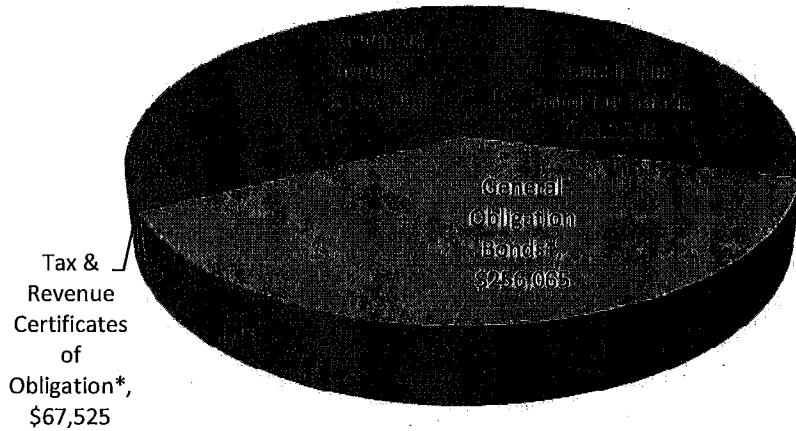
Debt

At year-end, the City had \$696.5M in debt, an increase of \$30.4M from 2015. The City refunded \$47.4 in Permanent Improvement Bonds.

**2016 Outstanding Debt
(in thousands)**



**2015 Outstanding Debt
(in thousands)**



**Secured by City Tax Base*

***Secured by Water and Sewer or Drainage Revenue*

Table 4
Outstanding Debt
(Amounts Expressed In Thousands)

	Governmental Activities		Business-type Activities		Total	
	2015	2016	2015	2016	2015	2016
General obligation bonds (backed by the City)	\$256,065	\$291,695	\$ -	\$ -	\$256,065	\$291,695
Combination tax and revenue certificates of obligation (backed by the City)	67,525	62,490	-	-	67,525	62,490
Special tax revenue bonds	183,515	155,000	-	-	183,515	155,000
Revenue bonds (backed by fee revenues)	-	-	159,055	187,355	159,055	187,355
Totals	\$507,105	\$509,185	\$ 159,055	\$187,355	\$666,160	\$696,540

During the current fiscal year, the City issued \$34.4M in Permanent Improvement and \$47.4 in Permanent Improvement Refunding bonds to make various capital improvements, and to pay costs related to the issuance of the bonds. In 2016, the City issued \$39.2M in Water and Sewer Revenue Bonds for the purpose of improving and expanding existing water and wastewater infrastructure. Additionally, the City issued \$2.1M related to debt issues held by the Texas Water Development Board (TWDB) as part of the TWDB Clean and Drinking Water Programs. Footnote 8 in the notes to the financial statements provides more detailed information regarding the City's long-term debt activity.

In 2016, the City's debt ratings were as follows by type and agency:

Type	Fitch	S&P	Moody's
City GO/CO - Tax Supported	AAA	AAA	Aa1
Water & Wastewater Revenue	AAA	AAA	Aa2
Storm Water Revenue		AAA	Aa2
Cowboys Complex Special Obligations	AA+	A+	A1

General bonded debt per capita increased from \$871 in 2015 to \$988 in 2016.

The City is permitted by Article XI, Section 5, of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of net bonded debt to assessed value of all taxable property is 1.92%.

The City maintains a self-insurance program for bodily injury, property damage, personal injury, advertising injury, regulatory injury and worker's compensation. Claims for worker's compensation over \$750,000 per occurrence are covered by a private insurance company. Claim liabilities are actuarially determined and take into consideration claim experience, adjustment expenses, economic, and other factors which can vary considerably from year to year. Total estimated claims liability at September 30, 2016 was \$9.47M.

THE CITY'S FUNDS

The governmental funds of the City reported a combined fund balance of \$335.7M. The General Fund balance was \$62.4M, an increase of \$4.4M from prior year. The Debt Service fund balance decreased \$6.4M, ending the year with \$28.1M. The decrease was a result of the refunding and retirement of principal on existing debt. Other changes in fund balances should be noted:

- Street Capital Projects fund spending increased in fiscal year 2016, up from \$26.7M to \$34M. The \$34M in capital outlay was offset by capital contributions and interest revenue totaling \$3.7M and a debt issuance of \$29.5M, resulting in a \$2.6M decrease in fund balance.
- The City's water and sewer fund net position of \$614.2M increased by \$19.2M in the current year. The increase in net position is primarily due to increased operating revenues exceeding expenses by \$33M.
- The Storm Water Utility fund, created in 2009 to address the City's need to manage issues associated with storm water runoff, saw an increase of \$6.8M to net position in 2016; storm water fee revenues exceeded fund expenses by \$7.9M, increasing net position to \$98.1M at the end of the fiscal year.

GENERAL FUND BUDGET HIGHLIGHTS

During fiscal year 2016, there were no budget amendments in the General Fund.

Actual expenditures on a budgetary basis of \$224.5M were slightly less than budgeted expenditures of \$241.9M. Position vacancies resulted in significant salary and benefit savings in the fund.

Revenues on a budgetary basis were higher than the budgeted amount of \$232.9M by \$2.7M. Licenses and permits, and leases, rents, and concessions were higher than expected by \$3.3M and \$2.3M respectively. Utility franchise fees were down due to decreased electrical and gas utility revenues.

ECONOMIC FACTORS AND FISCAL YEAR 2017

Each year, the City Council and appointed officials consider many factors when setting the fiscal year's budget, tax rates, and fees that will be charged for the business-type activities. The City of Arlington continues to see the need for services and programs outpacing economic growth. While the City has experienced some growth over the past several years, the City must constantly innovate, improve processes, and search for prudent opportunities for investment. General Fund property tax revenues increased to \$121.9M and sales taxes were strong in 2016. Nevertheless, City Council and management remain committed to prudent, conservative fiscal planning. Key budget priorities in 2017 are:

- Champion great neighborhoods
- Enhance regional mobility
- Invest in our economy
- Put technology to work
- Support quality education

The City's total General Fund revenues and transfers for 2017 are budgeted at \$234.4M, and total General Fund expenditures are expected to be \$234.4M, a net increase of \$12.5M over 2016.

The General Fund's largest single revenue source is property taxes. This revenue represents 38.8% of the General Fund budget. The property tax rate for 2017 is \$0.6448 per \$100 valuation, the first time it has changed since 2001. The tax rate is broken into two pieces, operations and maintenance, \$0.4538 per \$100 valuation, to the General Fund, and interest and sinking, \$0.1910 per \$100 valuation, for debt service. The General Fund property tax revenue for 2017 is estimated to be \$91.7M, up \$8.2M (9.8%) from last year's estimate.

The City's portion of the local 8 cent sales tax rate is one and three-quarter cents. The General Fund receives one cent, one-quarter cent is dedicated to the Street Maintenance Fund, and one-half cent provides for debt service for the AT&T Stadium debt. Sales tax revenue for the General Fund for fiscal year 2017 is estimated at \$60.4M, an increase from 2016 collections.

The City's Water and Sewer Fund accounts for nearly 30% of the City's revenue. The mission of the Water Utilities Department is to provide a continuous supply of high quality drinking water and ensure safe disposal of wastewater in a responsive, cost-effective manner while continuing to improve service to citizens and planning for future needs. The largest revenue sources for the Water and Sewer Fund is water sales and wastewater treatment budgeted at \$74M and \$57.9M respectively for FY 2017. The City maintains a rate structure designed to ensure that each category of service is self-supporting.

Details of the City of Arlington Fiscal Year 2017 Operating Budget can be accessed on the City's website: <http://www.arlington-tx.gov/budget/>.

CONTACTING THE FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to show the City's fiscal accountability. If you have questions about this report or need additional information, contact Amy Trevino, Controller (amy.trevino@arlingtontx.gov), in the Finance Department, at the City of Arlington, 101 S. Mesquite St., Suite 800, Arlington, TX 76010. The City is also an active member of MSRB's Electronic Municipal Market Access (EMMA), which keeps the Arlington CAFR on file. Additionally, the CAFR can be found on the City's website at <http://www.arlington-tx.gov/finance/financial-reports/>.



CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash-like investments	\$ 340,540	\$ 41,940	\$ 382,480	\$ 12,628
Investments	-	-	-	54,575
Land Held for Resale	7,653	-	7,653	-
Receivables (net of allowance for uncollectibles):				
Taxes	8,275	-	8,275	-
Sales taxes	15,693	-	15,693	-
Trade accounts	49	10,657	10,706	-
Franchise fees	6,680	-	6,680	-
Unbilled trade accounts	-	7,655	7,655	-
Loan receivable	-	1,833	1,833	-
Special assessments	135	-	135	-
Accrued interest	917	-	917	-
Ballpark lease	11,310	-	11,310	-
Settlement agreement	5,644	-	5,644	-
Other	6,611	41	6,652	265
Internal balances	3,198	(3,198)	-	-
Due from other governments	4,140	-	4,140	-
Inventory of supplies	1,547	1,824	3,371	-
Prepaid expenses	3,066	2,160	5,226	62
Net other post employment benefit asset	411	-	411	-
Restricted assets-				
Bond contingency-				
Investments	-	17,416	17,416	-
Capital construction-				
Investments	-	83,075	83,075	-
Escrow	-	3,129	3,129	-
Meter deposits-				
Investments	-	5,429	5,429	-
Loan receivable	-	1,833	1,833	-
Closure/Post-closure trust fund				
Investments	8,160	-	8,160	-
Capital Assets-				
Land	226,911	22,347	249,258	-
Buildings and improvements	1,298,689	2,833	1,301,522	563
Water and sewer system	-	879,709	879,709	-
Machinery and equipment	109,792	11,983	121,775	1,354
Infrastructure	873,062	-	873,062	-
Drainage systems	-	113,333	113,333	-
Construction in progress	130,841	70,202	201,043	-
Accumulated depreciation	(1,062,831)	(349,563)	(1,412,394)	(1,467)
Total Assets	2,000,493	924,638	2,925,131	67,980
DEFERRED OUTFLOWS OF RESOURCES				
Deferred loss on debt refunding	10,653	1,909	12,562	-
Deferred outflow-Contributions Pension	16,943	1,178	18,121	-
Deferred outflow-Investment Earnings Pension	61,863	3,982	65,845	-
Total Assets and Deferred Outflows of Resources	2,089,952	931,707	3,021,659	67,980

The notes to the financial statements are an integral part of this statement.

**CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
LIABILITIES				
Accounts payable and accrued liabilities	\$ 22,222	\$ 3,909	\$ 26,131	\$ 2,593
Retainage payable	2,048	-	2,048	-
Accrued interest	2,625	-	2,625	-
Payable from restricted assets-				
Accounts payable and accrued liabilities	-	3,356	3,356	-
Retainage payable	-	1,331	1,331	-
Accrued interest	-	1,967	1,967	-
Meter deposits	-	5,429	5,429	-
Non-current liabilities				
Due within one year:				
Estimated claims payable	5,158	-	5,158	-
General obligation and certificates of obligation debt	34,155	-	34,155	-
Special tax revenue debt	1,035	-	1,035	-
Accrued compensated absences	1,404	144	1,548	-
Revenue bonds	-	12,482	12,482	-
Capital lease obligation	1,020	-	1,020	-
Due in more than one year:				
Estimated claims payable	4,314	-	4,314	-
Net other post-employment benefit obligation	37,334	-	37,334	-
General obligation and certificates of obligation debt	335,566	-	335,566	-
Special tax revenue debt	155,535	-	155,535	-
Landfill closure accrued liabilities	8,160	-	8,160	-
Accrued compensated absences	27,967	1,656	29,623	-
Revenue bonds	-	180,863	180,863	-
Net pension liability	155,932	10,840	166,772	-
Capital lease obligation	7,844	-	7,844	-
Total Liabilities	802,319	221,977	1,024,296	2,593
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow-actuarial assumption pension	12,310	561	12,871	-
Deferred inflow - lease & settlement agreements	1,805	-	1,805	89
Total Liabilities and Deferred Inflows of Resources	816,434	222,538	1,038,972	2,682
NET POSITION				
Net investment in capital assets	1,055,902	639,243	1,695,145	450
Restricted for debt service	28,124	18,150	46,274	-
Restricted for use of impact fees	7,944	-	7,944	-
Restricted for housing assistance	-	-	-	670
Restricted for endowments	-	-	-	59,784
Unrestricted	181,548	51,776	233,324	4,394
Total Net Position	\$ 1,273,518	\$ 709,169	\$ 1,982,687	\$ 65,298

The notes to the financial statements are an integral part of this statement.



CITY OF ARLINGTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 75,486	\$ 21,863	\$ 50,537	\$ 1,729
Public safety	156,414	16,392	4,682	-
Public works	61,115	2,085	360	3,308
Public health	2,741	3,393	42	-
Parks and recreation	32,449	11,180	125	27
Public welfare	14,978	216	6,361	750
Convention and event services	8,384	3,680	-	-
Interest and fiscal charges	23,016	-	-	-
Total Governmental Activities	374,583	58,809	62,107	5,814
Business-Type Activities:				
Water and sewer	98,697	131,086	-	1,820
Storm water utility	5,740	13,575	-	-
Total Business-Type Activities	104,437	144,661	-	1,820
Total Primary Government	\$ 479,020	\$ 203,470	\$ 62,107	\$ 7,634
Component Units:				
Arlington Housing Authority	\$ 27,468	\$ -	\$ 28,211	\$ -
Arlington Convention and Visitors Bureau	5,921	5,794	175	-
Arlington Tomorrow Foundation	1,728	-	-	-
Arlington Housing Finance Corporation	1	-	3	-
Arlington Industrial Development Corporation	-	-	-	-
Arlington Convention Center Development Corp	83	-	-	-
Arlington Economic Development Corp	-	-	-	-
Total Component Units	\$ 35,201	\$ 5,794	\$ 28,389	\$ -

General Revenues:
Property taxes
Sales taxes
Criminal justice tax
State liquor tax
Bingo tax
TIF/TIRZ
Occupancy tax
Franchise fees based on gross receipts
Interest
Net increase (decrease) in fair value of investments
Other
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (1,357)	\$ -	\$ (1,357)	\$ -
(135,340)	-	(135,340)	-
(55,362)	-	(55,362)	-
694	-	694	-
(21,117)	-	(21,117)	-
(7,651)	-	(7,651)	-
(4,704)	-	(4,704)	-
(23,016)	-	(23,016)	-
<u>(247,853)</u>	<u>-</u>	<u>(247,853)</u>	<u>-</u>
-	34,209	34,209	-
-	7,835	7,835	-
-	42,044	42,044	-
<u>\$ (247,853)</u>	<u>\$ 42,044</u>	<u>\$ (205,809)</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 743
-	-	-	48
-	-	-	(1,728)
-	-	-	2
-	-	-	-
-	-	-	(83)
-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,018)</u>
121,943	-	121,943	-
102,580	-	102,580	-
409	-	409	-
1,828	-	1,828	-
82	-	82	-
7,273	-	7,273	-
10,838	-	10,838	-
25,435	-	25,435	-
4,023	687	4,710	2,220
(598)	(35)	(633)	1,942
6,084	-	6,084	(47,255)
16,619	(16,619)	-	-
<u>296,516</u>	<u>(15,967)</u>	<u>280,549</u>	<u>(43,093)</u>
48,663	26,077	74,740	(44,111)
1,224,855	683,092	1,907,947	109,409
<u>\$ 1,273,518</u>	<u>\$ 709,169</u>	<u>\$ 1,982,687</u>	<u>\$ 65,298</u>

**CITY OF ARLINGTON, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	General	Debt Service	Street Capital Projects	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash-like investments	\$ 49,213	\$ 22,193	\$ 69,130	\$ 174,622	\$ 315,158
Land held for resale	-	-	-	7,653	7,653
Closure/Post-closure restricted cash	8,160	-	-	-	8,160
Receivables (net of allowance for uncollectibles)					
Taxes	2,835	691	-	4,749	8,275
Sales taxes	10,459	5,230	-	4	15,693
Franchise fees	6,680	-	-	-	6,680
Special assessments	-	-	135	-	135
Accrued interest	907	10	-	-	917
Lease and settlement agreements	16,954	-	-	-	16,954
Other	3,459	-	-	2,936	6,395
Due from other funds	2,966	-	-	-	2,966
Due from other governments	-	-	-	4,140	4,140
Inventory of supplies, at cost	1,265	-	-	237	1,502
Prepaid Expenditures	1,345	-	-	1,685	3,030
Total Assets	\$ 104,243	\$ 28,124	\$ 69,265	\$ 196,026	\$ 397,658
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 7,889	\$ -	\$ 5,201	\$ 8,874	\$ 21,964
Retainage payable	40	-	1,397	611	2,048
Unearned Revenue	-	-	135	962	1,097
Due to other funds	-	-	-	2,966	2,966
Closure/Post-closure trust fund	8,160	-	-	-	8,160
Total Liabilities	16,089	-	6,733	13,413	36,235
Deferred Inflows of resources:					
Taxes	2,898	-	-	-	2,898
Landfill lease	3,887	-	-	-	3,887
Gas lease	1,933	-	-	1	1,934
Lease and settlement agreements	16,954	-	-	-	16,954
Other	4	-	-	-	4
Total Deferred Inflows of Resources	25,676	-	-	1	25,677
Fund Balances:					
Nonspendable:					
Inventory	1,265	-	-	237	1,502
Prepays	117	-	-	1,685	1,802
Restricted for:					
Debt service	-	28,124	-	-	28,124
Capital projects	-	-	62,532	35,252	97,784
Special revenue	-	-	-	26,453	26,453
Committed to:					
Utility rate case	-	-	-	-	-
Capital projects	-	-	-	44,867	44,867
Special revenue	-	-	-	73,800	73,800
Assigned to:					
Encumbrances	8,515	-	-	-	8,515
Working capital	19,717	-	-	-	19,717
Subsequent years' expenditures	6,918	-	-	-	6,918
Compensated absences	1,402	-	-	-	1,402
Other post employment benefits	1,718	-	-	-	1,718
Future initiatives	17,151	-	-	-	17,151
Dispatch	830	-	-	-	830
Information technology	305	-	-	-	305
Business continuity	4,062	-	-	-	4,062
Park performance	-	-	-	318	318
Court security	-	-	-	-	-
Unassigned	478	-	-	-	478
Total Fund Balances	62,478	28,124	62,532	182,612	335,746
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 104,243	\$ 28,124	\$ 69,265	\$ 196,026	\$ 397,658

The notes to the financial statements are an integral part of this statement.

**CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF NET POSITION
OF GOVERNMENTAL FUNDS TO THE BALANCE SHEET
AS OF SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

Total fund balance per balance sheet **\$ 335,746**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excluding \$15,000 recorded in the internal service funds). 1,560,803

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

	Fund Deferred Inflows	Net Position Deferred Inflows	
Taxes	\$ 2,898	\$ -	
Landfill	3,887	3,887	
Gas lease	1,934	1,934	
Grant revenue	300	(2,082)	
Ballpark lease	11,310	-	
Ballpark Settlement	5,644	-	
Unearned	3,397	-	
	29,370	3,739	25,631

Internal service funds are used by management to charge the cost of fleet services, general services, APFA, technology services, workers' compensation and group health to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 34,533

Long-term liabilities, including bonds payable, arbitrage and compensated absences, are not due and payable in the current period and therefore, are not reported in the funds (excluding \$9,136 recorded in the internal service funds).

Bonds payable		\$ (509,185)	
Premium general obligation debt		(19,081)	
Discount on bonds		1,975	
Deferred outflow of resources (refunding)		10,653	
Accrued interest payable		(2,625)	
Compensated absences		(29,341)	
Net other post-employment benefit obligation		(37,334)	
Net other post-employment asset		411	
TMRS:			
Net pension liability	\$(155,932)		
Deferred inflow-actuarial gain	(12,310)		
Deferred outflow-investment loss	61,861		
Deferred outflow-contributions 1/1-9/30/16	16,943	(89,438)	
Estimated claims		(366)	
Capital Leases		(8,864)	
		(683,195)	

Net position of governmental activities **\$ 1,273,518**

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	General	Debt Service	Streets Capital Projects	Other Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 143,563	\$ 71,636	\$ -	\$ 30,479	\$ 245,678
Licenses and permits	9,063	-	-	-	9,063
Utility franchise fees	25,435	-	-	-	25,435
Fines and forfeitures	11,996	-	-	-	11,996
Leases, rents and concessions	8,348	1,500	-	-	9,848
Service charges	6,320	-	-	15,769	22,089
Interest revenue	1,705	677	465	1,089	3,936
Net increase (decrease) in fair value of investments	(52)	(416)	(61)	(63)	(592)
Contributions	1,665	-	3,236	472	5,373
Intergovernmental revenues	50,537	-	-	12,320	62,857
Gas lease royalty	-	-	-	5,056	5,056
Gas lease other	-	-	-	140	140
Other	44	56	46	4,857	5,003
Total Revenues	258,624	73,453	3,686	70,119	405,882
EXPENDITURES					
Current-					
General government	39,754	-	-	5,938	45,692
Public safety	139,395	-	-	6,338	145,733
Public works	20,219	-	-	21,996	42,215
Public health	2,148	-	-	489	2,637
Public welfare	-	-	-	9,768	9,768
Parks and recreation	14,763	-	-	11,584	26,347
Convention and event services	-	-	-	8,283	8,283
Capital outlay	-	-	34,067	21,748	55,815
Debt service-					
Principal retirement	-	60,500	-	-	60,500
Redemption premium	-	701	-	-	701
Interest and fiscal charges	-	24,119	-	-	24,119
Total Expenditures	216,279	85,320	34,067	86,144	421,810
Excess (deficiency) of revenues over (under) expenditures	42,345	(11,867)	(30,381)	(16,025)	(15,928)
OTHER FINANCING SOURCES (USES)					
Issuance of bonds	-	14,150	28,235	6,205	48,590
Issuance of refunding bonds	-	47,365	-	-	47,365
Issuance of certificates of obligation	-	-	-	15,995	15,995
Amount used to fund escrow account	-	(53,710)	-	-	(53,710)
Bond premium	-	6,520	1,320	1,095	8,935
Transfers in	23,202	5,140	-	62,170	90,512
Transfers out	(61,092)	(14,000)	(1,766)	(15,995)	(92,853)
Total Other Financing Sources and Uses	(37,890)	5,465	27,789	69,470	64,834
Net Change in Fund Balances	4,455	(6,402)	(2,592)	53,445	48,906
Fund Balances, October 1,	58,023	34,526	65,124	129,167	286,840
Fund Balances, September 30	\$ 62,478	\$ 28,124	\$ 62,532	\$ 182,612	\$ 335,746

The notes to the financial statements are an integral part of this statement.

**CITY OF ARLINGTON, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

Net change in fund balance - total governmental funds \$ 48,906

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period. 55,394

Depreciation on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation is not reported as expenditures in the governmental funds. (52,106)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 390

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Interest on bond payoff	(919)	
Repayment of general obligation debt	114,210	
Proceeds from issuance of bonds	(111,950)	
Amortization of deferred loss on bond refunding	(919)	
Amortization of bond premium	(5,294)	
Repayment of capital lease	996	
		(3,876)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	(1,155)	
Accrued interest expense	118	
Post-employment benefit obligation expense	(762)	
TMRS net pension liability	(8,106)	
Estimated salary expense	(3,693)	
		(13,598)

Internal service funds are used by management to charge the costs of fleet management and management information systems, property liability loss, health claims and offices services to individual funds. The net expenses of certain activities of internal service funds is reported within governmental activities. 13,553

Change in net position of governmental activities \$ 48,663

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Total	
ASSETS				
Current Assets:				
Cash and cash-like investments	\$ 23,709	\$ 18,231	\$ 41,940	\$ 25,382
Receivables (net of allowances for uncollectibles):				
Trade accounts	9,534	1,123	10,657	49
Unbilled trade accounts	7,097	558	7,655	-
Loan receivable	1,833	-	1,833	-
Other	41	-	41	216
Prepaid Expenditures	2,160	-	2,160	36
Inventory of supplies, at cost	1,824	-	1,824	45
Subtotal	46,198	19,912	66,110	25,728
Restricted Assets:				
Bond contingency-cash and cash-like investments	11,757	718	12,475	-
Capital construction-cash and cash-like investments	29,541	-	29,541	-
Total Current Assets	87,496	20,630	108,126	25,728
Non-Current Assets:				
Restricted Assets:				
Bond contingency- Investments	4,941	-	4,941	-
Capital construction- Investments	53,534	-	53,534	-
Escrow	3,129	-	3,129	-
Meter deposit investments	5,429	-	5,429	-
Loan receivable	1,833	-	1,833	-
Capital Assets:				
Land	7,486	14,861	22,347	-
Buildings and improvements	2,833	-	2,833	467
Water and sewer system	879,709	-	879,709	-
Machinery and equipment	11,960	23	11,983	45,013
Drainage system	-	113,333	113,333	-
Construction-in-progress	59,889	10,313	70,202	-
Accumulated depreciation	(310,003)	(39,560)	(349,563)	(30,480)
Total Capital Assets Net of Accumulated Depreciation	651,874	98,970	750,844	15,000
Total Noncurrent Assets	720,740	98,970	819,710	15,000
Total Assets	808,236	119,600	927,836	40,728
Deferred Outflows of Resources:				
Deferred charges on debt refunding	1,909	-	1,909	-
Deferred outflow - contributions GASB 68	1,178	-	1,178	-
Deferred outflow - investment/actuarial GASB 68	3,982	-	3,982	-
Total Assets and Deferred Outflows of Resources	\$ 815,305	\$ 119,600	\$ 934,905	\$ 40,728

The notes to the financial statements are an integral part of this statement.

(continued)

CITY OF ARLINGTON, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Total	
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities	\$ 2,918	\$ 991	\$ 3,909	\$ 257
Accrued compensated absences	123	21	144	-
Revenue bonds payable from unrestricted assets	10,139	1,280	11,419	-
Current Liabilities Payable From Restricted Assets:				
Accounts payable and accrued liabilities	3,356	-	3,356	-
Retainage payable	1,235	96	1,331	-
Accrued interest	1,676	291	1,967	-
Estimated claims payable	-	-	-	4,792
Revenue bonds payable	1,063	-	1,063	-
Meter deposits	5,429	-	5,429	-
Total Current Liabilities	25,939	2,679	28,618	5,049
Noncurrent Liabilities:				
Estimated claims payable	-	-	-	4,314
Compensated absences	1,470	186	1,656	30
Revenue bonds payable from unrestricted assets	162,283	18,580	180,863	-
Net pension liability	10,840	-	10,840	-
Total Noncurrent Liabilities	174,593	18,766	193,359	4,344
Total Liabilities	200,532	21,445	221,977	9,393
Deferred Inflows of Resources:				
Deferred inflow - investment/actuarial GASB 68	561	-	561	-
Total Liabilities and Deferred Inflows of Resources	201,093	21,445	222,538	9,393
NET POSITION				
Net investment in capital assets	560,229	79,014	639,243	15,000
Restricted for debt service	18,150	-	18,150	-
Unrestricted	35,833	19,141	54,974	16,335
Total Net Position	\$ 614,212	\$ 98,155	\$ 712,367	\$ 31,335
Reconciliation to government-wide statements of net position:				
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(3,198)	
Net position of business-type activities			\$ 709,169	

The notes to the financial statements are an integral part of this statement.

**CITY OF ARLINGTON, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Total	
Operating Revenues:				
Water sales	\$ 69,628	\$ -	\$ 69,628	\$ -
Sewer service	55,188	-	55,188	-
Storm water fee - commercial	-	6,261	6,261	-
Storm water fee - residential	-	7,314	7,314	-
Service charges	-	-	-	34,599
Sundry	6,270	-	6,270	-
Total Operating Revenues	<u>131,086</u>	<u>13,575</u>	<u>144,661</u>	<u>34,599</u>
Operating Expenses:				
Purchase of water	19,743	-	19,743	-
Purchase of sewage treatment	29,383	-	29,383	-
Salaries and wages	12,323	1,681	14,004	451
Employees' retirement	1,967	249	2,216	63
Supplies	2,499	62	2,561	2,604
Maintenance and repairs	4,724	747	5,471	417
Utilities	3,090	17	3,107	81
Claims (net of adjustments)	12	-	12	28,740
Legal and professional	84	-	84	140
Depreciation	16,783	2,159	18,942	3,834
Miscellaneous services	4,463	674	5,137	4,423
Total Operating Expenses	<u>95,071</u>	<u>5,589</u>	<u>100,660</u>	<u>40,753</u>
Operating Income (Loss)	<u>36,015</u>	<u>7,986</u>	<u>44,001</u>	<u>(6,154)</u>
Nonoperating Revenues (Expenses):				
Interest revenue	571	116	687	49
Net increase in the fair value of investments	(25)	(10)	(35)	(6)
Gain on sale of assets	-	-	-	313
Interest expense and fiscal charges	(3,235)	(151)	(3,386)	-
Total Nonoperating Revenues (Expenses)	<u>(2,689)</u>	<u>(45)</u>	<u>(2,734)</u>	<u>356</u>
Income (loss) before transfers and contributions	33,326	7,941	41,267	(5,798)
Contributions in aid of construction	1,820	-	1,820	-
Transfers in	-	-	-	19,729
Transfers out	(15,513)	(1,106)	(16,619)	(769)
Change in Net Position	<u>19,633</u>	<u>6,835</u>	<u>26,468</u>	<u>13,162</u>
Total Net Position, October 1	<u>594,579</u>	<u>91,320</u>	<u>685,899</u>	<u>18,173</u>
Total Net Position, September 30	<u>\$ 614,212</u>	<u>\$ 98,155</u>	<u>\$ 712,367</u>	<u>\$ 31,335</u>
Net change in net position - total proprietary funds			\$ 26,468	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds			(391)	
Change in net position of business-type activities			<u>\$ 26,077</u>	

The notes to the financial statements are an integral part of this statement.

CITY OF ARLINGTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)

	Business-type Activities- Enterprise Funds			Governmental Activities- Internal Service Funds
	Water and Sewer	Storm Water Utility	Total	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 132,916	\$ 13,431	\$ 146,347	\$ 34,461
Cash payments to suppliers	(65,320)	(1,488)	(66,808)	(36,303)
Cash payments to employees	(14,133)	(1,980)	(16,113)	(527)
Net Cash Provided By (Used For) Operating Activities	53,463	9,963	63,426	(2,369)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	-	-	-	19,729
Transfers out	(15,513)	(1,106)	(16,619)	(769)
Net Cash Provided By (Used For) Noncapital Financing Activities	(15,513)	(1,106)	(16,619)	18,960
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets	(32,836)	(4,885)	(37,721)	(5,722)
Increase/Decrease in escrow balance	(924)	-	(924)	-
Proceeds from sales of capital assets	-	-	-	326
Proceeds from issuance of long-term debt	44,694	-	44,694	-
Repayment of long-term debt	(11,870)	(1,280)	(13,150)	-
Interest payment long-term debt	(6,023)	(963)	(6,986)	-
Net Cash Provided By (Used For) Capital Related Financing Activities	(6,959)	(7,128)	(14,087)	(5,396)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from interest earnings	775	116	891	49
Net decrease in the fair value of investments	(25)	(10)	(35)	(6)
Purchase of investments	(148,423)	-	(148,423)	-
Maturities/sales of investments	121,507	8	121,515	-
Net Cash Provided By (Used For) Investing Activities	(26,166)	114	(26,052)	43
Net Increase In Cash And Cash Equivalents	4,825	1,843	6,668	11,238
Cash and cash-like investments, October 1	60,182	16,388	76,570	14,144
Cash and cash-like investments, September 30	\$ 65,007	\$ 18,231	\$ 83,238	\$ 25,382
Reconciliation of operating income to net cash provided by (used for) operating activities:				
Operating income (loss)	\$ 36,015	\$ 7,986	\$ 44,001	\$ (6,154)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	16,783	2,159	18,942	3,834
Amortization of bond premium	751	88	839	-
Amortization of deferred loss on bond refunding	(238)	-	(238)	-
Provision for bad debts	(144)	5	(139)	-
(Increase) decrease in- Receivables	1,831	(144)	1,687	(138)
Inventory of supplies	(594)	-	(594)	-
Prepaid expenses	(2,160)	-	(2,160)	2
Increase (decrease) in- Accounts payable and accrued liabilities	442	243	685	(239)
Net pension liability	697	-	697	-
Estimated claims payable	-	-	-	338
Retainage payable	210	(324)	(114)	-
Meter deposits	78	-	78	-
Accrued compensated absences	(208)	(50)	(258)	(12)
Total adjustments	17,448	1,977	19,425	3,785
Net Cash Provided By (Used For) Operating Activities	\$ 53,463	\$ 9,963	\$ 63,426	\$ (2,369)
Noncash investing, capital, and financing activities:				
Contributions of capital assets from developers	1,820	-	1,820	-

The notes to the financial statements are an integral part of this statement.

**CITY OF ARLINGTON, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2016
(AMOUNTS EXPRESSED IN THOUSANDS)**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash-like investments	\$ 61	\$ 9,344
Investments		
Investment retired city mgr 401(k) plan	64	-
Money market fund	44,780	-
Corporate bonds	2,439	-
Fixed income mutual bond funds	17,412	-
Common stock mutual bond funds	75,169	-
Balanced mutual funds	27,914	-
Participant borrowing	5,082	-
Self directed brokerage accounts	5,773	-
Total Investments	<u>178,633</u>	<u>-</u>
Total Assets	<u>\$ 178,694</u>	<u>\$ 9,344</u>
LIABILITIES		
Accounts payable and accrued liabilities	\$ 6	\$ 9,344
Retired city mgr 401(k) plan payable	64	-
Total Liabilities	<u>\$ 70</u>	<u>\$ 9,344</u>
NET POSITION		
Restricted for pensions	\$ 178,563	
Assigned pension trust	61	
Total Net Position	<u>\$ 178,624</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF ARLINGTON, TEXAS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016
 (AMOUNTS EXPRESSED IN THOUSANDS)**

	Pension Trust Funds
ADDITIONS	
Employer contributions	\$ 3,139
Employee contributions	7,616
Net appreciation in fair value of investments	16,664
Other additions	191
Total Additions	<u>27,610</u>
DEDUCTIONS	
Benefits	12,783
Plan administration	179
Other deductions	89
Total Deductions	<u>13,051</u>
Increase in Net Position	14,559
Net Position, October 1	164,065
Net Position, September 30	<u>\$ 178,624</u>

The notes to the financial statements are an integral part of this statement.



CITY OF ARLINGTON, TEXAS

NOTES TO BASIC FINANCIAL STATEMENTS

SEPTEMBER 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Arlington, Texas (the "City") was incorporated April 19, 1884 and the city charter was adopted January 17, 1920, under the provisions of the Home Rule Amendment to the State Constitution. The City operates under a Council Manager form of government and provides the following services to the citizens of the City: public safety (police and fire), public works, public welfare, parks and recreation, public health, water and sewer utilities, and general administrative services.

The accompanying financial statements of the City include all funds and component units. The financial statements of the City have been prepared to conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies and practices used by the City are described below.

A. Financial Statement Presentation

The basic financial statements are prepared in conformity with GAAP which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities and activities of its discretely presented component units on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both non-current assets and non-current liabilities of the City. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which continue to use the modified accrual basis of accounting and the current financial resources measurement focus for governmental funds. Accordingly, the accounting and financial reporting of the City's governmental funds is similar to that previously presented in the City's financial statements, although the format of financial statements has been modified by GASB Statement No. 34. The accrual basis of accounting and the economic resources measurement focus is utilized by proprietary fund types and the pension trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

GAAP also requires supplementary information presented as Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. A budgetary comparison statement is presented that compares the originally adopted and final General Fund budget with actual results, and schedules of funding progress for pension and retirement plans are provided, as required, in the Required Supplementary Information section.

B. Reporting Entity

The City is governed by an elected mayor and eight-member council. As required by GAAP, these financial statements present the City (the primary government) and its component units, entities for which the government is considered to be financially accountable.

GASB Statement No. 61. The Financial Reporting Entity, defines component units as legally separate entities that meet any one of the following tests:

- The City appoints the voting majority of the board of the component unit and:
 - Is able to impose its will on the component unit and/or
 - Is in a relationship of financial benefit or burden with the component unit

- The component unit is both:
 - fiscally dependent upon the City, and
 - there is a financial benefit or burden.
- The financial statements of the City would be misleading if data from the component unit were omitted.

The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government.

Arlington Property Finance Authority, Inc.

Arlington Property Finance Authority, Inc. (the "APFA") provides the City with a defined and funded self-insurance program for general and automotive liability. The financial statements of APFA, a component unit, have been "blended" with those of the City because its board of directors is appointed by the City Council, and the City management maintains significant continuing management oversight with respect to APFA's policies. Additionally, APFA provides services entirely to the City and its employees.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Arlington Housing Authority

The Arlington Housing Authority (the "AHA") provides low income housing assistance within the City. The AHA's board of commissioners is appointed by the Mayor. The AHA's management is designated by the City. The employees who are responsible for daily operations of the AHA are City employees. The City has financial accountability over the AHA's activities. The audited financial statements of the AHA are prepared in accordance with accounting principles generally accepted in the United States. Separate AHA component unit financial statements can be obtained from the AHA at 501 W. Sanford Street, Suite 20, Arlington, Texas 76010.

Arlington Convention and Visitors Bureau, Inc.

The Arlington Convention and Visitors Bureau, Inc. (the "ACVB") promotes tourism within the City. The ACVB's board of directors is appointed by the City Council. The primary source of revenue for the ACVB is a professional services support contract with the City; therefore, the City has financial accountability over the ACVB's activities. Separate ACVB component unit financial statements can be obtained from the ACVB at 1905 E. Randol Mill Road, Arlington, Texas 76011.

Arlington Tomorrow Foundation

The Arlington Tomorrow Foundation (ATF) oversees an endowment fund with a corpus of \$51.9 million created by natural gas revenues to be used for the benefit of the Arlington community. The City Council acts as the board of directors. The ATF's management is designated by the City, and City employees are responsible for the daily activities of the ATF; accordingly, the City has financial accountability over ATF's activities. Separate ATF component unit financial statements are not prepared.

Arlington Housing Finance Corporation

The Arlington Housing Finance Corporation (the "AHFC") provides financial assistance to low income, multi-family residences and single-family homebuyers within the City. The AHFC's board of directors is appointed by the City Council. The AHFC's management is designated by the City, and City employees are responsible for the daily activities of the AHFC; accordingly, the City has financial accountability over AHFC's activities. Separate AHFC component unit financial statements are not prepared.

Arlington Convention Center Development Corporation

Arlington Convention Center Development Corporation (the "ACDC") was formed to encourage and assist with planning, designing, constructing and maintaining a convention center complex, sports facility or hotel facility. The City Council serves as the board of directors. Separate ACDC component unit financial statements are not prepared.

Arlington Economic Development Corporation

The Arlington Economic Development Corporation was formed in 2015 for the purpose of undertaking projects that contribute to the quality of life and economic growth. The board of directors is made up of the mayor, three council members, and three citizens. There was no activity in fiscal year 2016.

C. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. The exception is that inter-fund services provided and used are not eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely significantly on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. All franchise fees are based on gross receipts and are included in general revenues.

The net cost by function is normally covered by general revenue (property and sales taxes, franchise fees, intergovernmental revenues, interest income, etc.).

Separate fund-based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The major governmental funds are the General Fund, Debt Service Fund and Street Capital Projects Fund. The enterprise funds are made up of the Water Utility and Storm Water Utility funds. GAAP sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the Comprehensive Annual Financial Report.

Internal Service Funds, which provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. Financial statements of internal service funds are allocated between the governmental and business-type activities column when presented at the government-wide level. To the extent possible, the costs of these services are reflected in the appropriate functional activity (Public Safety, Public Works, etc.).

The City's fiduciary funds are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category) and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds and fiduciary fund statements. Agency funds, however, report only assets and liabilities and therefore have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Government fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers taxes and other revenue to be available if they are collected within 60 days of the end of the current fiscal period, while grants typically are received within 90 days. Expenditures are recorded when a liability is incurred, as under accrual accounting, except debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, which are recorded only when the liability has matured and payment is due.

Ad valorem, franchise and sales tax revenues in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. The City has agreements with various entities in which a portion of the sales tax is rebated. The sales tax revenue is reported net of the rebate. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. Additionally, funds received in advance for which all eligibility requirements have not been met are considered unearned revenue.

Business-type activities and all proprietary funds, and the pension trust fund are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewer fund and storm water utility fund are charges to customers for sales and services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The following major funds are reported by the City:

1. **Governmental Funds:**

The focus of Governmental fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the City:

- a. General Fund accounts for several of the City's primary services (Public Safety, Public Works, Public Health, Public Welfare, Parks and Recreation, etc.) and is the primary operating unit of the City.

- b. Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.
- c. Street Capital Projects Fund accounts for the purchase of rights of way and land, construction of streets and related facilities, and to account for various other projects related to street construction. Funds are provided primarily through bond sales, interest earnings, and impact fees.
- d. Other Governmental Funds is a summarization of all of the nonmajor governmental funds, including capital project and special revenue funds.

2. Enterprise Funds:

The focus of Enterprise Fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows, which is similar to businesses. The City's Enterprise Funds are the Water Utility Fund and the Storm Water Utility Fund. The Water Utility Fund accounts for the administration, operation and maintenance of the water and sewer utility system, as well as billing and collection activities. The Fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations under capital leases when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the Fund. The City's solid waste function is contracted out. The billings for this function are done by the City as a conduit for the contractor. The fee for this service is accounted for in the Water Utility Fund, while revenues from solid waste franchise fees and landfill royalties are accounted for in the General Fund. The Storm Water Utility Fund accounts for the design, construction and maintenance of the City's storm water drainage systems.

3. Other Fund Types:

The City additionally reports for the following fund types:

- a. Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, generally on a cost reimbursement basis. These services include printing, mailing and duplicating; fleet services; self-insurance; workers' compensation insurance; and group health insurance.
- b. Agency Funds are used to account for assets held by the City in an agency capacity for payroll related benefits, escheat property for the state, and other assets held for individuals, local law enforcement agencies and developers.
- c. Pension Trust Funds are used to account for the accumulation of resources to be used for the retirement and disability benefit payments to qualified City employees and for thrift savings plans for City employees.

E. Cash, Cash-like Investments and Investments

To facilitate cash management, the operating cash of certain funds and component units is pooled into a cash management pool for the purpose of increasing income through combined investment activities. This cash and investment pool is available for use by all funds and component units except the Trust Funds and the AHA, which maintain separate investments. Each fund's portion of this pool is allocated through its cash and cash investment account on the balance sheet. In addition, certain other investments are separately held by several of the City's funds. Interest is allocated on a monthly basis to all funds in the investment pool based on their average balance at the end of each month. Interest earned by separate investments is credited to the respective funds.

For purposes of the statement of cash flows, the City considers all unrestricted investments included in its cash management pool to be cash-like investments as these balances are used essentially as demand deposit accounts by the individual funds. Investments included in the cash management pool which are restricted for use are reported as investments. Additionally, certificates of deposit and temporary investments held separately from the City's cash management pool and which are purchased with original maturities at the time of purchase of three months or less are reported as cash-like investments.

The City elects to exclude investments with an original maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost.

Texas statutes authorize the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, fully collateralized certificates of deposit, repurchase agreements, commercial paper, and direct obligations of cities within the state of Texas. The City is also authorized to invest in direct obligations of the state of Texas or its agencies, obligations of states, agencies, counties, and other political subdivisions, money market mutual funds, prime bankers' acceptances, and reverse repurchase agreement.

In accordance with GASB Statement No. 31, investments with maturities greater than one year at time of purchase are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a transaction between willing parties.

The City implemented GASB Statement No. 72, *Fair Value Measurement and Application* in its September 30, 2016 financial statements. The City's investments were categorized as Level 2 only and there were no Level 1 or Level 3 investments.

F. Inventories and Prepaid Items

Inventories are valued at cost. Cost is determined using the first-in, first-out method. Inventory consists of expendable supplies held for consumption. Inventories are capitalized under the consumption method, whereby expenditures are capitalized as inventory until used.

G. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed capital assets are recorded at estimated fair market value at the time received. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Major outlays for capital assets and improvements are capitalized as projects are completed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Net revenue bond interest cost incurred during construction periods is capitalized.

Capital assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	45 - 50
Improvements other than buildings	20 - 40
Equipment	4 - 10
Drainage improvements	35 - 50
Meters	10
Streets	20 - 25
Storm/sanitary sewer	50
System infrastructure	20 - 50

H. Capitalization of Interest

The City capitalizes interest costs for business-type activities only, net of related interest earned, from the date of the borrowing until the projects acquired with those funds are ready for their intended use. During 2016, \$1,423,631 of interest cost, net of \$185,171 interest earned, was capitalized as capital assets in the Water and Sewer Fund as part of the costs of constructing various projects. Interest expensed (net of capitalized interest) and interest earned in fiscal 2016 for the Water and Sewer Fund amounted to approximately \$3,235,000 and \$571,000, respectively. In the Storm Water Utility Fund \$626,952 of interest cost, net of \$425 interest earned, was capitalized as capital assets as part of the costs of constructing various projects. Interest earned in fiscal 2016 for the Storm

Water Utility Fund amounted to approximately \$116,000 and interest expensed (net of capitalized interest) was \$151,000.

I. Arbitrage Liability

The City accrues a liability for an amount of arbitrage rebate resulting from investing low-yielding, tax-exempt bond proceeds in higher-yielding, taxable securities. Such investment activities can result in interest revenue exceeding interest cost. The arbitrage liability is payable to the federal government every five years; however, the City calculates and records its arbitrage liability annually. The arbitrage liability is recorded as a liability in the government-wide and proprietary fund types, as applicable, on the accrual basis and as a reduction of interest income on the invested debt proceeds.

J. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions.

Beginning in fiscal year 2015, and in accordance with GASB 68 and 71, the City's net pension liability is now recorded on the face of the financial statements. The City elected to allocate the net pension liability among governmental and business type activities based on measurement year contribution percentages. The City elected to absorb fund allocations of less than 1.25% of total contributions to Governmental activities. Component units' contributions total 1.0% of total contributions and are not allocated separately, due to the threshold percentage. The estimated amount of net pension liability included in governmental activities for component units is \$1.67M. The City also elected not to show a deferred inflow/outflow for changes in proportion from year to year between governmental and business type activities and simply let those changes flow through expense in the year of occurrence. Detailed pension information is discussed in footnote 6.

K. Compensated Absences

The City's employees earn vacation leave for each month of work performed. The accrual rate increases with years of service up to a maximum of 20 days per year for 15 years of service and over. On specified anniversary dates, additional days are credited, up to certain amounts, according to length of service. Accrued vacation is paid to the employees upon termination of employment for employees who have completed at least six months of continuous service.

The City's employees accumulate 1.25 days of sick leave per month with a maximum accrual of 150 days (180 for fire fighters). The full amount of accumulated sick pay up to 120 days maximum is paid if termination is through retirement or death.

Accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund is usually used to liquidate the liability for governmental activities' compensated absences.

L. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are

deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, as other financing sources or uses or expenditures at the time of the debt issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Nature and Purpose of Classifications of Fund Equity

Governmental Funds fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance. Assigned fund balances are constrained by the intent to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. The City Council has, by resolution 11-361 dated September 27, 2011 adopting the fund balance policy, authorized the City Manager or his designee to assign fund balance to a specific purpose.

The City may fund outlays for a particular purpose from both restricted and unrestricted (the total of committed, assigned, and unassigned) fund balance. In order to calculate the amounts reported as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

N. Minimum Fund Balance Policy

It is the desire of the City to maintain adequate General Fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain a General Fund working capital reserve at a minimum level of 8.33% (1/12th) of annual General Fund expenditures. Total General Fund balances shall be maintained at a minimum of 15% of annual General Fund expenditures.

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in net capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for the same purpose, it is the City's policy to consider restricted net position to be depleted before unrestricted net position is applied.

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. One is the deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded and refunding debt. The other is deferred pension related items reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. At the governmental fund level, revenues that have been billed but not yet collected are reported as unavailable revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred pension related items are reported in the government wide statement of net position.

Q. New Accounting Pronouncements

During fiscal year 2016, the City adopted the following Governmental Accounting Standards Board ("GASB") Statements:

Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*. This statement clarifies the application of certain provisions of Statements 67 and 68 regarding required supplementary information and accounting and financial reporting.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement supersedes Statement No. 55. This statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or event is not specified within a source of authoritative GAAP.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of Statement 68.

Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement addresses accounting and financial reporting for certain external investment pools and pool participants. It establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools.

The GASB has issued the following statements which will be effective in future years as described below:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than Pension Plans*, which is effective for the City beginning in fiscal year 2017. This statement replaces GASB Statements 43 and 57. This statement addresses enhanced note disclosures and required supplementary information to improve financial reporting.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*, which is effective for the City beginning in fiscal year 2018. This statement replaces the requirements of GASB Statements 45 and 57 and establishes new accounting and financial reporting requirements for OPEB plans.

Statement No. 77, *Tax Abatement Disclosures*, which is effective for the City beginning in fiscal year 2017. This statement requires disclosure of tax abatement information about a reporting government's own tax abatement agreements and those that are entered into by other governments that reduce the reporting government's tax revenues.

Statement No. 80, *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*, which is effective for the City beginning in fiscal year 2017. This statement amends the blending requirements established in Statement No. 14 for the financial statement presentation of component units of all state and local governments.

Statement No. 81, *Irrevocable Split-Interest Agreements*, which is effective for the City beginning in fiscal year 2018. The objective of this statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

Statement No. 82, *Pension Issues - An Amendment of GASB statements No. 67, No. 68, and No. 73*, which is effective for the City beginning in fiscal year 2017. This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Statement No. 83, *Certain Asset Retirement Obligations*, which is effective for the City beginning in fiscal year 2019. This statement addresses accounting and financial reporting for certain asset retirement obligations (AROs), which is a legally enforceable liability associated with the retirement of a tangible capital asset. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources of AROs.

The City has not yet determined the impact of implementing the above new pronouncements.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Data

The City Council adopts an annual legal budget, which covers the General Fund, the Debt Service Fund, the Enterprise Funds, and certain Special Revenue Funds (Park Performance, Convention and Event Services and Street Maintenance). All unencumbered appropriations lapse at fiscal year-end, except certain of those of the Special Revenue Funds. The budgets for the General Fund, the Debt Service Fund, and certain Special Revenue Funds are prepared on the modified accrual basis except for encumbrances which are treated as expenditures on the budgetary basis and interdepartmental expenses which are eliminated. The budgets for the Enterprise Funds are prepared on the modified accrual basis and include encumbrances, debt principal retirements and capital outlays as expenses. Additionally, the Enterprise Funds do not include depreciation as a budgetary expense. The schedules comparing budget and actual amounts for these governmental funds include adjustments to those budgetary bases for the differences noted above and for certain other revenue and expenditure items which are reported in the City's budget differently than they are reported for accounting principles generally accepted in the United States. Budgetary level of control is exercised at the fund level. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter total expenditures of the General Fund, Debt Service Fund, and certain Special Revenue funds must be approved by the City Council. During fiscal year 2016, there were no budget amendments.

The Budgetary Comparison Schedule presents a comparison of budgetary data to actual results of operations for the General Fund, for which an annual operating budget is legally adopted. This fund utilizes the same basis of accounting for both budgetary purposes and actual results, with the following exceptions:

The portion of ad valorem tax revenues in the General Fund from "rolled back" tax payments (taxes, up to five years back, on properties previously taxed at special use exemption values and currently changed to full values) are excluded from the budgetary basis tax revenues and from the general governmental expenditures.

Certain interdepartmental revenues and expenses are included in budgetary basis revenues and expenditures, but are eliminated from actual revenues and expenditures.

General Fund encumbrances are added to the actual expenditures for budgetary comparison. Budgetary data for the project-length Special Revenue Funds and Capital Projects Funds have not been presented. Receipts of revenues are not estimable for all Special Revenue Funds and are not budgeted. Expenditures are limited to total revenues over the life of the funds. Capital Projects Funds are budgeted over the life of the respective project and are reviewed and approved by the City Council in an annual Capital Improvements Program plan.

The City utilizes encumbrance accounting to ensure appropriated funds are adequately committed and remaining unspent balances are carried forward into the next fiscal year. Encumbrances are created for purchase order, grant match requirements, and capital project funding. These amounts are reported in fund balance as follows (in thousands):

General Fund	Street Capital Projects Fund	Other Nonmajor Funds	Total
\$ 8,515	\$ 34,603	\$ 38,746	\$ 81,864

B. Excess of expenditures over appropriations

For the year ended September 30, 2016, there were no expenditures exceeding budget in the aggregate.

C. Deficit fund equity

There were no funds with a deficit fund balance in the year ended September 30, 2016.

III. DETAILED NOTES ON ALL FUNDS

1. CASH, CASH-LIKE INVESTMENTS AND INVESTMENTS

Deposits - At September 30, 2016, the carrying amount of the City's demand deposits was \$31,667,000 (bank balance, \$35,199,000). The balance in cash on hand was \$33,000 at year end.

Investments - State statutes, the City's Investment Policy and the City's Depository Agreement govern the investments of the City. The City is authorized to invest in United States Treasuries, its agencies or instrumentalities, other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of the United States or its agencies and instrumentalities, obligations of Texas and its agencies, counties and cities, and other political subdivisions rated not less than AA, obligations of other states, its agencies, counties, cities, and other political subdivisions rated not less than AA, fully insured or collateralized certificates of deposit, fully collateralized repurchase agreements, Guaranteed Investment Contracts, commercial paper rated A-1+, P-1 with an underlying long-term rating of AA or better, government pools and money market funds consisting of any of these securities listed. Major provisions of the City's investment policy include the following: depositories must be FDIC-insured institutions, depositories must fully insure or collateralize all deposits, and investments must be purchased in the name of the City and be delivered to the City's agent for safekeeping. For additional information see the City of Arlington Investment Policy at www.arlingtontx.gov. The City elects to exclude investments with an original maturity of one year or less from date of purchase from fair value reporting. These investments are reported at amortized cost. The City does not invest in derivatives.

Cash, Cash-like investments and investments include: (amounts in thousands) Governmental Activities (\$348,700), Business-type Activities (\$147,860), and Agency Funds (\$9,344).

As of September 30, 2016, the City had the following investments (amounts in thousands):

Investments	Fair Value	Weighted Avg Maturity (in days)	Credit Risk
Agency	352,684	570	AAA
Local Gov't Invest Pools	63,042	1	AAA
Texas Municipal	4,916	137	AA+
Non-Texas Municipal	32,534	564	AA+
Certificates of Deposit	-	-	AAA
Money Market Fund	21,028	1	AAA
Total Fair Value	474,204		

The City has investments in government pools at September 30, 2016 totaling \$63,042,000, which are recorded at amortized cost.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maximum maturity of any single investment and the weighted average maturity of combined investments by fund groups. The following table lists the fund groups authorized in the City's investment policy and the maximum maturity and maximum weighted average maturity ("WAM"):

Fund	Maximum Maturity	Maximum WAM
General Operating	3 Years	18 Months
Capital Project	3 Years	18 Months
Working Capital Reserve	5 Years	4 Years
Dallas Cowboy Complex Development Debt Service Reserve	10 Years	10 Years
Debt Service Sinking & Debt Service	10 Years	10 Years
Closure/Post-closure Trust Fund	10 Years	8 Years

Credit Risk. In accordance with its investment policy, the City minimizes credit risk by limiting investments to the safest type of investments.

Concentration of Credit Risk. The City's investment policy places the following limits on the amount the City may invest in any one issuer. All securities are rated AA or better.

<u>Security</u>	<u>% of Portfolio</u>
United States Treasury	100% of portfolio per Issuer
U.S. Agencies and Instrumentalities	100% of portfolio 35% per Issuer
Other Obligations guaranteed by U.S.	100% of portfolio 10% per Issuer
Obligations of Texas and its subdivisions	10% of portfolio 2% per Issuer
Obligations of other states and its subdivisions	10% of portfolio 2% per Issuer
Certificates of Deposit	50% of portfolio 20% per Issuer
Repurchase Agreements	40% of portfolio 15% per counterparty
Guaranteed Investment Contract	100% of bond funds
Commercial Paper	20% of portfolio 5% per Issuer
Money Market Mutual Fund	100% of portfolio 15% per MMF
Local Government Investment Pools	100% of portfolio 25% per pool

Custodial Credit Risk. State statutes require that all City deposits in financial institutions be fully insured by the Federal Deposit Insurance Corporation (FDIC), collateralized by U. S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits, or by a Letter of Credit from a Federal Agency.

The City's investments in local government investment pools include investments in TexPool, TexasDaily and TexStar. These are public funds investment pools operating as an SEC 2a-7 like pool in full compliance with the Public Funds Investment Act and are rated as AAA money market funds by Standard & Poor's. The City has Local Government Investment Pools of \$63,042 and Money Market Funds of \$21,028 (amounts in thousands).

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of September 30, 2016 (amounts in thousands):

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
9/30/2016			
Investments by fair value level			
Debt Securities			
Agency	352,684	-	-
Texas Municipal	4,916	-	-
Non-Texas Municipal	32,534	-	-
	390,134	-	-

Debt securities classified in Level 2 of the fair value hierarchy are valued by Interactive Data Corp (IDC) using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

2. PROPERTY TAXES

Property Taxes are levied on October 1 on the assessed value listed as of the prior January 1 and are due and payable at that time. All unpaid taxes attach as a lien on property as of January 1 and become enforceable February 1. Penalties and interest are charged at 7 percent on delinquent taxes beginning February 1 and increase each month to 18 percent on July 1.

Appraised values are established by the Tarrant Appraisal District at 100 percent of estimated market value and certified by the Chief Appraiser. The total market value for FY16 was \$26,930,429,000 which encompasses all properties in Arlington, including real estate, personal, and mineral properties prior to any exemptions or abatements. The assessed value for the tax roll of September 1, 2015, upon which the original FY16 levy was based, was \$19,601,363,000.

City property tax revenues are recorded as receivables and unearned revenues at the time the tax levy is billed. Current year revenues recognized are those collected within the current period, or soon enough thereafter to pay current liabilities, generally within sixty days after year-end. An allowance is provided for delinquent property taxes not expected to be collected in the future.

For the fiscal year ended September 30, 2016, the City had a tax rate of \$0.6480 (\$0.4460 for general government and \$0.2020 for debt service) per \$100 assessed valuation with a tax margin of \$1.8520 per \$100 valuation based upon a maximum ad valorem tax of \$2.50 per \$100 valuation permitted by Article XI, Section 5, of the State of Texas Constitution. Additional revenues up to approximately \$363,017,243 could be raised per year before the limit is reached, based on the current year's appraised net taxable value of approximately \$19,601,363,000.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, legal action. Under this system, the City sets tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8 percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8 percent above the tax rate of the previous year.

3. COWBOYS COMPLEX DEVELOPMENT PROJECT/AT&T STADIUM

In 2004, the voters authorized the City to provide the planning, acquisition, construction and financing for the Cowboys Complex Development Project (the "Complex"), approving an increase in the City's sales tax of one-half cent, a two percent increase in the hotel occupancy tax and a five percent short-term motor vehicle rental tax. The Complex was completed in July 2009 and is a multi-functional enclosed facility with a retractable roof and seating for approximately 85,000. The final cost of the project was \$1.1 billion and in accordance with the funding and closing agreement, the City paid a portion of the project costs, \$325 million, to build the Complex.

Stadium Lease - As part of the Funding Agreement, the City entered into a lease agreement with the Cowboys Stadium, L.P. (the "Tenant") for lease of the Complex. The Lease Agreement calls for an initial term of 30 years. Monthly lease payments of \$166,666.67 began in June, 2009 for an annualized rental rate of \$2 million per year. The Lease Agreement contains several renewal options at guaranteed annual rental payments of \$1 million per year for the first 10 years and \$1.25 million per year for all remaining renewals. The Lease Agreement also provides the Tenant with an option to purchase the Complex from the City at the end of the initial lease term and each renewal option thereafter. Under the lease, the Tenant pays for all costs of operation and maintenance of the Complex. The tenant will also make separate annual payments to the City, beginning during the construction period, equal to five percent of the net naming rights revenue, if any, received by the Tenant, capped at \$500 thousand per year. The revenue for this fiscal year was \$500,000. The lease is accounted for as an operating lease. The cost of the stadium is \$1,109,951,954 with accumulated depreciation of \$172,751,129.

City Debt - In 2005, the City issued \$297,990,000 Cowboys Complex Special Obligations to fund the City's share of the project costs for the Complex, including \$164,265,000 Cowboys Complex Special Obligation Tax-Exempt Special Tax Bonds, Series 2005B (the "Multi-Modal Bonds"). In December, 2008 the City issued \$112,185,000 in Special Tax Revenue Bonds to refund \$104,265,000 of the Series 2005B bonds and in May 2009 issued \$62,820,000 to refund the remaining \$60,000,000 of the Series 2005B bonds.

Conduit Debt - In 2006, \$147,865,000 Cowboy Complex Admissions and Parking Taxes Revenue Bonds, Taxable Series 2006 (the "Cowboys Admission and Parking Taxes Revenue Bonds") with a pledge of a 10% admissions tax and a \$3 parking tax for events held at the Complex, with additional security provided by a Guaranty Agreement from The Cowboys Stadium, L.P., were issued to fund a portion of the Dallas Cowboy's funding for the Complex. The Cowboys Admission and Parking Taxes Revenue Bonds are not payable from or secured by any money raised or to be raised from property taxes or any other of the City's revenue sources and accordingly have not been reported as a liability in the City's financial statements but are disclosed here as conduit debt. At September 30, 2016, outstanding conduit debt was \$137,515,000.

Franchise - The City and the Dallas Cowboys Football Club, LTD. entered into a franchise agreement that requires the Dallas Cowboys NFL football franchise to remain in Arlington and to play 7 of 8 of the team's regular season home games in the Complex for a minimum of 30 years after the Complex opens. If the lease renewal options are exercised, the Cowboys' obligation to stay in Arlington is extended for the renewal term.

In July 2013, an agreement was reached between the Cowboys and AT&T for naming rights to the stadium. The City receives 5% of the revenue as additional rent from the naming rights deal, up to \$500,000 annually.

4. RECEIVABLES

Receivables at September 30, 2016 for the government's individual major funds and nonmajor, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, consist of the following (amounts expressed in thousands):

	General	Debt Service	Storm Water Utility	Water & Sewer	Street Capital Projects	Other Nonmajor Governmental Funds	Internal Service Funds	Total
Receivables:								
Taxes	\$ 10,650	\$ 691	\$ -	\$ -	\$ -	\$ 4,749	\$ -	\$ 16,090
Franchise Fees	6,680	-	-	-	-	-	-	6,680
Trade Accounts	-	-	1,184	11,296	-	-	49	12,529
Unbilled Trade Accounts	-	-	558	7,354	-	-	-	7,912
Special Assessments	-	-	-	-	135	-	-	135
Sales Taxes	10,459	5,230	-	-	-	4	-	15,693
Lease and settlement agreements	16,954	-	-	-	-	-	-	16,954
Accrued Interest	907	10	-	-	-	-	-	917
Loan Receivable	-	-	-	3,666	-	-	-	3,666
Other	3,459	-	-	41	-	2,936	216	6,652
Gross Receivables	49,109	5,931	1,742	22,357	135	7,689	265	87,228
Less: Allowance for Uncollectibles	(7,815)	-	(61)	(2,019)	-	-	-	(9,895)
Net total Receivables	\$ 41,294	\$ 5,931	\$ 1,681	\$ 20,338	\$ 135	\$ 7,689	\$ 265	\$ 77,333

The only receivables not expected to be collected within one year are \$1,833,000 of the loan receivable in the water and sewer fund.

5. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2016 was as follows:

	(Amounts expressed in thousands)			
	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 226,911	\$ -	\$ -	\$ 226,911
Construction in progress-other	95,045	56,555	(20,759)	130,841
Total capital assets, not being depreciated	<u>321,956</u>	<u>56,555</u>	<u>(20,759)</u>	<u>357,752</u>
Capital assets, being depreciated:				
Buildings and improvements	1,294,861	3,828	-	1,298,689
Equipment	105,727	7,138	(3,073)	109,792
Infrastructure	858,708	14,354	-	873,062
Total capital assets, being depreciated	<u>2,259,296</u>	<u>25,320</u>	<u>(3,073)</u>	<u>2,281,543</u>
Less accumulated depreciation for:				
Buildings and improvements	278,472	31,850	-	310,322
Equipment	81,603	8,671	(3,060)	87,214
Infrastructure	649,876	15,419	-	665,295
Total accumulated depreciation	<u>1,009,951</u>	<u>55,940</u>	<u>(3,060)</u>	<u>1,062,831</u>
Total capital assets, being depreciated, net	<u>1,249,345</u>	<u>(30,620)</u>	<u>(13)</u>	<u>1,218,712</u>
Governmental activities capital assets, net	<u>\$ 1,571,301</u>	<u>\$ 25,935</u>	<u>\$ (20,772)</u>	<u>\$ 1,576,464</u>
	Balance at Beginning Of Year	Additions	Retirements	Balance at End Of Year
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 21,910	\$ 437	\$ -	\$ 22,347
Construction in progress	121,939	40,058	(91,795)	70,202
Total capital assets, not being depreciated	<u>143,849</u>	<u>40,495</u>	<u>(91,795)</u>	<u>92,549</u>
Capital assets, being depreciated:				
Buildings and improvements	2,833	-	-	2,833
Drainage System	96,435	16,898	-	113,333
Water and sewer system	803,789	75,920	-	879,709
Machinery and equipment	11,909	74	-	11,983
Total capital assets, being depreciated	<u>914,966</u>	<u>92,892</u>	<u>-</u>	<u>1,007,858</u>
Less accumulated depreciation for:				
Buildings and improvements	1,469	58	-	1,527
Drainage System	37,396	2,154	-	39,550
Water and sewer system	280,431	16,487	-	296,918
Machinery and equipment	11,325	243	-	11,568
Total accumulated depreciation	<u>330,621</u>	<u>18,942</u>	<u>-</u>	<u>349,563</u>
Total capital assets, being depreciated, net	<u>584,345</u>	<u>73,950</u>	<u>-</u>	<u>658,295</u>
Business-type activities capital assets, net	<u>\$ 728,194</u>	<u>\$ 114,445</u>	<u>\$ (91,795)</u>	<u>\$ 750,844</u>

Depreciation expense was charged to functions/programs of the primary government as follows (in thousands):

Governmental activities:	
General Government	\$ 25,941
Public Safety	3,382
Parks and recreation	5,798
Public works	16,985
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>3,834</u>
Total depreciation expense – governmental activities	<u>\$55,940</u>
Business-type activities:	
Storm Water Utility	2,159
Water and sewer	<u>\$ 16,783</u>
Total depreciation expense – business-type activities	<u>\$ 18,942</u>

Discretely presented component units:

(amounts expressed in thousands)

	<u>Balance at</u> <u>Beginning of</u> <u>Year</u>	<u>Transfer and</u> <u>Additions</u>	<u>Transfers and</u> <u>Retirements</u>	<u>Balance at End</u> <u>of Year</u>
Arlington Housing Authority, Inc.				
Capital assets, being depreciated:				
Buildings and improvements	\$ 563	\$ -	\$ -	\$ 563
Machinery and equipment	376	18	-	394
Total capital assets, being depreciated	<u>939</u>	<u>18</u>	<u>-</u>	<u>957</u>
Less accumulated depreciation for:				
Buildings and improvements	(293)	(14)	-	(307)
Machinery and equipment	(375)	(13)	-	(388)
Total accumulated depreciation	<u>(668)</u>	<u>(27)</u>	<u>-</u>	<u>(695)</u>
Arlington Housing Authority, Inc.	<u>\$ 271</u>	<u>\$ (9)</u>	<u>\$ -</u>	<u>\$ 262</u>

	<u>Balance at</u> <u>Beginning of</u> <u>Year</u>	<u>Transfer and</u> <u>Additions</u>	<u>Transfers and</u> <u>Retirements</u>	<u>Balance at End</u> <u>of Year</u>
Arlington Convention and Visitors Bureau, Inc.				
Capital asset, being depreciated:				
Machinery and equipment	\$ 894	\$ 66	\$ -	\$ 960
Total capital assets, being depreciated	<u>894</u>	<u>66</u>	<u>-</u>	<u>960</u>
Less accumulated depreciation for:				
Machinery and equipment	(717)	(55)	-	(772)
Total accumulated depreciation	<u>(717)</u>	<u>(55)</u>	<u>-</u>	<u>(772)</u>
Arlington Convention and Visitors Bureau, Inc.	<u>\$ 177</u>	<u>\$ 11</u>	<u>\$ -</u>	<u>\$ 188</u>

6. PENSION AND EMPLOYEE BENEFIT PLANS

Texas Municipal Retirement System

A. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 866 administered by TMRS, an agent, multiple-employer public employee retirement system. TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

All eligible employees of the city are required to participate in TMRS.

B. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS. The contribution rate for the employees is 7%, and the city matching ratio is currently 2 to 1, both as adopted by the governing body of the city.

Initiated in 1998, the City provides on an annually repeating basis annuity increases for retirees, which are also referred to as cost of living adjustments (COLAS). Currently, that amount is equal to 50% of the change in the consumer price index (CPI). The amount of the COLA percentage can only be changed by a City-adopted ordinance.

At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1,558
Inactive employees entitled to but not yet receiving benefits	1,015
Active Employees	<u>2,460</u>
	5,033

C. Contributions

The contribution rates for employees in TMRS is 7% of employee gross earnings, and the city matching percentages are 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Arlington were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Arlington were 15.62% and 15.08% in calendar years 2015 and 2016,

respectively. The city's contributions to TMRS for the year ended September 30, 2016, were \$24,833,575 and were equal to the required contributions.

D. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2015, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.65%
Real Return	10.0%	4.03%
Real Estate	10.0%	5.00%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	8.00%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/2014	\$ 1,037,982,210	\$ 933,378,081	\$ 104,604,129
Changes for the year:			
Service cost	24,035,779	-	24,035,779
Interest	71,780,403	-	71,780,403
change of benefit terms	-	-	-
Difference between expected and actual experience	(8,105,420)	-	(8,105,420)
Changes of assumptions	9,851,969	-	9,851,969
Contributions - employer	-	24,012,910	(24,012,910)
Contributions - employee	-	10,884,708	(10,884,708)
Net investment income	-	1,377,207	(1,377,207)
Benefit payments, including refunds			
of employee contributions	(49,131,541)	(49,131,541)	-
Administrative expense	-	(838,887)	838,887
Other changes	-	(41,433)	41,433
net changes	48,431,190	(13,737,036)	62,168,226
Balance at 12/31/15	\$ 1,086,413,400	\$ 919,641,045	\$ 166,772,355

Plan fiduciary net position as a percentage of the total pension liability	84.65%
Covered-employee payroll	\$154,372,375
Net pension liability as a percentage of covered employee payroll	108.03%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	Discount Rate (5.75%)	Discount Rate (6.75%)	Discount Rate (7.75%)
City's Net Pension Liability	321,204,438	166,772,355	40,211,579

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com

E. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2016, the city recognized pension expense of \$33,719,831.

At September 30, 2016, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ -	\$12,871,012
Changes in actuarial assumptions	7,807,992	-
Difference between projected and actual investment earnings	58,036,609	-
Contributions subsequent to the measurement date	18,121,051	-
Total	\$83,965,652	\$12,871,012

\$18,121,051 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2016	\$ 13,244,503
2017	13,244,503
2018	13,395,604
2019	13,088,979
2020	-
Thereafter	-
Total	\$ 52,973,589

Part-Time, Seasonal and Temporary Employees Deferred Income Plan

The Part-Time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) provides a retirement benefit for those employees not eligible to participate in the Texas Municipal Retirement System. PSTDIP issues stand-alone financial statements that can be obtained from the City of Arlington at 101 S. Mesquite Street, Suite 800, Arlington, TX 76010.

Plan Description

The Part-Time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) provides a retirement benefit for those employees not eligible to participate in the Texas Municipal Retirement System. Its financial statements are presented below.

**Part-time, Seasonal and Temporary
Employees Deferred Income Plan**

**Statement of Fiduciary Net Position
June 30, 2016**

Assets	
Cash and deposits	\$ -
Receivables	33,686
Accrued Interest	31
Investments	
Mutual funds - bonds	2,023,974
Mutual funds - equities	<u>673,188</u>
Total investments	<u>2,697,162</u>
Total assets	<u>\$ 2,730,879</u>
Liabilities	
Accrued expenses	<u>\$ 2,910</u>
Net position restricted for pensions	<u>\$ 2,727,969</u>

**Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2016**

Additions	
Contributions:	
Employer	\$ 53,802
Employees	<u>100,575</u>
Total contributions	<u>154,377</u>
Net investment income	
Interest and dividends	10,557
Net appreciation in fair value of investments	<u>88,004</u>
Total investments	<u>98,561</u>
Total additions	<u>252,938</u>
Deductions	
Benefit payments	149,233
Administrative expenses	<u>56,783</u>
Total deductions	206,016
Net increase in net position	46,922
Net position restricted for pensions	
Beginning of year	<u>2,681,047</u>
End of year	<u>\$ 2,727,969</u>

Plan administration. The City's Retirement Committee administers the Part-time, Seasonal and Temporary Employees Deferred Income Plan (PSTDIP) – a single-employer defined benefit pension plan that provides benefits for all part-time, seasonal and temporary employees. Management of the PSTDIP is vested in the City's Retirement Committee consists of an odd number of persons, but not less than three, that are determined and appointed by the City acting through City Council. The Committee includes the Director of Human Resources appointed as Chair, the Chief Financial Officer, and a representative of the City Manager's Office. The Committee meets on a quarterly basis and has final approval for all administrative actions.

Plan membership. As of July 1, 2016 pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	12
Inactive plan members entitled to but not yet receiving benefits	3,573
Active plan members	<u>785</u>
	4,370

Benefits. PSTDIP provides retirement, disability and death benefits for part-time, seasonal and temporary employees. Monthly retirement benefits for plan members are calculated as the lesser of a) a life annuity with an actuarial equivalent value equal to 2.5 times employee contributions with interest, or b) average compensation times percentage of average pay times credited service not in excess of 30. Average compensation is determined by dividing the sum of monthly compensation by the months of credited service earned prior to termination. Compensation earned prior to July 1, 1991 is excluded. Percentage of average pay ranges from 1.5 percent to 2.0 percent based on number of months of credited service. A plan member is eligible to retire upon attaining age 65. If an employee is terminated by reason of total and permanent disability, the employee will be eligible for a life only benefit commencing as of the first day of the month after the participant is determined disabled. With the approval of the Retirement Committee, the Disability Retirement Pension shall be paid as a lump sum in lieu of a life annuity. A life only annuity in an amount actuarially equivalent to a lump sum payment equal to 2.5 time employee contributions with interest is paid upon declaration of the disability. Death benefits are the same as for disability.

Contributions. The Retirement Committee establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of plan members. For the year ended June 30, 2016, the active member average contribution rate was 3.0 percent of annual pay and the City's average contribution rate was 2.1 percent of annual payroll.

Fiscal Year	Actuarially	Contribution	Actual	Contribution	Actual Contribution
Ending	Determined	Deficiency	Contribution	Covered	as a % of
<u>June 30,</u>	<u>Contribution</u>	<u>(Excess)</u>	<u>Contribution</u>	<u>Payroll</u>	<u>Covered Payroll</u>
2015	\$ 22,419	\$ -	\$ 22,419	\$ 2,849,197	0.8%
2016	53,802	-	53,802	2,590,679	2.1%

Investments

Investment policy. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Retirement Committee. It is the policy of the Committee to pursue an investment strategy with the primary focus on current income generation and capital preservation while allowing for modest consideration for capital growth. The majority of assets are to be held in fixed income securities or other income producing investments with moderate levels of principal volatility. The following was the Committee's adopted asset allocation policy as of June 30, 2016:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	20%
Fixed-Income	77%
Cash (or equivalents)	3%

Rate of return. For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan expense was 2.81 percent. For all assets, a total return is calculated (including market value appreciation or depreciation, plus interest and dividends). The monthly rates of return are then geometrically linked.

Net Pension Asset of the City

The components of the net pension asset of the City at June 30, 2016 were as follows:

Total pension liability	\$ 2,527,272
Plan fiduciary net position	<u>(2,727,969)</u>
City's net pension asset	<u>\$ (200,697)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 108.0%

Actuarial Assumption. The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent
Salary increases	3.0 percent
Investment rate of return	5.0 percent

Mortality rates were based on the RP-2000 Mortality Table projected to 2003 with Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Cash & Cash Equivalents	0.00%
Fixed Income	6.10%
Domestic Large Cap Equity	5.16%
Domestic Mid Cap Equity	5.77%
Domestic Small Cap Equity	5.99%
International Developed Equity	4.98%
International Emerging Equity	6.45%

Discount rate. A single discount rate of 5.0 percent was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 5.0 percent and a municipal bond rate of 2.85 percent (based on the Bond Buyer 20-year Municipal Bond Index as of June 30, 2016). The projection of cash flows used to determine the discount rate assumed the plan member contributions will be made at the current contribution rate and the City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position and the future contributions were sufficient to finance the future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension asset of the City, calculated using the discount rate of 5.0 percent, as well as what the City's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (4.0 percent) or 1 percentage point higher (6.0 percent) than the current rate:

	1% Decrease <u>(4.0%)</u>	Current Discount Rate <u>(5.0%)</u>	1% Increase <u>(6.0%)</u>
City's net pension asset	\$ 48,676	\$(200,697)	\$(404,956)

The actuarial assumptions used in the July 1, 2016 actuarial valuation included were (a) 5.0 percent investment return, (b) 2.5 percent inflation rate adjustment, and (c) 3.0 percent salary increases. The accrual basis of accounting is utilized by the PDIT fund. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Cash and cash equivalents are stated at cost that approximates fair value. Investments are stated at the approximate value of the financial asset based on either the month end price, the last available price, or the last available activity. Because the assets of the plan exceed the actuarial liability, amortization of the unfunded liability is discontinued and the contribution required for the plan was developed under the aggregate cost method. This method does not identify or separately amortize unfunded actuarial accrued liabilities; the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

Thrift Savings Plan

All full-time City employees may participate in the Thrift Savings Plan (the "Thrift"), a single-employer defined contribution plan administered by the Retirement Committee at the City. The plan provisions and contribution savings are adopted and amended by the City Council, within the options available in the federal statutes governing Internal Revenue Code, section 401(k). This voluntary IRS Code 401(k) plan allows all full-time City employees to contribute between 1 percent to 10 percent of their salary with the City matching the first 6 percent of employee contributions at 50 cents to the dollar. Partial vesting of employer contributions begins after three years of participation with full vesting taking place after six years of participation. At September 30, 2016, the Thrift plan was fully funded and the fair market value of plan assets, including accrued interest, was \$174,533,000.

The City's total payroll during fiscal 2016 was \$170,336,000. The current year contribution was calculated based on a covered payroll of \$114,994,000, resulting in a required and actual employer contribution of \$3,020,000 and actual employee contributions of \$7,514,000. The employer contribution represents 2.60 percent of the covered payroll. The employee contribution represents approximately 6.5 percent of the covered payroll.

There were no material changes to the Thrift plan during fiscal 2016. There were no related-party transactions. The Thrift Plan does not issue separate stand-alone financial statements.

The Thrift Savings Plan does not issue separate GAAP financial reports. Its financial statements are presented below as of and for the year-ended September 30, 2016. (amounts in thousands):

ASSETS	
Investments	174,597
Total Assets	<u>\$ 174,597</u>
LIABILITIES	
Retired City Mgr 401(k) plan payable	64
Total Liabilities	<u>\$ 64</u>
NET POSITION	
Held in trust for pension benefits	174,472
Assigned pension trust	61
Total Net Position	<u>174,533</u>

Changes in Net Position*
Thrift Savings Plan

ADDITIONS	
Employer contributions	\$ 3,020
Employee contributions	7,514
Net appreciation in fair value of investments	16,471
Other additions	100
	27,105
DEDUCTIONS	
Benefits	12,517
Plan administration	100
Other deductions	89
	12,706
Increase in Net Position	14,399
Net Position, October 1	160,134
Net position, September 30	\$ 174,533

City contributions for the above plans for the year ended September 30, 2016, are as follows (amounts in thousands):

TMRS	\$24,834
THRIFT	3,020
PTDIT	54
	\$27,908

7. OTHER POST EMPLOYMENT BENEFITS

Disability Income Plan

Effective October 1, 1992, the City began providing active employees with disability insurance through a policy obtained from a commercial carrier. Previously, all City employees had participated in a Disability Income Plan (DIP), a single-employer other postemployment benefit disability plan, which had been funded by actuarially determined contributions. This plan had been accounted for in the DIP fund. Benefits to employees who were disabled while participating under the previous plan will continue to be paid from the remaining assets of the DIP fund, a fiduciary fund of the City.

Summary of Significant Accounting Policies

Basis of Accounting. DIP's financial statements are prepared using the accrual basis of accounting. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

Method Used to Value Investments. Cash and cash-like investments with original maturity dates less than one year are stated at cost that approximates fair value. Investments are stated at fair value based on either the month end price, the last available price or the last available activity.

Plan Description and Contribution Information

Membership of the plan consisted of the following at July 1, 2016, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits: 13

Plan Description. DIP is a single-employer defined benefit disability income plan that covers the employees of the City. The plan originally provided in-service death benefits and long term disability benefits commencing upon disablement. The plan was amended to eliminate the in-service death benefit and to start disability payments at age 65. The plan contemplates that long term disability benefits will be provided through a separate LTD insurance contract prior to age 65. The retired life liability for current disabled employees (many of whom are under age 65) is retained under the plan.

Contributions. The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City's contribution is determined through an actuarial valuation. For the year ended September 30, 2016, the City contributed \$65,000 to the plan. Administrative costs of DIP are financed through investment earnings.

Funded Status and Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

As of July 1, 2016, the most recent actuarial valuation date, the plan was 92.9 percent funded. The actuarial accrued liability for benefits was \$1,423,143, and the actuarial value of assets was \$1,322,507, resulting in an unfunded actuarial accrued liability (UAAL) of \$100,636.

The accompanying schedule of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	7/1/2016
Actuarial cost method	Entry age normal
Amortization method	Level dollar amortization
Remaining amortization period	6 years (closed)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	5.0 percent
Inflation rate	2.5 percent

Funding Policy. The retirement committee of the City has the authority to establish and amend contribution requirements of the plan. The City fully funds the required contributions each year.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial

liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB asset (dollar amounts in thousands):

Annual required contribution	\$ 59
Interest on net OPEB asset	(25)
Adjustment to annual required contribution	79
Annual OPEB cost (expense)	<u>113</u>
Contributions made	<u>(65)</u>
Decrease in net OPEB asset	48
Net OPEB asset - beginning of year	<u>(459)</u>
Net OPEB asset - end of year	<u>\$ (411)</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB asset for 2015 and the six preceding years are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage Annual OPEB Contribution</u>	<u>Net OPEB Obligation (Asset)</u>
9/30/16	\$113,000	57.50%	\$ (411,000)
9/30/15	\$117,000	55.60%	\$ (459,000)
9/30/14	\$119,000	94.10%	\$ (511,000)
9/30/13	\$120,000	206.70%	\$ (518,000)
9/30/12	\$283,000	126.10%	\$ (390,000)
9/30/11	\$249,000	149.80%	\$ (316,000)
9/30/10	\$305,000	127.21%	\$ (192,000)

In September of 2012, the City amended the Disability Income Plan to limit benefit eligibility to:

- a. Former employees who were receiving disability income from the trust as of September 18, 2012, and
- b. Former employees who, as of September 18, 2012, were receiving benefits from the City's Long Term Disability (LTD) plan and were in active service prior to January 1, 1993.

Because the amendment closed the plan to any future disabled employees, there is no longer any liability attributable to the City's active employees.

DIP does not issue separate GAAP financial reports. Its financial statements are presented below as of September 30, 2016 (in thousands):

<u>Net Position</u>	
Assets	
Investments	<u>\$ 1,329</u>
Total assets	<u>1,329</u>
Net position, held in trust for	
Other postemployment benefits	<u>\$ 1,329</u>
 <u>Changes in Net Position</u>	
Additions	
Employer contributions	\$ 65
Net appreciation in fair value	
Of investments	-
Other additions	<u>91</u>
Total additions	<u>\$ 156</u>
Deductions	
Benefits	(134)
Plan Administration	<u>(15)</u>
Total deductions	<u>(149)</u>
Increase in net position	7
Net position, October 1, 2015	<u>1,322</u>
Net position, September 30, 2016	<u>\$ 1,329</u>

Retiree Health Insurance

The City of Arlington administers a single-employer self-funded health care plan. The plan provides post-retirement health care benefits to eligible retirees and their dependents.

To be eligible for retiree health insurance, an employee must be eligible to retire from the City of Arlington based upon the policies and requirements of the Texas Municipal Retirement System ("TMRS") and elect to retire at the time of separation from the City. If a retiree has coverage through another employer, they must waive the City retiree coverage until the employer based coverage terminates. As of July 1, 2016, there were 849 retired employees who met this requirement.

An employee may retire from the City based on one of the following circumstances: (1) the employee becomes eligible and elects to retire under the Texas Municipal Retirement System (TMRS) after either 20 years of service credit at any age, or after a minimum of five years of service at age 60; (2) the employee becomes eligible and elects to retire under the provisions of TMRS relating to disability retirement.

A Retiree may be eligible for insurance benefits that include: medical, dental, and vision benefits, regardless of the number of years worked for the City. However, to be eligible for a contribution from the City toward medical insurance, the Retiree must meet all of the following requirements:

- Be a minimum of age 50 and have a minimum of 10 years of full-time service with the City of Arlington and age plus years of service with the City must equal at least 70.
- Elect to receive their TMRS pension at the time of separation from the City of Arlington.
- Be hired/re-hired OR transferred to a Full-time status prior to January 1, 2006.

Retiree Health Insurance City Contributions

The City's contribution toward Retiree health insurance premiums is based upon five criteria: Date of Hire, Re-hire, or Full-time Status; Years of Full-time Service with the City of Arlington; Age; Election of TMRS Pension; and Date of Retirement.

1. Retirees who were hired/re-hired or transferred into a full-time status prior to 1/1/2006 have a City contribution based on their years of eligible service with the City. Retirees who were hired/re-hired or transferred into a full-time status after 1/1/2006 have no City contribution; however they may elect to pay the full cost and remain on the City's health plan.
2. Retirees who are TMRS eligible and elect a pension, are a minimum of age 50 and have 10 years of full-time service with the City of Arlington are eligible for a City contribution if hired, re-hired, or transferred into a full-time status prior to 1/1/2006.
3. Retirees who are TMRS eligible, have elected a pension but have less than 10 years of full-time service with the City of Arlington are not eligible for the City contribution, but may elect insurance benefits and pay the full premium.
4. Retirees who retired prior to 1/1/2008 have a City contribution toward their dependent's health coverage. Retirees who are retiring after 1/1/2008 do not have a contribution toward their dependent's health care.
5. Effective January 1, 2014, the City's retiree contribution was changed to a flat rate based on date of retirement. The contribution for retirees over the age of 65 has \$50 of the contribution designated for Medicare pharmacy coverage.

Funding Policy. The City Council through the budget process has the authority to establish and amend contribution requirements of the plan. Currently the plan is funded on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation (dollar amounts in thousands):

Annual required contribution	\$ 7,949
Interest on net OPEB Obligation	1,465
Adjustment to annual required contribution	<u>(2,076)</u>
Annual OPEB cost (expense)	7,338
Contributions made	<u>(6,624)</u>
Increase in net OPEB obligation	714
Net OPEB obligation – beginning of year	<u>36,620</u>
Net OPEB obligation – end of year	<u>\$ 37,334</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the six preceding years are as follows (dollar amounts in thousands):

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u>	<u>Percentage</u> <u>Annual OPEB</u> <u>Contribution</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
9/30/16	\$ 7,338	90.27%	\$ 37,334
9/30/15	\$ 7,998	62.50%	\$ 36,620
9/30/14	\$ 8,366	59.31%	\$ 33,633
9/30/13	\$ 8,723	65.31%	\$ 30,229
9/30/12	\$ 12,133	46.66%	\$ 27,203
9/30/11	\$ 8,379	56.14%	\$ 20,731
9/30/10	\$ 8,398	31.80%	\$ 17,056

Funded Status and Funding Progress. As of July 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$99.6 million, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$99.6 million. The covered payroll (annual payroll of active employees covered by the plan) was \$143.2 million, and the ratio of the UAAL to the covered payroll was 69.5 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan, (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long term perspective of the calculations.

Valuation date	7/1/2016
Investment rate of return	4.0% per annum, net of expenses
Actuarial cost method	Projected Unit Credit
amortization method	Level dollar, open
Remaining amortization period	30 years
Healthcare Cost trend rate - medical	7.50% initial (2016) 4.25% ultimate (2031)
Inflation rate	2.50%

Supplemental Death Benefits Plan

Plan Description. The City of Arlington contributes to the Supplemental Death Benefit Fund (SDBF), a cost-sharing multiple-employer defined benefit group term life insurance plan operated by TMRS. This is a separate trust administered by the TMRS Board of Trustees. SDBF provides a death benefit of \$7,500 for retirees. TMRS issues a publicly available financial report that includes financial statements and required supplementary information for SDBF. That report may be obtained from the TMRS website at www.TMRS.com.

Funding Policy. Contribution requirements of the participating employers are established and may be amended by the TMRS Board of Trustees. The City is required to contribute at a rate assessed each year by the TMRS Board of Trustees, currently .15 percent of covered payroll. The TMRS Board of Trustees sets the employer contribution rate based on the mortality and service experience of all employees covered by the plan and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. Contributions are made monthly based on covered payroll of employee members of the City. Contributions are utilized to fund active member deaths on a pay-as-you-go basis. Any excess contributions over payments then become net position available for OPEB. The City's contributions to SDBF for the years ended September 30, 2016, 2015, and 2014, were \$247,020, \$230,122, and \$181,872, respectively, which equaled the required contributions each year.

8. DEBT AND LIABILITIES

General Obligation Bonds

On May 1, 2016, the City issued Permanent Improvement Bonds, Series 2016A of \$34,440,000 with an interest rate of 2.00 to 3.0 percent and serial maturities on August 15 from 2017 through 2036. Interest on the bonds is due every February and August 15, beginning February 15, 2017. The bonds were issued for designing, developing,

constructing, improving, extending and expanding streets, thoroughfares, sidewalks, bridges and other public ways of the City, including street lighting, right-of-way protection, and related storm drainage improvements; and acquiring rights-of-way in connection therewith; acquiring, developing, renovating, and improving parks, park facilities and open spaces for park and recreation purposes in and for the City; including the acquisition of land therefor; and paying the costs of issuing the 2016A Bonds. Total interest requirements for the Series 2016A bonds at a rate from 2.00 to 3.00 percent is \$10,958,726 in the aggregate.

In March 2016, the City issued \$47,365,000 in Permanent Improvement Refunding Bonds, Series 2016 for the purpose of refunding a portion of the City's outstanding debt, and paying the cost of issuing the 2016 bonds. The 2016 Series bonds mature on August 15 over a period from 2019 to 2035. Interest is payable February 15 and August 15 of each year commencing August 15, 2016. Total interest requirements for the Series 2016 bonds at a rate from 2.50 to 5.00 is \$17,825,038 in the aggregate. The refunding was undertaken to achieve a present value savings on debt service payments of 4,964,718.

General obligation bonds currently outstanding are as follows (amounts in thousands):

Purpose	Interest Rates	Amount
Governmental activities	2.00-5.50%	\$ 124,435
Governmental activities - refunding	1.0-5.000%	167,259
Total Governmental		<u>\$ 291,694</u>

Annual debt service requirements to maturity for general obligation bonds are as follows (amounts in thousands):

Year Ending September 30	Principal	Interest
2017	\$ 27,835	\$ 10,803
2018	24,810	9,739
2019	24,840	8,810
2020	21,965	7,915
2021	20,250	7,066
2022-2026	84,950	24,338
2027-2031	62,124	10,002
2032-2036	24,920	1,870
	<u>\$ 291,694</u>	<u>\$ 80,543</u>

General obligation debt authorized and unissued as of September 30, 2016, amounted to \$218,344,000.

Certificates of Obligation

On May 1, 2016 the City issued Combination Tax and Revenue Certificates of Obligation Series 2016B of \$15,995,000 with an interest rate of 2.00 to 5.00. The Series 2016B Certificates will mature on August 15 over a period from 2017 to 2033. Interest is payable February 15 and August 15. The total interest requirement for the Series 2016B at a rate of 2.00 to 5.00 is 5,198,716 in the aggregate. The certificates were issued with the purpose of acquiring, developing, renovating and improving park and recreation facilities and open spaces for park and recreation purposes in and for the City, including municipal golf course facilities and including the acquisition of land therefor; designing, developing, constructing, improving and equipping the City's solid waste facilities, including the City's landfills and to pay for professional services of attorney's financial advisors and other professionals in connection with the Project and the issuance of the Certificates.

On June 1, 2016 the City issued Combination Tax and Revenue Certificates of Obligation Series 2016C of \$14,150,000 with an interest rate of .60 to 2.35. The Series 2016 C Certificates will mature on August 15 over a period from 2017 to 2026. Interest is payable February 15 and August 15. The total interest requirement for the Series 2016C at a rate of 0.60 to 2.35 is 1,496,067 in the aggregate. The certificates were issued with the purpose of providing moneys to fund the Risk Management Fund, a self-insurance fund to protect the City and its officers, employees and agents from any insurable risk or hazard as permitted under Chapter 2259, Texas Government

Code, as amended and to pay for professional services of attorneys, financial advisors and other professionals in connection with the Project and the issuance of the Certificates.

Annual debt service requirements to maturity for certificates of obligation of the primary government as of 9/30/16 are as follows (amounts in thousands):

Governmental Activities, Certificates of Obligation	
Principal	Interest
\$ 6,320	\$ 2,150
5,280	1,818
3,840	1,638
3,840	1,527
3,840	1,414
19,200	5,143
11,840	2,518
8,330	706
<u>\$ 62,490</u>	<u>\$ 16,914</u>

Special Obligation Bonds

In 2005, the City issued \$297,990,000 Dallas Cowboys Complex Special Obligations to fund the City's share of the project costs for the Complex, including \$164,265,000 Dallas Cowboys complex Special Obligation Tax-Exempt Special Tax bonds, Series 2005B (the "Multi-Modal Bonds"). In 2008-2009, the City issued \$112,185,000, Series 2008, and \$62,820,000, Series 2009, in Special Tax Revenue Bonds, refunding a total of \$164,265,000 of the 2005B issue principal.

The debt service requirements of the above special obligation debt are as follows (amounts in thousands):

Year Ending September 30	Governmental Activities, Special Revenue	
	Principal	Interest
2017	\$ 1,035	\$ 8,050
2018	11,060	7,998
2019	11,530	7,488
2020	14,455	6,955
2021	15,300	6,267
2022-2026	90,160	18,126
2027-2031	11,460	630
	<u>\$ 155,000</u>	<u>\$ 55,514</u>

The City has pledged revenues consisting of one-half cent sales tax, two percent hotel occupancy tax, five percent car rental tax, stadium base rental revenue of \$2 million per year and five percent of any naming rights up to a maximum of \$500,000 annually. Annual principal and interest payments are expected to require 100 percent of these revenues. Series 2005A are subject to mandatory sinking fund redemption to the extent that there are moneys on deposit available for such purpose. The 2005C Bonds have now been completely redeemed. The total principal and interest remaining to be paid on the Dallas Cowboys Stadium Bonds is \$210,514,000. Principal and interest payments and total pledged revenues for the year ended September 30, 2016 were \$8,050,000 and \$32,874,000, respectively, exclusive of the redemption.

Revenue Bonds

The City also issues bonds where the government pledges income derived from the operations of the Water and Sewer Fund or the Storm Water Utility Fund.

In fiscal 2016, the City issued Water & Wastewater System Revenue Bonds Series 2016 in the amount of \$2,080,000 less bond origination fee of \$37,781 and Loan Forgiveness of \$359,700. The purpose is improving and extending the System and paying the costs of the issuing Bonds. These bonds are held by the Texas Water Development Board (TWDB). These bonds will mature June 2017 to June 2036 at interest rates of 0.0 to .750.

In fiscal year 2016, the City drew down \$1,478,173 related to previously issued 2014 TWDB Clean Water Debt. Funds from the 2014 debt are held in escrow until the City requests a drawdown of funds for a specific purpose. This brings the total outstanding TWDB balance to \$3,680,000. These bonds will mature June 2017 to June 2034 at interest rates from 0.0 to 3.25 percent.

In June 2016, the City issued \$39,185,000 in Water and Wastewater System Revenue Bonds, Series 2016A. Proceeds from the sale of these bonds will be used to provide funds to improve and extend the System and to pay cost of issuance associated with the Bonds. These bonds mature June 1 over a period from 2017 to 2036. Interest, at a rate of 2.00 to 5.00 percent, is \$13,178,496 in the aggregate.

The revenue bond debt service requirements to maturity are as follows (amounts in thousands):

Year Ending September 30	Business Activities					
	Water/Wastewater		Water/Wastewater TWDB		Storm Water Utility	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$ 10,410	\$ 4,342	\$ 2,875	\$ 791	\$ 1,280	\$ 822
2018	10,390	4,086	2,875	748	1,280	771
2019	9,960	3,743	2,875	702	1,280	720
2020	10,005	3,417	2,875	650	1,280	656
2021	8,915	3,071	2,870	594	1,280	605
2022-2026	36,475	11,374	14,350	2,025	6,400	2,192
2027-2031	27,170	5,592	7,945	412	6,400	832
2032-2036	17,150	1,444	1,015	30	-	-
	<u>\$ 130,475</u>	<u>\$ 37,069</u>	<u>\$ 37,680</u>	<u>\$ 5,952</u>	<u>\$ 19,200</u>	<u>\$ 6,598</u>

Net revenues of the City's water operations have been pledged for repayment of the City's revenue bonds. The amount of the pledge is equal to the remaining outstanding debt service requirements for these bonds, which were all originally issued to provide funding for construction of the water and wastewater systems. The pledge continues for the life of the bonds. For the year ended September 30, 2016, net pledged revenues for the water enterprise fund were \$53,369,000 and debt service on the revenue bonds was \$16,520,000. The same pledge for repayment applies to the City's Storm Water Utility revenue of \$10,261,000 for the bonds issued in fiscal year 2016.

The following is a summary of long-term liability transactions of the City for the year ended September 30, 2016 (amounts expressed in thousands):

	<u>10/1/2015</u>	<u>Increases</u>	<u>Reductions</u>	<u>9/30/2016</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation debt	\$ 256,064	\$ 81,805	\$ (46,175)	\$ 291,694	\$ 27,835
Certificates of obligation	67,525	30,145	(35,180)	62,490	6,320
Special tax revenue debt	183,515	-	(28,515)	155,000	1,035
Premium on general bonds	9,369	8,936	(2,768)	15,537	-
Premium on special bonds	3,797	-	(252)	3,545	-
Discount on special bonds	(2,263)	-	288	(1,975)	-
Net governmental bonds payable	<u>518,007</u>	<u>120,886</u>	<u>(112,602)</u>	<u>526,291</u>	<u>35,190</u>
Compensated absences	28,228	2,588	(1,445)	29,371	1,404
Claims	9,045	4,736	(4,309)	9,472	5,158
Landfill Closure	7,703	457	-	8,160	-
Net other post-employ benefit oblig.	36,620	714	-	37,334	-
Net pension liability*	97,355	58,577	-	155,932	-
Capital lease	9,860	-	(996)	8,864	1,020
Total governmental long-term liabilities	<u>\$ 706,818</u>	<u>\$ 187,958</u>	<u>\$ (119,352)</u>	<u>\$ 775,424</u>	<u>\$ 42,772</u>
Business-type activities:					
Water and sewer bonds	\$ 138,575	\$ 41,450	\$ (11,870)	\$ 168,155	\$ 13,285
Premium on water and sewer bonds	2,836	2,885	(751)	4,970	-
Storm water utility bonds	20,480	-	(1,280)	19,200	1,280
Premium on-storm water utility bonds	748	-	(88)	660	-
Net water and sewer bonds payable	<u>162,639</u>	<u>44,335</u>	<u>(13,989)</u>	<u>192,985</u>	<u>14,565</u>
Compensated Absences	2,058	-	(258)	1,800	144
Net pension liability*	<u>7,249</u>	<u>3,591</u>	<u>-</u>	<u>10,840</u>	<u>-</u>
Total business-type long term liabilities	<u>\$ 171,946</u>	<u>\$ 47,926</u>	<u>\$ (14,247)</u>	<u>\$ 205,625</u>	<u>\$ 14,709</u>

*as restated

9. PRIOR YEAR BOND REFUNDINGS

In FY16 and in prior years, the City legally defeased certain general obligation, revenue, and other bonds by placing cash and/or proceeds of refunding bond issues in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's report. As of September 30, 2016, previously defeased debt still outstanding amounted to \$49,370,000.

Following are the schedules of refunded obligations (amounts in thousands):

Bonds		Original Maturity Date	Interest Rate	Amount Refunded
Permanent Improvement and Refunding Bonds, Series 2008				
	Serials	8/15/2019	4.000	\$ 1,995
		8/15/2020	4.000	1,995
		8/15/2021	4.125	1,995
		8/15/2022	4.250	1,995
		8/15/2023	4.300	1,995
		8/15/2024	4.375	1,995
		8/15/2025	4.400	1,990
		8/15/2026	4.500	1,990
	Term Bonding Maturing 2028	8/15/2027	4.600	1,990
		8/15/2028	4.600	<u>1,990</u>
				\$19,930
Combination Tax and Revenue Certificates of Obligation, Series 2008A				
	Serials	8/15/2019	4.000	\$ 210
		8/15/2020	4.000	210
		8/15/2021	4.000	210
		8/15/2022	4.125	210
		8/15/2023	4.250	210
		8/15/2024	4.250	210
		8/15/2025	4.375	210
		8/15/2026	4.500	210
		8/15/2027	4.500	210
		8/15/2028	4.500	<u>210</u>
				\$ 2,100
Combination Tax and Increment Reinvestment Zone Revenue Certificate of Obligation, Series 2008B				
	Serials	8/15/2019	4.000	\$ 1,295
		8/15/2020	5.000	1,345
		8/15/2121	5.000	1,415
		8/15/2022	4.500	1,485
		8/15/2023	5.000	1,550
		8/15/2024	4.625	1,625
		8/15/2025	5.000	1,705
		8/15/2026	5.000	1,790
		8/15/2027	5.000	1,875
		8/15/2028	4.500	1,970
		8/15/2029	4.500	2,060
	Term Bond Maturing 2033	8/15/2030	4.625	2,155
		8/15/2031	4.625	2,250
		8/15/2032	4.625	2,355
		8/15/2033	4.625	<u>2,465</u>
				\$ 27,340
Total Refunded Obligations				<u>\$49,370</u>

10. INTERFUND TRANSACTIONS

A summary of interfund receivables and payables at September 30, 2016, is as follows (amounts in thousands):

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$2,966	\$ -
Nonmajor Funds	<u>-</u>	<u>2,966</u>
	<u>\$2,966</u>	<u>\$2,966</u>

The General Fund receivable represents cash provided to nonmajor funds and will be reimbursed in 2017.

Transfers between funds during the year were as follows (amounts in thousands):

	<u>Transfers Out</u>	<u>Transfers In</u>
Major Governmental Funds:		
General Fund	\$ 61,092	\$ 23,202
Street Capital Projects	1,766	-
Debt Service Fund	<u>14,000</u>	<u>5,140</u>
Total Major Governmental Funds	76,858	28,342
Major Enterprise Fund-Water and Sewer	15,513	-
Major Enterprise Fund-Storm Water Utility	1,106	-
Other Funds:		
Nonmajor Governmental Funds	15,995	62,170
Internal Service Funds	<u>769</u>	<u>19,729</u>
Total All Funds	<u>\$110,241</u>	<u>\$110,241</u>

The Water and Sewer, Storm Water Utility, and Convention and Event Services transferred \$4,937,000 to the General Fund to cover their budgeted indirect costs.

The General Fund transferred \$7,797,000 to Street Maintenance Fund, Special Transportation (Handitran), Parks Performance Fund and Arlington Property Finance Authority to cover budgeted operating expenses.

The General Fund transferred \$50,000,000 for Texas Live.

The Enterprise Funds transferred \$12,096,000 to cover their budgeted operating costs.

The other General Fund transfers were to cover budgeted operating expenses in other funds.

The Debt Service Fund received transfers of \$3,997,000 from the Convention and Event Services and Water and Sewer Funds to cover debt service repayments.

The Debt Service fund transferred \$14,000,000 to APFA to cover current and future year claims.

11. MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

The City accounts for its landfill closure and post-closure care costs in accordance with GASB No. 18, "Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs."

State and federal laws and regulations require the City to place a final cover on its municipal landfill site when it stops accepting waste and to perform certain maintenance functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and post-closure care costs as a liability on the Statement of Net position in each period based on landfill capacity used as of each balance sheet date. This liability is offset by an asset recorded for a trust account established for the purpose of paying the closure and post-closure costs as

more fully described below. In 2014 the City received a permit for vertical expansion and to open an additional 80 acres, which increased the capacity and the life of the landfill. The \$8,160,000 reported as a landfill closure and post-closure accrued liability at September 30, 2016, represents the cumulative amount reported to date based on the use of approximately 36 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$3,778,000 as the remaining capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2016. The City expects to close the landfill in 2065. Actual costs may change due to inflation, changes in technology, or changes in regulations.

On March 18, 2005, the City entered into a contract with Republic Waste Services of Texas, Ltd. (Republic) for a 20 year renewable operating lease of the landfill. The City received an initial payment of \$15 million; the remaining balance of deferred revenue of \$3,887,000 will be amortized over the life of the lease. Republic is responsible for the funding of monthly contributions to a trust account that will pay closure and post-closure costs as required by state and federal laws and regulations. Republic is in compliance with these requirements and at September 30, 2016, investments are held for these purposes.

12. COMMITMENTS AND CONTINGENCIES

Trinity River Authority

The City entered into a 50 year contract dated October 10, 1973, with the Trinity River Authority (TRA) whereby the TRA agrees to provide supplemental sewage treatment for consideration. Payments by the City are based on metered usage, at rates designed to charge the City a pro rata share of the TRA's annual operating and maintenance expenses, and principal and interest requirements on bonds issued by the TRA.

Grant Audits

The City receives federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. City management believes such disallowances, if any, would be insignificant.

Construction Commitments

The City has various active construction projects as of September 30, 2016. The projects include construction in streets, parks, traffic, and water and sewer facilities. At year-end the City's significant commitments with contractors are as follows (amounts in thousands):

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Street Construction	\$ 84,185	\$ 32,125
Park Construction	13,655	4,392
Traffic Construction	8,065	284
Storm Water Utility Construction	10,313	5,667
Water and Sewer Construction	59,889	22,170
	<u>\$ 176,107</u>	<u>\$ 64,638</u>

The street, police and traffic construction projects are funded primarily by permanent improvement bonds proceeds. The park construction projects are funded by permanent improvement bond proceeds, certificate of obligation proceeds, and park fee revenues. Water and sewer and storm water utility construction projects are funded by revenue bond proceeds and cash from operating revenues of the water and sewer and storm water systems.

Litigation

The City is currently involved in several lawsuits in which some liability is probable. The potential liability as of September 30, 2016, cannot be determined. Pursuant to the Texas Tort Claims Act, damages would be capped at \$250,000.

The City is currently involved in an employment lawsuit in which the plaintiff alleges that the City's termination of an Arlington police officer was a violation of the City's personnel policies. The plaintiff elected to appeal his termination to an arbitrator. The arbitrator ruled that the officer be reinstated with back pay. The City appealed the arbitrator's decision. The Court ordered the City to reinstate the officer provided he

passes certain requirements, which he has done. In June 2014, the court ruled to award the officer \$164,471 in back pay, but the City has appealed the ruling. In August 2015, the Fort Worth Court of Appeals issued an opinion requiring the trial court to set aside the judgment in accordance with the Court of Appeals' decision. The case is currently waiting for the judge's ruling. It is uncertain whether "set aside" requires the trial judge to uphold the termination or order another arbitration. Liability with regard to the officer's back wages is probable. To the extent owed, back pay continues to accrue and a \$318,000 accrual has been recorded at September 30, 2016.

Various other claims and lawsuits are pending against the City. In the opinion of City management, the potential losses, in excess of APFA limitations (see Note 13) of insurance coverage, if any, on all claims will not have a materially adverse effect on the City's financial position as a whole.

13. RISK MANAGEMENT

The City's risk management activities are administered through various internal service funds.

Risk Management Fund (RMF)

The RMF was created for the purpose of acting on the City's behalf in financing various governmental programs as prescribed by ordinance or resolution of the City Council. In October 1986, the City Council adopted an ordinance to establish the City's Self-insurance and Risk Management Program (the "Program"). The purpose of the Program is to provide the City a defined and funded self-insurance program for bodily injury, property damage, personal injury, advertising injury, and regulatory injury.

On June 1, 2016 the City issued Combination Tax and Revenue Certificates of Obligation Series 2016C of \$14,150,000. The certificates were issued with the purpose of providing moneys to fund the Risk Management Fund, a self-insurance fund to protect the City and its officers, employees and agents from any insurable risk or hazard as permitted under Chapter 2259, Texas Government Code, as amended.

The payments out of the RMF for all purposes cannot exceed \$1,500,000 per occurrence and \$3,000,000 in aggregate in one annual period. Should claims exceed this amount, the excess claims are to be funded by other available City resources.

The RMF claims liabilities are actuarially determined annually to include the effects of specific incremental claims, adjustment expenses, and if probable and material, salvage and subrogation. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent.

Workers' Compensation

The City's workers' compensation plan provides City employees with workers' compensation insurance through the Workers' Compensation Fund (the "WCF"). Under this program, the WCF provides coverage for up to a maximum of \$750,000 per claim. The City purchases commercial insurance for claims in excess of coverage provided by the WCF. Over the past three years there have been five claims which settlements have been received totaling \$892,457 through the commercial insurance. All City departments participate in the workers' compensation program. Payments to the WCF from such departments are based on actuarial estimates of the amounts needed to pay prior and current year claims and related administrative expenses. The WCF claims liabilities are actuarially determined annually to take into consideration recently settled claims, the frequency of claims and other economic and social factors. The actuarially determined liabilities are reported at their present values using an expected future investment yield assumption of 1.0 percent.

Group Health

Group medical benefits are paid through the Group Health Fund. Revenues are recognized from payroll deductions and from City contributions for employee and dependent coverage. Changes in the balances of claims liabilities during fiscal 2016 and 2015 were as follows (amounts in thousands):

	Workers		Health		APFA		Other	
	Compensation							
	2016	2015	2016	2015	2016	2015	2016	2015
Unpaid claims, Oct 1	\$4,464	\$3,953	\$ 1,954	\$ 2,135	\$2,350	\$2,201	\$ -	\$ -
Incurred Claims (including IBNRs and changes in estimates)	-	2,599	25,428	24,489	3,700	950	366	277
Claim payments	(707)	(2,088)	(25,233)	(24,670)	(2,850)	(801)	-	-
Unpaid claims, Sept 30	<u>\$3,757</u>	<u>\$4,464</u>	<u>\$ 2,149</u>	<u>\$ 1,954</u>	<u>\$3,200</u>	<u>\$2,350</u>	<u>\$366</u>	<u>\$277</u>

14. LEASES

As Lessee

As lessee, the City is committed under a lease for fire radio equipment. This lease is considered for accounting purposes to be a capital lease. The liability for future capital lease payments totals approximately \$9,860,000 and is reported as capital lease obligations current liabilities (approximately \$1,020,000) and capital lease obligations non-current liabilities (approximately \$7,844,000) in the General Fund.

Future minimum lease payments for capital lease including interest and principal are as follows (amounts in thousands):

Year Ending	
<u>September 30</u>	
2017	\$ 1,228
2018	1,228
2019	1,228
2020	1,228
2021	1,228
2022-2024	<u>3,684</u>
	9,824
Less Interest	<u>960</u>
Minimum future lease rentals	<u>\$8,864</u>

The City's investment in equipment under the capital lease arrangement as of September 30, 2016 is \$10,814,000.

As Lessor

Effective October 1, 1983, the City entered into a contract to lease a tract of land for the purpose of constructing and developing a hotel. The term of the lease is for an initial period of fifty years with renewal options for two additional terms of fifteen years each. The rental payments are based upon a percentage (ranging from 1.0 percent - 1.75 percent) of gross revenues (as defined in the agreement) through December 31, 2006. After December 31, 2006, the lessee shall pay the total annual rent of \$250,000. For each year thereafter the lessee shall pay an annual rent amount equal to the previous year's rent plus an increase not to exceed the effective percentage change in the Consumer Price Index (Specifically CPI-U for Dallas-Fort Worth region) for the previous 12 month period. Total rental payments received in 2016 were approximately \$287,200.

15. SETTLEMENT AGREEMENT

On April 27, 1999, the City entered into a Dispute Settlement Agreement and Agreement Not To Pursue Claim (the "Dispute Settlement Agreement") with the Texas Rangers baseball club (the "Rangers"). The Dispute Settlement Agreement relates to the amount of costs of acquiring certain tracts of land for the Project, which the City alleged should be paid by the Rangers (the "Claim").

The Dispute Settlement Agreement requires the Rangers to make annual installment payments, without interest, to the City on or before December 31 of each year as follows:

<u>Year</u>	<u>Amount</u>
2016	\$ 727,500
2017	727,500
2018	727,500
2019	727,500
2020	727,500
2021 to 2024	<u>2,898,329</u>
	6,535,829
Less Discount	<u>891,643</u>
	<u>\$5,644,186</u>

The total is reported as a settlement agreement receivable by the City. The payment amounts will be reduced effective in fiscal year 2016 to reflect reduced interest rates. The payment in 2024 is due on or before March 1. By entering into this agreement, the City agreed to release and discharge the Rangers from the Claim.

16. CAPITAL LEASE

A lease agreement was executed on June 23, 1992 between the Texas Rangers, Ltd. (the Rangers) and the City for the Ballpark Complex Development (the Facility). The lease is a triple net lease to the Rangers, with the Rangers retaining all concession and signage rights. The Rangers agreed to pay a base rent of \$2,000,000 per year for the 30-year term of the lease. At the end of the lease, the Rangers have the option to purchase the Facility, excluding the linear park, at a cost of \$60,000,000, with full credit given for all base and additional rents paid, as well as up to \$1,500,000 annual credit for maintenance costs paid on the Facility by the Rangers. If the purchase option is exercised, the Rangers are committed to play baseball in the City for ten additional years.

Pursuant to applicable accounting standards, the lease of the Facility to the Rangers has been accounted for as a capital lease.

Minimum future rentals are as follows:

<u>September 30</u>	
2017	\$ 2,000,000
2018	2,000,000
2019	2,000,000
2020	2,000,000
2021	2,000,000
2022-2024	<u>5,055,556</u>
	15,055,556
Less Discount	<u>3,745,878</u>
Minimum future lease rentals	<u>\$11,309,678</u>

In November 2016, Arlington citizens voted yes to build a new Rangers stadium. The details of the lease contract are still being finalized. As agreements are finalized, modifications to the existing lease agreement may be required.

17. CONDENSED COMPONENT UNIT INFORMATION

The City includes seven discretely presented component units in its reporting entity (see note I.B.). Condensed component unit information for the year ended September 30, 2016, for all discretely presented component units is as follows (amounts in thousands):

Condensed Schedule of Net Position

	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Current and other assets	\$61,184	\$4,992	\$1,354	\$ 67,530
Capital assets	<u>-</u>	<u>262</u>	<u>188</u>	<u>450</u>
Total assets	<u>61,184</u>	<u>5,254</u>	<u>1,542</u>	<u>67,980</u>
Other liabilities	<u>1,400</u>	<u>728</u>	<u>554</u>	<u>2,682</u>
Total liabilities	<u>1,400</u>	<u>728</u>	<u>554</u>	<u>2,682</u>
Net position:				
Net investment in capital assets	-	262	188	450
Restricted	59,784	670	-	60,454
Unrestricted	<u>-</u>	<u>3,594</u>	<u>800</u>	<u>4,394</u>
Total net position	<u>\$59,784</u>	<u>\$4,526</u>	<u>\$988</u>	<u>\$65,298</u>

Condensed Schedule of Activities

	Arlington Tomorrow Foundation	Housing Authority	Other Discretely Presented Component Units	Total Discretely Presented Component Units
Expenses	<u>\$1,728</u>	<u>\$27,468</u>	<u>\$6,005</u>	<u>\$35,201</u>
Program Revenues:				
Charges for services	-	-	5,794	5,794
Operating grants and contributions	-	28,211	178	28,389
Capital grants and Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Program (Expense) Revenue	<u>(1,728)</u>	<u>743</u>	<u>(33)</u>	<u>(1,018)</u>
Interest Revenues	2,206	11	3	2,220
Other NonTax General Revenues	<u>(45,436)</u>	<u>123</u>	<u>-</u>	<u>(45,313)</u>
Change in Net position	<u>(44,958)</u>	<u>877</u>	<u>(30)</u>	<u>(44,111)</u>
Net position, October 1,	<u>104,742</u>	<u>3,649</u>	<u>1,018</u>	<u>109,409</u>
Net position, September 30	<u>\$59,784</u>	<u>\$ 4,526</u>	<u>\$ 988</u>	<u>\$65,298</u>

APPENDIX C

THE MASTER INDENTURE

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CITY OF ARLINGTON VENUE PROJECTS MASTER INDENTURE OF TRUST

authorizing

CITY OF ARLINGTON, TEXAS
SPECIAL TAX OBLIGATIONS

By and Between

City of Arlington, Texas

And

The Bank of New York Mellon Trust Company, National Association

As Trustee

Dated August 31, 2017

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Appendix A – Payment Certificate

INDENTURE OF TRUST

This City of Arlington Venue Projects Master Indenture of Trust authorizing the City of Arlington, Texas Special Tax Obligations dated August 31, 2017, is by and between the City of Arlington, Texas (the "City") and The Bank of New York Mellon Trust Company, National Association, as trustee (together with its successors, the "Trustee"). Capitalized terms used in the preambles, recitals and granting clauses and not otherwise defined shall have the meanings assigned thereto in Article I.

WHEREAS, Chapter 334, Local Government Code, as amended (the "Act") authorizes the City of Arlington, Texas (the "City"), to issue its bonds or other obligations for the purpose of financing all or a portion of the costs of a sports and community venue project that is planned to be located within the City, if the venue project and the taxes pledged to the payment of such obligations are approved at an election held in accordance with the Act; and

WHEREAS, at an election held in the City on November 2, 2004 pursuant to the Act, a majority of the voters voting at such election voted in favor of a proposition authorizing the City to (i) establish and finance the Dallas Cowboys Complex (as defined herein, the "Cowboys Project") as a sports and community venue project of the type described and defined in the Act, (ii) impose a sales and use tax within the City at a rate of one-half of one percent (0.5%) (the "Sales Tax"), (iii) impose a tax at a maximum rate of five percent (5%) on the gross rental receipts from the short-term rental in the City of a motor vehicle (the "Motor Vehicle Rental Tax"), (iv) impose a tax on the occupancy of a room in a hotel located within the City, at a maximum rate of two percent (2%) of the price paid for such room (the "Hotel Tax"), (v) impose an admissions tax on each ticket sold as admission to an event held at the Cowboys Project, at a rate not to exceed ten percent (10%) of the price of the ticket sold as admission (the "Cowboys Admissions Tax"), and (vi) impose a tax, not to exceed three dollars (\$3.00) per vehicle, on each parked motor vehicle parking in a facility of the Cowboys Project (the "Cowboys Parking Tax"); and

WHEREAS, pursuant to an election held within the City on November 8, 2016 pursuant to the Act, a majority of the voters voting at such election voted in favor of a proposition authorizing the City to provide for the planning, acquisition, establishment, development, construction and financing of the Texas Rangers Complex Development (the "Rangers Project" and together with the Cowboys Project, the "Arlington Venue Projects") and to (i) authorize the use of the existing Sales Tax to finance the Rangers Project, (ii) authorize the use of the existing Hotel Tax to finance the Rangers Project, (iii) authorize the use of the existing Motor Vehicle Rental Tax to finance the Rangers Project, (iv) impose an admissions tax on each ticket sold as admission to an event at the Rangers Project at a rate not to exceed ten percent (10%) of the price of the ticket sold as admission (the "Rangers Admissions Tax"), and (v) impose a tax, not to exceed three dollars (\$3.00) per vehicle on each parked motor vehicle parking in a facility of the Rangers Project (the "Rangers Parking Tax");

WHEREAS, the City has previously funded the construction of the Cowboys Project and the construction of such project is now complete and the City's Special Tax Revenue Bonds, Series 2008 and Special Tax Revenue Bonds, Series 2009 are the only outstanding obligations relating to the Cowboys Project (the "Prior Obligations") that are secured by the Pledged Special Taxes (as defined herein), and the City has determined to refund and defease the Prior Obligations and to

fully discharge the ordinances authorizing the Prior Obligations and all of the pledges, liens, trusts and all other covenants, provisions, terms and conditions thereof, and to issue new obligations relating to the construction of the Rangers Project; and

WHEREAS, the City intends to issue bonds to refund the Prior Obligations pursuant to a the first supplemental indenture (the "First Supplemental Indenture") executed and delivered pursuant to the provisions of this Indenture in order to restructure the Prior Obligations and provide for the issuance of Obligations to fund the construction of the Rangers Project; and

WHEREAS, after the issuance of Obligations pursuant to the First Supplemental Indenture, the City intends to issue one or more series of Taxable Obligations and Tax-Exempt Obligations to fund the Initial Construction Costs; and

WHEREAS, the City proposes to issue Obligations pursuant to this Indenture for the purpose of (i) refunding and defeasing the Prior Obligations and (ii) paying a portion of the costs of constructing and equipping the Rangers Project, such Obligations to be secured by and payable solely from the receipts from certain of the taxes described above and certain rental payments received in connection with the ownership of the Rangers Project, pledged to the payment of such Obligations, all as described and defined in this Indenture, and

WHEREAS, it is hereby found and determined that the meeting at which this Indenture was considered was open to the public as required by law, and 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, the City, in consideration of the foregoing premises and acceptance by the Trustee of the trusts herein created, of the purchase and acceptance of the Obligations by the Owners thereof, and of other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, does hereby GRANT, CONVEY, PLEDGE, TRANSFER, ASSIGN and DELIVER to the Trustee for the benefit of the Owners, a security interest in all of the moneys, rights and properties described in the Granting Clauses hereof, as follows (collectively, the "Trust Estate"):

FIRST GRANTING CLAUSE

The Pledged Special Taxes and the Pledged Rent, and all moneys and investments held in the Pledged Obligation Accounts (as set forth herein), including any contract or any evidence of indebtedness related thereto or other rights of the City to receive any of such moneys or investments, whether now existing or hereafter coming into existence, and whether now or hereafter acquired; and

SECOND GRANTING CLAUSE

Any and all other property or money of every name and nature which is, from time to time hereafter by delivery or by writing of any kind, conveyed, pledged, assigned or transferred, to the Trustee as additional security hereunder by the City or by anyone on its behalf or with its written consent, and the Trustee is hereby authorized

to receive any and all such property or money at any and all times and to hold and apply the same subject to the terms thereof;

TO HAVE AND TO HOLD the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its successors or assigns;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the benefit of all present and future Owners of the Obligations from time to time issued under and secured by this Indenture, and for enforcement of the payment of the Obligations in accordance with their terms, and for the performance of and compliance with the obligations, covenants and conditions of this Indenture;

PROVIDED, HOWEVER, if the City or its assigns, shall well and truly pay, or cause to be paid, the principal or Redemption Price of and the interest on the Obligations at the times and in the manner stated in the Obligations, according to the true intent and meaning thereof, then this Indenture and the rights hereby granted shall cease, terminate and be of no further force and effect; otherwise this Indenture is to be and remain in full force and effect.

THIS INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Obligations issued and secured hereunder are to be issued, authenticated and delivered and the Trust Estate hereby created, assigned, and pledged is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the City has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners from time to time of the Obligations as follows:

ARTICLE I

DEFINITIONS, FINDINGS AND INTERPRETATIONS

Section 1.1. Short Title. This Indenture may hereafter be cited in other documents and without further description as the “City of Arlington Venue Projects Master Indenture” or the “Master Indenture” of the City.

Section 1.2. Definitions. The following terms shall, for all purposes of this Indenture, have the following meanings:

“Act” means Chapter 334, Local Government Code, as amended.

“Additional Senior Lien Obligations” means Senior Lien Obligations issued in accordance with the terms and conditions provided in Section 10.1 hereof.

“Additional Subordinate Lien Obligations” means Subordinate Lien Obligations issued in accordance with the terms and conditions provided in Section 10.1 hereof.

“Administrative Expenses” means the fees, expenses and indemnification liabilities payable to the Persons to whom fees and expenses incurred in connection with the Obligations and Credit Agreement Obligations issued hereunder are owed, including but not limited to the fees and

expenses of the Paying Agent/Registrars, the Trustee, the Credit Providers, the rebate analyst, the remarketing agents, the tender agents, and the broker-dealers, and of which the City is given actual notice at least thirty (30) days prior to the due date thereof.

“Administrative Expenses Subaccount” means the subaccount by that name established in the Debt Service Account pursuant to Section 5.1(a).

“Amended and Restated Venue Project Fund Resolution” means the Resolution No. 17-228, dated August 8, 2017, adopted on August 22, 2017 amending and restating Resolution No. 04-551 of the City Council adopted on December 20, 2004, in which the City Council established the Venue Project Fund and certain accounts therein required by section 334.042 of the Act, as the establishment and designation of such fund and accounts may be further amended by this Indenture.

“Applicable Law” means the Act, the duly adopted home rule charter of the City, and all other laws or statutes, rules or regulations, and any amendments thereto, of the State or of the United States by which the City and its powers, securities (including the Obligations and the Credit Agreement Obligations authorized pursuant to Chapter 1371, Texas Government Code, as amended), operations and procedures are, or may be, governed or from which its powers may be derived.

“Arlington Venue Projects” means the Cowboys Project and the Rangers Project.

“Authorized Officer” means (i) the City Manager of the City, (ii) a Deputy City Manager of the City designated by the City Manager of the City for such purpose, or (iii) the Director of Finance of the City.

“Average Annual Debt Service” means an amount which, at the time of computation, is derived by dividing the total amount of Debt Service to be paid over a period of years as the same is scheduled to become due and payable by the number of years taken into account in determining the total Debt Service, including any redemption premiums.

“Ballpark Lease” means that certain “Rangers Ballpark Lease Agreement” between the City and the Tenant, dated as of the July 3, 2017, as amended, restated, supplemented or otherwise modified from time to time.

“Base Rent” means the amount payable by the Tenant to the City pursuant to the Ballpark Lease in an amount equal to the annual amount of \$2,000,000 (paid in equal monthly installments by the Tenant pursuant to the Ballpark Lease) commencing on the Operational Date and thereafter during the Initial Term.

“Bond Counsel” means Bracewell LLP, or any other nationally recognized bond counsel law firm selected by the City.

“Bond Proceeds Deficit” means the difference between the City Contribution and the Reduced Bond Amount.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or other day on which banking institutions in the City or in the city where the Designated Payment/Transfer Office of the Paying Agent/Registrar is located are generally authorized or obligated by law or executive order to close.

“Capital Appreciation Obligations” means, collectively, the Obligations designated as Capital Appreciation Obligations in a Supplemental Indenture, if any, and with respect to which interest is accreted and compounded semiannually and is payable only at Maturity.

“Capital Improvement Costs” means any renovations, additions, repair or capital improvements made to the Rangers Ballpark (other than operations and maintenance costs) that do not extend the useful life of the Rangers Ballpark.

“Capitalized Interest Subaccount” means the subaccount by that name established in the Debt Service Account pursuant to Section 5.1(a).

“Certificate” means a document signed by an Authorized Officer, either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined pursuant to this Indenture or a Supplemental Indenture.

“City” means the City of Arlington, Texas.

“City Contribution” means an amount of money equal to \$500,000,000, for the payment or reimbursement of the actual Project Costs of the Rangers Ballpark funded from (i) Net Bond Proceeds deposited to the City Project Cost Account and (ii) Excess Tax Revenues deposited to the Excess Tax Revenue Account pursuant to section 5.5 herein.

“City Council” means the governing body of the City, as determined by Applicable Law.

“City Project Cost Account” means the account by that name established in the Venue Project Fund pursuant to Section 5.1(a) and consisting of the Senior Lien Tax-Exempt Project Cost Subaccount, the Subordinate Lien Tax-Exempt Project Cost Subaccount, the Senior Lien Taxable Project Cost Subaccount, the Subordinate Lien Taxable Project Cost Subaccount and the Costs of Issuance Subaccount into which Obligation proceeds will be deposited pursuant to Section 5.3.

“Closing Date” means the date of initial delivery of a series of Obligations against payment therefor.

“Code” means the Internal Revenue Code of 1986, as amended, and, with respect to a specific section thereof, such reference shall be deemed to include (a) the Regulations promulgated under such section, (b) any successor provision of similar import hereafter enacted, (c) any corresponding provision of any subsequent Internal Revenue Code and (d) the regulations promulgated under the provisions described in (b) and (c).

“Costs of Issuance Subaccount” means the subaccount by that name established in the City Project Cost Account and which shall consist of separate subaccounts for Tax-Exempt Obligations and Taxable Obligations.

“Cowboys Complex” has the meaning set forth in the Cowboys Lease.

“Cowboys Lease” means that certain “Cowboys Complex Lease Agreement” between the City and Cowboys Stadium, L.P., a Texas limited partnership, and its successors or assigns.

“Cowboys Project” has the meaning ascribed in the recitals to this Indenture.

“Credit Agreement” means (i) any agreement of the City entered into with a financial institution in connection with and for the purpose of (A) enhancing or supporting the creditworthiness of a series of Obligations or (B) providing liquidity with respect to Obligations which by their terms are subject to tender for purchase, and which, by its terms, creates a liability on the part of the City on a parity with the Obligations to which it relates, including a reserve fund policy, and (ii) a Swap Agreement. A determination by the City contained in a Supplemental Indenture that an agreement constitutes a Credit Agreement under this definition shall be conclusive as against all Owners.

“Credit Agreement Obligations” mean amounts payable by the City under and pursuant to a Credit Agreement other than amounts payable as an Administrative Expense.

“Credit Provider” means the issuer or provider of a Credit Agreement.

“Current Interest Obligations” means, collectively, the Obligations designated as Current Interest Obligations in a Supplemental Indenture and with respect to which interest is payable on each Interest Payment Date.

“Debt Service” means (i) with respect to a series of Obligations, an amount equal to the Principal Installment, redemption premium, if any, and interest on such Obligations, (ii) with respect to a Credit Agreement other than a Swap Agreement, amounts payable as Credit Agreement Obligations, (iii) with respect to a Swap Agreement, regularly scheduled amounts payable by the City under a Swap Agreement, so long as the counterparty to such Swap Agreement is not in default, and (iv) a Termination Payment; provided, however, that payment of a Termination Payment and any Refunding Obligations issued for the purpose of paying a Termination Payment shall be subordinate to the payment of Debt Service described in (i), (ii) and (iii).

“Debt Service Account” means the account by that name established in the Venue Project Fund pursuant to Section 5.1(a) and consisting of the Senior Lien Tax-Exempt Debt Service Subaccount, the Senior Lien Taxable Debt Service Subaccount, the Subordinate Lien Tax-Exempt Debt Service Subaccount, the Subordinate Lien Taxable Debt Service Subaccount, the Administrative Expenses Subaccount, and the Capitalized Interest Subaccount.

“Debt Service Reserve Account” means the account by that name established in the Venue Project Fund pursuant to Section 5.1(a) and consisting of the Senior Lien Debt Service Reserve Subaccount and the Subordinate Lien Debt Service Reserve Subaccount.

“Debt Service Reserve Fund Policy” means any surety bond or insurance policy issued by a provider having a rating in the two highest generic rating categories (i.e., at least “AA-“ or the equivalent) in effect at the time of issuance, issued to the City for the benefit of the Owners of the

Obligations to satisfy any part of the Senior Lien Debt Service Reserve Requirement or the Subordinate Lien Debt Service Reserve Requirement, as provided in Section 5.8(c) herein.

“Designated Payment/Transfer Office” means (i) with respect to the initial Paying Agent/Registrar named herein, its office in Dallas, Texas, or such other location as may be designated by the Paying Agent/Registrar in connection with a series of Obligations, 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.

“Disbursement Account” means the account by that name and from which Project Costs will be paid or reimbursed pursuant to Section 5.6. The Disbursement Account is not an account held under this Indenture, is not part of the Trust Estate and is not pledged to the Obligations. Such account shall be held and controlled by the Tenant or TeamCo.

“Excess Tax Revenue Account” means the account by that name established pursuant to Section 5.1(a) into which Excess Tax Revenues are deposited pursuant to the provisions of Section 5.5 for the purpose of paying Project Costs and Incurred Financing Costs, if any, or reimbursing Project Costs expended by the Tenant for the Initial Construction Costs of the Rangers Ballpark.

“Excess Tax Revenues” means the annual Pledged Special Taxes, if any, received by the City but not required for the annual Debt Service on the Obligations, or deposits to the Debt Service Reserve Account pursuant to Section 5.5 herein.

“Event of Default” means the occurrence of any of the events or circumstances described as such in Section 7.1.

“Federal Tax Certificate” means the Federal Tax Certificate delivered on the Closing Date for a series of Tax-Exempt Obligations setting forth the facts, estimates and circumstances in existence on the Closing Date which establish that it is not expected that the proceeds of such Tax-Exempt Obligations will be used in a manner that would cause the interest on such Tax-Exempt Obligations to be included in the gross income of the Owners thereof.

“Fiscal Year” means the twelve consecutive month period established from time to time by the City as its fiscal year. Until changed by the City, the Fiscal Year shall be the period commencing October 1 and ending on the following September 30.

“Force Majeure” means any act of God or the public enemy; strike, lockout, work slowdown or stoppage or other labor dispute; insurrection, riot or other civil disturbance; order of the government of the United States or of any state thereof or order of any other civil or military authority; failure of a public utility; or other condition or event beyond the reasonable control of the City, other than a financial condition, business condition or condition or event constituting frustration of purpose.

“Funding Agreement” means that certain agreement entitled “Ballpark Funding and Closing Agreement” dated as of July 3, 2017, between the City and the Tenant as amended, restated, supplemented or otherwise modified from time to time.

“Hotel Tax” means the 2% hotel occupancy tax levied and imposed in Ordinance No. 04-117 passed by the City Council on December 20, 2004, as amended on August 22, 2017 by Ordinance No. 17-046 pursuant to Subchapter H of the Act.

“Hotel Tax Receipts Subaccount” means the subaccount by that name established within the Revenue Account pursuant to Section 5.1(a).

“Incurred Financing Costs” means the amount of interest actually paid by the Tenant or TeamCo on borrowings to fund the Bond Proceeds Deficit, if any, together with the amount of fees actually paid by the Tenant or TeamCo in connection with incremental financing commitments specifically obtained to fund the Bond Proceeds Deficit, if any; provided, however, that for purposes of this definition, (a) the weighted average rate of interest over the reimbursement period shall be equal to the lesser of (i) the actual rate of interest paid by the Tenant or TeamCo, or (ii) 5.5%; and (b) the amount of fees will be subject to the reasonable approval of the City.

“Indenture” means this City of Arlington Venue Projects Master Indenture of Trust as it may be, from time to time, amended, modified or supplemented by Supplemental Indentures, or by amendment in accordance with Article VIII:

“Initial Construction Costs” means the costs expended to design, develop and construct the Rangers Ballpark through its initial occupancy.

“Initial Term” means the period of time beginning on the Operational Date and ending on January 1, 2054, as further defined in the Ballpark Lease.

“Interest Payment Date” means the date or dates on which interest on Obligations or Credit Agreement Obligations is payable, as said date or dates are specified in a Supplemental Indenture.

“Investment Securities” mean any and all of the authorized investments described in the Public Funds Investment Act, Chapter 2256, Government Code, as amended, provided that such investments are at the time made included in and authorized by the City’s official investment policy approved by the City Council from time to time and are not prohibited by a Supplemental Indenture.

“Land” shall have the meaning assigned thereto in the Ballpark Lease.

“Letter of Instructions” means a written letter of instructions addressed to the Trustee and signed by an Authorized Officer.

“Master Agreement” means that certain agreement by and between the City and Rangers Baseball LLC dated May 24, 2016.

“Maturity” means the date on which the principal of the Current Interest Obligations and the Maturity Amount of the Capital Appreciation Obligations become due and payable according to the terms thereof, whether at Stated Maturity or by proceedings for prior redemption.

“Maturity Amount” means, with respect to the Capital Appreciation Obligations, the original principal amount thereof plus the initial premium, if any, paid therefor, plus interest

accrued and compounded thereon, as set forth in a Supplemental Indenture, and payable at Maturity.

“Maximum Annual Debt Service” means an amount which, at the time of computation, is the maximum amount of Debt Service due on the specified Outstanding Obligations in any future fiscal year.

“Maximum Interest Rate” means, with respect to any particular Variable Interest Rate Obligation or Credit Agreement Obligation bearing a Variable Interest Rate, a numerical or other statement of the rate of interest, which shall be set forth in the Supplemental Indenture authorizing such Obligation, or in a related Credit Agreement with respect to such Credit Agreement Obligation, in each case being the maximum rate of interest such Obligation or Credit Agreement Obligation may bear at a single time or over the period during which they are Outstanding or unpaid, but in no event exceeding the maximum amount or rate of interest permitted by Applicable Law.

“Minimum Interest Rate” means, with respect to any particular Variable Interest Rate Obligation or Credit Agreement Obligation bearing a Variable Interest Rate, a numerical rate of interest which may (but need not) be set forth in the Supplemental Indenture authorizing such Obligation or Credit Agreement with respect to such Credit Agreement Obligation, that shall be the minimum rate of interest such Obligation or Credit Agreement Obligation will at any time bear.

“Motor Vehicle Rental Tax” means the 5% short-term motor vehicle rental tax levied and imposed in Ordinance No. 04-116, adopted by the City Council on December 20, 2004, as amended on August 22, 2017 by Ordinance 17-045, pursuant to Subchapter E of the Act.

“Motor Vehicle Rental Tax Receipts Subaccount” means the subaccount by that name established within the Revenue Account pursuant to Section 5.1(a).

“MSRB” means the Municipal Securities Rulemaking Board.

“Net Bond Proceeds” means the aggregate net proceeds of the Obligations (excluding any proceeds of Obligations issued to (i) refund the Prior Obligations or (ii) refund any other Obligations issued pursuant to this Indenture), net of financing costs, expenses, capitalized interest, if any, reserve funds or other deposits, issued to fund the City Contribution.

“Obligation Register” means, as to each series of Obligations, the register or registers maintained pursuant to Section 4.5.

“Obligations” mean any evidence of indebtedness, other than Credit Agreement Obligations, issued under and pursuant to this Indenture and a Supplemental Indenture.

“Operational Date” means the date that the Rangers Ballpark hosts its first sports event, entertainment event or other public event, which is open to the members of the general public for an admission fee, but specifically excluding any event held primarily on the Plaza.

“Ordinance” means Ordinance No. _____ dated August 31, 2017 approving this Indenture and authorizing the issuance of Obligations.

“Outstanding” when used with reference to Obligations, including Obligations acquired by a Credit Provider with the proceeds of a Credit Agreement, means, as of any date, Obligations theretofore or thereupon being authenticated and delivered under this Indenture or a Supplemental Indenture except:

(i) Obligations which have been fully paid at or prior to their maturity or on or prior to a redemption date;

(ii) Obligations (or portions thereof) for the payment of which moneys equal to the principal amount or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption, shall be held by the Trustee or a Paying Agent/Registrar in cash in trust under Sections 5.10 or 9.1 of this Indenture and set aside for payment at maturity or redemption on a redemption date and for which notice of redemption has been given or provision has been made therefor;

(iii) Obligations in lieu of or in substitution for which other Obligations have been authenticated and delivered pursuant to this Indenture or a Supplemental Indenture; and

(iv) Obligations for which payment has been provided by defeasance in accordance with Section 9.1.

“Owner” means the registered owner of an Obligation according to an Obligation Register.

“Paying Agent/Registrar” means, unless otherwise specified in a Supplemental Indenture with respect to a series of Obligations, initially the Trustee and any successor paying agent/registrar for Obligations appointed pursuant to this Indenture or a Supplemental Indenture and its successor or successors.

“Paying Agent/Registrar Agreement” means a Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar pertaining to one or more series of Obligations.

“Payment Certificate” means the certificate submitted by the Tenant, received by the Trustee and approved by the City for the payment or reimbursement of invoices relating to Project Costs, as set forth in Exhibit A attached hereto.

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

“Plaza” means that portion of the Land described on Exhibit A-1 to the Ballpark Lease.

“Pledged Obligation Accounts” means the Pledged Senior Lien Tax-Exempt Obligation Accounts, the Pledged Senior Lien Taxable Obligation Accounts, the Pledged Subordinate Lien Tax-Exempt Obligation Accounts, and the Pledged Subordinate Lien Taxable Obligation Accounts.

“Pledged Rent” means (i) all amounts representing the Base Rent and (ii) any other revenues of the City that are derived or received by the City because of its ownership or leasing of

the Rangers Ballpark to a private party but only to the extent expressly pledged to the payment of Obligations as “Pledged Rent.”

“Pledged Senior Lien Obligation Accounts” means the Pledged Senior Lien Tax-Exempt Obligation Accounts and the Pledged Senior Lien Taxable Obligation Accounts.

“Pledged Senior Lien Taxable Obligation Accounts” means, collectively, (a) amounts on deposit in (i) the Rent Subaccount, (ii) the Tax Receipts Account, (iii) the Senior Lien Taxable Debt Service Subaccount, (iv) the Senior Lien Debt Service Reserve Subaccount, and (v) the Taxable Obligation Surplus Debt Redemption Subaccount, (b) any Investment Securities or other investments or earnings belonging to any of the accounts and subaccounts identified in clause (a) above, and not required to be used for the other purposes permitted by the Act and this Indenture; and (c) any additional funds, accounts, revenues, or other moneys or funds of the City which hereafter may be, by Supplemental Indenture, expressly and specifically pledged to the payment of all, but not less than all, of the Outstanding Senior Lien Taxable Obligations.

“Pledged Senior Lien Tax-Exempt Obligation Accounts” mean, collectively, (a) amounts on deposit in (i) the Tax Receipts Account, (ii) the Senior Lien Tax-Exempt Debt Service Subaccount, (iii) the Senior Lien Debt Service Reserve Subaccount, and (iv) the Tax-Exempt Obligation Surplus Debt Redemption Subaccount; (b) any Investment Securities or other investments or earnings belonging to any of the accounts and subaccounts identified in clause (a) above, and not required to be used for the other purposes permitted by the Act and this Indenture, and (c) any additional funds, accounts, revenues, or other moneys or funds of the City which hereafter may be, by Supplemental Indenture, expressly and specifically pledged to the payment of all, but not less than all, of the Outstanding Senior Lien Tax-Exempt Obligations.

“Pledged Special Taxes” mean collectively (i) the gross revenues due or owing to, or received by, the City from the levy and imposition of the Sales Tax, the Hotel Tax and the Motor Vehicle Rental Tax from time to time, less any amounts withheld by persons in payment of costs of collection to the extent permitted by the Special Tax Ordinances, and (ii) any net amounts owing to the City under a Swap Agreement, and (iii) such other money, income, revenues or other property as may be specifically included in such term in a Supplemental Indenture. Such term does not include any monies, rents, or other revenues of the City that are derived or received by the City because of its ownership or leasing of the Arlington Venue Projects to a private party.

“Pledged Subordinate Lien Obligation Accounts” means the Pledged Subordinate Lien Tax-Exempt Obligation Accounts and the Pledged Subordinate Lien Taxable Obligation Accounts.

“Pledged Subordinate Lien Taxable Obligation Accounts” means, collectively, (a) amounts on deposit in (i) the Rent Subaccount, (ii) the Tax Receipts Account, (iii) the Subordinate Lien Taxable Debt Service Subaccount, (iv) the Subordinate Lien Debt Service Reserve Subaccount, and (v) the Taxable Obligation Surplus Debt Redemption Subaccount, (b) any Investment Securities or other investments or earnings belonging to any of the accounts and subaccounts identified in clause (a) above, and not required to be used for the other purposes permitted by the Act and this Indenture; and (c) any additional funds, accounts, revenues, or other moneys or funds of the City which hereafter may be, by Supplemental Indenture, expressly and specifically pledged

to the payment of all, but not less than all, of the Outstanding Subordinate Lien Taxable Obligations.

“Pledged Subordinate Lien Tax-Exempt Obligation Accounts” mean, collectively, (a) amounts on deposit in (i) the Tax Receipts Account, (ii) the Subordinate Lien Tax-Exempt Debt Service Subaccount, (iii) the Subordinate Lien Debt Service Reserve Subaccount, and (iv) the Tax-Exempt Obligation Surplus Debt Redemption Subaccount; (b) any Investment Securities or other investments or earnings belonging to any of the accounts and subaccounts identified in clause (a) above, and not required to be used for the other purposes permitted by the Act and this Indenture, and (c) any additional funds, accounts, revenues, or other moneys or funds of the City which hereafter may be, by Supplemental Indenture, expressly and specifically pledged to the payment of all, but not less than all, of the Outstanding Subordinate Lien Tax-Exempt Obligations.

“Pledged Taxable Obligation Accounts” means the Pledged Senior Lien Taxable Obligation Accounts and the Pledged Subordinate Lien Taxable Obligation Accounts.

“Pledged Tax-Exempt Obligation Accounts” means the Pledged Senior Lien Tax-Exempt Obligation Accounts and the Pledged Subordinate Lien Tax-Exempt Obligation Accounts.

“Pricing Certificate” means a certificate or certificates to be signed by an Authorized Officer in connection with the issuance of Obligation pursuant to a Supplemental Indenture.

“Principal Installment” means, with respect to Obligations or a series of Obligations, any amounts, including any Sinking Fund Installments, which are stated to be due or required to be made on or with respect to an Obligation or series of Obligations, which, when made, would reduce the amount of the Obligation or series of Obligations that remain Outstanding or would retire and pay the same in full.

“Principal Payment Date” means the date or dates upon which Principal Installments are due as specified in a Supplemental Indenture.

“Prior Obligations” means the City of Arlington, Texas Special Tax Bonds, Series 2008 and City of Arlington, Texas Special Tax Bonds, Series 2009.

“Project Costs” mean the following costs of the Rangers Ballpark for which funds from the Venue Project Fund may be used under the Act, to-wit: (i) acquisition and preparation costs of the Rangers Ballpark, including without limitation (a) all environmental remediation necessary with respect to the Land, and (b) the cost of physical improvements, landscaping and security for existing facilities that will be located on property adjacent to the Land, as may be required by agreements pursuant to which a tract included in the Land is located is acquired; (ii) land planning, design, architectural and engineering costs incurred by Tenant or TeamCo for preparation of plans, specifications and designs for the Rangers Ballpark and for appropriate construction oversight and assessments by the architect and engineers; (iii) costs incurred by the Tenant or TeamCo to construct, equip and furnish the Rangers Ballpark including the costs of water, sewer, drainage and street improvements necessary to serve the Rangers Ballpark and including parking facilities adjacent to the Rangers Ballpark; (iv) costs of environmental assessments covering the Rangers Ballpark, and covering the Land and projects adjacent to the Rangers Ballpark (and assessments

of costs if remediation is needed or required on any portion of the Rangers Ballpark or on any portion of adjacent land which, without such remediation, may adversely affect any portion of the Rangers Ballpark); (v) soil conditions reports and evaluation of soil removal, reclamation, fill and improvements requirements; (vi) costs of all on-site and off-site work to cause utilities to be available at the Rangers Ballpark, utility relocation and street abandonment; (vii) studies and costs relating to zoning and land use issues and confirmation that all zoning and land use ordinances, codes and laws allow the development and construction of the Rangers Ballpark as contemplated by the Funding Agreement and the Project Documents, and/or the availability of variances and special use permits if needed; (viii) costs related to addressing existing liens, easements and other encumbrances imposed upon or otherwise affecting the Rangers Ballpark; (ix) determination of any special development restrictions (such as FAA approval, archeological and historical significance requirements or assessments, etc.); (x) costs of all other due diligence performed or to be performed by the parties pertaining to the Rangers Ballpark (such as, by means of example only but without limitation, impact statements and impact fee requirements, traffic studies and transportation requirements (local and regional), all potential infrastructure, utility, parking, signage, and drainage needs and requirements); (xi) permit, license and inspection fees incurred after the date of the Master Agreement by Tenant or TeamCo; (xii) fees and expenses of the general contractor, subcontractors, consultants and similar persons incurred after the date of the Master Agreement by Tenant or TeamCo, directly or indirectly in connection with the planning, design, engineering, construction, equipping and furnishing of the Rangers Ballpark; (xiii) costs incurred after the date of the Master Agreement by Tenant or TeamCo removing, or providing security for, any material lien or encumbrance that arose in connection with the design, engineering, construction, equipping or furnishing of the Rangers Ballpark; (xiv) reasonable general and administrative expenses of Tenant and TeamCo incurred after the date of the Master Agreement, directly or indirectly, allocable to administration or oversight in connection with the planning, design, engineering, construction, equipping and furnishing of the Rangers Ballpark; and (xv) all other out-of-pocket costs of the City, Tenant or TeamCo paid out or incurred prior to or after the financing stage of the Rangers Ballpark that were expended for and that are attributable to the Initial Construction Costs of the Rangers Ballpark. It is provided, however, that said term shall not include financing costs, such as underwriting discounts or costs, financial advisory fees, and other fees and expenses, and the fees and expenses of attorneys regarding the financing, market analysts, consultants, and the costs of credit enhancement, if any, capitalized interest during construction and reserve fund requirements attendant to the financing.

“Project Documents” means the Funding Agreement, the Ballpark Lease, the Lease Guaranty, the Non-Relocation Agreement, the Amended and Restated Development Property Lease Agreement, the Amended and Restated Development Option Agreement, the Second Amended and Restated Convention Center Parking Agreement, the Stadium Builder License Agreement, if any, the Purchase Option Agreement, the First Amendment to Centerfield Office Building Lease, the Third Amendment to the Existing Ballpark Lease, the Termination of Lease and Right of Reversion and the Stonegate, FGJN, and Division Street Land Lease Agreement, all such agreements (other than the Funding Agreement and the Ballpark Lease) being as defined in the Funding Agreement.

“Rangers Ballpark” means a flexible, retractable roof, multi-purpose, multi-functional ballpark and sports, special events, concert and community and entertainment venue project designed to seat approximately 40,000 spectators to be used for the home games for the Texas

Rangers and which may also be used for one or more additional professional or amateur sporting events, containing, at a minimum, the Ballpark Elements (as set forth in the Funding Agreement), and which may also contain additional retail, restaurant and food establishments, Team training facilities and museums, and which term also includes water, sewer, drainage and road improvements necessary to service the Rangers Ballpark, as well as parking facilities adjacent to the Rangers Ballpark.

“Rebatable Arbitrage” means rebatable arbitrage as defined in Section 1.148-3 of the Regulations.

“Rebate Fund” means the fund by that name established pursuant to Section 5.13.

“Redemption Price” means, with respect to any Obligation, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof, plus accreted interest, if any pursuant to the terms of such Obligation or its authorizing Supplemental Indenture.

“Reduced Bond Amount” means the actual Net Bond Proceeds of Obligations issued to fund the City Contribution that are less than the full amount of the City Contribution.

“Refunding Obligations” mean one or more series of bonds or other evidences of indebtedness issued by the City for the purpose of (i) refunding Outstanding Obligations or Credit Agreement Obligations or (ii) providing for the payment of amounts described in Section 10.2(b) pertaining to the termination of a Swap Agreement.

“Regulations” means the applicable proposed, temporary or final Treasury Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

“Rent Subaccount” means the subaccount by that name established in the Revenue Account pursuant to Section 5.1(a).

“Revenue Account” means the account by that name established in the Venue Project Fund pursuant to Section 5.1(a) and consisting of the Rent Subaccount, the Hotel Tax Receipts Subaccount, the Motor Vehicle Rental Tax Receipts Subaccount and the Sales Tax Receipts Subaccount.

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

“Sales Tax” means the sales and use tax within the City at a rate of one-half of one percent (0.5%) levied and imposed in Ordinance No. 04-115 approved by the City Council on December 20, 2004, as amended on August 22, 2017 by Ordinance No. 17-047, pursuant to Subchapter D of the Act.

“Sales Tax Receipts Subaccount” means the subaccount by that name established within the Revenue Account pursuant to Section 5.1(a).

“Senior Lien Debt Service Reserve Subaccount” means the subaccount by that name established in the Debt Service Reserve Account pursuant to Section 5.1(a).

“Senior Lien Debt Service Reserve Requirement” means, with respect to Outstanding Senior Lien Obligations, the least of: (i) Maximum Annual Debt Service on the Outstanding Senior Lien Obligations as of the date of issuance, (ii) 125% of Average Annual Debt Service on the Outstanding Senior Lien Obligations as of the date of issuance, or (iii) 10% of the original principal amount of the Outstanding Senior Lien Obligations; provided, however, that as a result of a redemption conducted pursuant to the provisions of a Supplemental Indenture, the Senior Lien Debt Service Reserve Requirement may be reduced to the amount calculated above; provided, however, that such reduction of the Senior Lien Debt Service Reserve Requirement pursuant to such redemption, shall not reduce the amount on deposit in the Senior Lien Debt Service Reserve Subaccount below an amount equal to Maximum Annual Debt Service on the Outstanding Senior Lien Obligations.

“Senior Lien Obligations” means Senior Lien Tax-Exempt Obligations and Senior Lien Taxable Obligations.

“Senior Lien Taxable Debt Service Subaccount” means the subaccount by that name established in the Debt Service Account pursuant to Section 5.1(a).

“Senior Lien Taxable Obligations” means any Outstanding Taxable Obligations issued pursuant to this Indenture that are secured by and payable from a first and senior lien on and pledge of the Pledged Special Taxes and Pledged Rent and are further secured by the Pledged Senior Lien Taxable Obligation Accounts, as applicable.

“Senior Lien Taxable Project Cost Subaccount” means the subaccount by that name established within the City Project Cost Account pursuant to Section 5.1(a).

“Senior Lien Tax-Exempt Debt Service Subaccount” means the subaccount by that name established within the Debt Service Account pursuant to Section 5.1(a).

“Senior Lien Tax-Exempt Obligations” means any Outstanding Tax-Exempt Obligations secured by and payable from a first and superior lien on and pledge of the Pledged Special Taxes and the Pledged Senior Lien Tax-Exempt Obligation Accounts.

“Senior Lien Tax-Exempt Project Cost Subaccount” means the subaccount by that name established within the City Project Cost Account pursuant to Section 5.1(a).

“Senior Lien Tax-Exempt Surplus Debt Redemption Subaccount” means the subaccount by that name established in the Surplus Debt Redemption Account pursuant to Section 5.1(a).

“Sinking Fund Installment” means, with respect to any series of Obligations, the amount of money required by a Supplemental Indenture to be deposited to the Debt Service Account in all events by the City on a future date to be held on deposit or applied, in either case, for the mandatory redemption or retirement, in whole or in part, of any Outstanding Obligations of said series having a stated maturity after said future date. Said future date is deemed to be the date when such Sinking Fund Installment is due and payable.

“Special Tax Ordinances” mean, collectively, Ordinance Nos. 04-115, 04-116 and 04-117 of the City, as amended.

“Special Tax Receipts” mean the tax receipts received from the levy and imposition of the Sales Tax, the Hotel Tax and the Motor Vehicle Rental Tax pursuant to the Special Tax Ordinances.

“State” means the State of Texas.

“Stated Maturity” means the date on which a principal amount of Obligations is stated to mature.

“Subordinate Lien Debt Service Reserve Requirement” means, an amount, if any, as set forth in a Supplemental Indenture authorizing Subordinate Lien Obligations.

“Subordinate Lien Taxable Debt Service Reserve Subaccount” means the subaccount by that name established in the Debt Service Reserve Account pursuant to Section 5.1(a).

“Subordinate Lien Obligations” means Obligations issued pursuant to this Indenture that are secured by and payable from a junior and subordinate lien on and pledge of the Pledged Special Taxes and are further secured by the Pledged Subordinate Lien Tax-Exempt Obligation Accounts or the Pledged Subordinate Lien Taxable Obligation Accounts, as applicable.

“Subordinate Lien Taxable Debt Service Subaccount” means the subaccount by that name established in the Debt Service Account pursuant to Section 5.1(a).

“Subordinate Lien Taxable Obligations” means any Outstanding Taxable Obligations issued pursuant to this Indenture that are secured by and payable from a junior and subordinate lien on and pledge of the Pledged Special Taxes and Pledged Rent and are further secured by the Pledged Subordinate Lien Taxable Obligations Accounts.

“Subordinate Lien Taxable Project Cost Subaccount” means the subaccount by that name established within the City Project Cost Account pursuant to Section 5.1(a).

“Subordinate Lien Tax-Exempt Debt Service Subaccount” means the subaccount by that name established within the Debt Service Account pursuant to Section 5.1(a).

“Subordinate Lien Tax-Exempt Obligations” means any Outstanding Tax-Exempt Obligations issued pursuant to this Indenture that are secured by and payable from a junior and subordinate lien on and pledge of the Pledged Special Taxes and the Pledged Subordinate Lien Tax-Exempt Obligation Accounts.

“Subordinate Lien Tax-Exempt Project Cost Subaccount” means the subaccount by that name established within the City Project Cost Account pursuant to Section 5.1(a).

“Supplemental Indenture” means any Indenture of the City supplementing this Indenture for the purpose of authorizing and providing the terms and provisions of the Obligations, or supplementing or amending this Indenture for any of the other purposes permitted by Article VIII.

“Surplus Debt Redemption Account” means the account by that name established in the Venue Project Fund pursuant to Section 5.1(a) and consisting of the Taxable Obligation Surplus

Debt Redemption Subaccount, and the Tax-Exempt Obligation Surplus Debt Redemption Subaccount.

“Swap Agreement” means a Credit Agreement with respect to a series of Obligations pursuant to which the City, with the consent of the Credit Provider, if any, for the related series of Obligations, has entered into an interest rate exchange agreement or other interest rate hedge agreement for the purpose of converting in whole or in part the City’s fixed or variable interest rate liability on all or a portion of the Obligations to a fixed or variable rate liability (including converting a variable rate liability to a different variable rate liability). For the purpose of this definition, a counterparty is not qualified unless it holds, on the date of execution of a Swap Agreement, a current rating by at least two of the following three rating agencies: Moody’s Investor Services, Inc., and by S&P Global Ratings, a Division of Standard & Poor’s Financial Services LLC, and by Fitch Ratings, or their respective successors, at least equal to the rating of each such rating agency assigned to the Obligations without reference to any Credit Agreement.

“Tax Receipts Account” means the account by that name established in the Venue Project Fund pursuant to Section 5.1(a).

“Taxable Obligations” mean Obligations issued hereunder the interest on which is not excludable from the gross income of the Owners thereof for federal income tax purposes.

“Taxable Obligation Surplus Debt Redemption Subaccount” means the subaccount by that name established in the Surplus Debt Redemption Account pursuant to Section 5.1(a).

“Tax-Exempt Obligations” mean Obligations issued hereunder with respect to which Bond Counsel has issued an opinion to the effect that the interest thereon is excludable from the gross income of the Owners thereof for federal income tax purposes.

“Tax-Exempt Obligation Surplus Debt Redemption Subaccount” means the subaccount by that name established in the Surplus Debt Redemption Account pursuant to Section 5.1(a).

“TeamCo” means Rangers Baseball LLC, a Delaware limited liability company, and its successors and assigns.

“Tenant” means Rangers Stadium Company LLC, a Texas limited liability company, and its successors or assigns.

“Termination Payment” means an amount owed by the City to a counterparty pursuant to a Swap Agreement incurred in connection with the termination of such Swap Agreement and which, on the date of execution of the Swap Agreement, is not an amount representing a regularly scheduled payment thereunder.

“Trustee” means initially The Bank of New York Mellon Trust Company, N.A., or any successor thereto appointed in accordance with this Indenture at the time serving as Trustee hereunder.

“Variable Interest Rate” means an interest rate borne by Obligations or Credit Agreement Obligations that is reset from time to time as prescribed in a Supplemental Indenture or a Credit Agreement.

“Variable Interest Rate Obligations” means Obligations which bear a Variable Interest Rate.

“Venue Project Fund” means the fund established pursuant to the Amended and Restated Venue Project Fund Resolution as required and prescribed by section 334.042 of the Act and which consists of the various accounts and subaccounts established herein (except the Rebate Fund) and such additional accounts and subaccounts as the City or the Trustee may deem required or appropriate.

Section 1.3. Findings. (a) The declarations, determinations and findings declared, made and found in the preambles to this Indenture are hereby adopted, restated and made a part of the operative provisions hereof.

(b) The City Council further finds and declares that the meeting at which this Indenture was considered is open to the public as required by law and that public notice of the time, place and purpose of said meeting was given as required by Chapter 551, Texas Government Code, as amended.

Section 1.4. Interpretation. (a) In this Indenture, unless the context otherwise requires:

(i) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Indenture;

(ii) Unless the context dictates otherwise, the terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder,” and any similar terms, as used in this Indenture, refer to this Indenture, and the term “hereafter” means after, and the term “heretofore” means before, the date of this Indenture;

(iii) Words of the masculine gender mean and include correlative words of the feminine and neuter genders and words importing the singular number mean and include the plural number and vice versa;

(iv) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons; and

(v) Any headings preceding the texts of the several Articles and Sections of this Indenture, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(b) Nothing in this Indenture is intended or shall be construed to confer upon, or to give to, any person, other than the City, the Owners, and any Credit Provider, any right, remedy or claim under or by reason of this Indenture or any covenant or provision hereof.

(c) If any one or more of the covenants, provisions or agreements contained herein should be contrary to law, then such covenants, provisions or agreements shall be deemed separable from the remaining covenants, provisions and agreements hereof, and shall in no way affect the validity of the remaining covenants, provisions or agreements contained in this Indenture.

ARTICLE II

PURPOSES, PLEDGE AND SECURITY

Section 2.1. Purposes of Indenture, Contract with Owners, Trustee and Credit Providers.

(a) The purposes of this Indenture are to establish a lien and the security for, and to prescribe the minimum standards for the issuance, execution and delivery of, the Obligations and the Credit Agreement Obligations and to prescribe the general rights of the Owners, the City, the Trustee, and the Credit Providers in relation thereto.

(b) In consideration of the purchase and acceptance of any or all of the Obligations by those who shall purchase and hold the same from time to time, and in consideration of the execution of Credit Agreements by Credit Providers, the provisions of this Indenture shall be a part of the contract of the City with the Owners and such Credit Providers, and shall be deemed to be and shall constitute a contract among the City, the Owners, the Trustee and the Credit Providers.

Section 2.2. Confirmation of Levy of Sales Tax, Hotel Tax and Motor Vehicle Rental Tax. (a) The City hereby confirms the levy and imposition by the City of the Sales Tax, the Hotel Tax and the Motor Vehicle Rental Tax at the respective maximum rates voted at the election held by and within the City on November 2, 2004 for the purposes of funding the Cowboys Project, and pursuant to the election held by and within the City on November 8, 2016, for the purpose of funding the Rangers Project. The City hereby warrants and represents that the City has duly and lawfully levied and imposed and has lawfully ordered the collection of the Sales Tax, the Hotel Tax and the Motor Vehicle Rental Tax to the full extent permitted by and described in the Act throughout the boundaries of the City, as such boundaries existed on the date of said elections and as they may be expanded from time to time.

(b) For so long as any Obligations are Outstanding, or any Credit Agreement Obligations and Administrative Expenses remain unpaid, the City covenants, agrees and warrants to take and pursue all action permissible under Applicable Law to cause the Sales Tax, the Hotel Tax and the Motor Vehicle Rental Tax to be levied, imposed and collected continuously, in the manner and to the maximum extent permitted by Applicable Law, and to cause no reduction, abatement or exemption in the Sales Tax, the Hotel Tax or the Motor Vehicle Rental Tax, or in the respective rates of such taxes below the respective rates stated, confirmed and ordered in subsection (a) of this Section so long as any Obligations shall remain Outstanding, or Credit Agreement Obligations or Administrative Expenses shall remain unpaid.

(c) The City agrees to take and pursue all action permissible under Applicable Law to cause the Sales Tax, the Hotel Tax and the Motor Vehicle Rental Tax to be collected, remitted, and deposited as herein required and as required by the Act at the earliest and most frequent times permitted by Applicable Law.

Section 2.3. Pledge and Security; Assignment to Trustee. (a) The City hereby irrevocably pledges to the payment of Senior Lien Tax-Exempt Obligations and Credit Agreement Obligations incurred in connection with Senior Lien Tax-Exempt Obligations (i) the Pledged Special Taxes (on a parity basis with the lien on and pledge of the Pledged Special Taxes pledged to the payment of the Senior Lien Taxable Obligations), and (ii) the Pledged Senior Lien Tax-Exempt Obligation Accounts, such pledge being specifically made to (A) the payment of Debt Service on all Senior Lien Tax-Exempt Obligations which are or may be Outstanding from time to time, (B) the payment of Debt Service on all Credit Agreement Obligations incurred in connection with Senior Lien Tax-Exempt Obligations, and (C) the establishment and maintenance of any other special trust funds or accounts which are ordered to be created by a Supplemental Indenture, at the times and for the periods and purposes provided in a Supplemental Indenture, in this Indenture, and in any Credit Agreement.

(b) The City hereby irrevocably pledges to the payment of Subordinate Lien Tax-Exempt Obligations and Credit Agreement Obligations incurred in connection with Subordinate Lien Tax-Exempt Obligations (i) the Pledged Special Taxes (on a parity basis with the lien on and pledge of Pledged Special Taxes pledged to the payment of the Subordinate Lien Taxable Obligations but on a junior and subordinate basis with the lien on and pledge of Pledged Special Taxes pledged to the payment of Senior Lien Obligations), and (ii) the Pledged Subordinate Lien Tax-Exempt Obligation Accounts, such pledge being specifically made to (A) the payment of Debt Service on all Subordinate Lien Tax-Exempt Obligations which are or may be Outstanding from time to time, (B) the payment of Debt Service on all Credit Agreement Obligations incurred in connection with Subordinate Lien Tax-Exempt Obligations, and (C) the establishment and maintenance of any other special trust funds or accounts which are ordered to be created by a Supplemental Indenture, at the times and for the periods and purposes provided in a Supplemental Indenture, in this Indenture, and in any Credit Agreement

(c) The City hereby irrevocably pledges to the payment of Senior Lien Taxable Obligations and Credit Agreement Obligations incurred in connection with Senior Lien Taxable Obligations (i) the Pledged Special Taxes (on a parity basis with the lien on and pledge of the Pledged Special Taxes pledged to the payment of Senior Lien Tax-Exempt Obligations), (ii) the Pledged Rent (on a first and prior lien basis to the lien on and pledge of the Pledged Rent pledged to the payment of the Subordinate Lien Taxable Obligations), and (iii) the Pledged Senior Lien Taxable Obligation Accounts, such pledge being specifically made to (A) the payment of Debt Service on all Senior Lien Taxable Obligations which are or may be Outstanding from time to time, (B) the payment of Debt Service on all Credit Agreement Obligations incurred in connection with Senior Lien Taxable Obligations, and (C) the establishment and maintenance of any other special trust funds or accounts which are ordered to be created by a Supplemental Indenture, at the times and for the periods and purposes provided in a Supplemental Indenture, in this Indenture, and in any Credit Agreement. Neither the Pledged Rent nor Pledged Senior Lien Taxable Obligation Accounts, other than amounts on deposit in the Tax Receipts Account as described in Section 2.3(e) below, are pledged to the payment of Senior Lien Tax-Exempt Obligations or Subordinate Lien Tax-Exempt Obligations or Credit Agreement Obligations incurred in connection therewith; provided, however, that amounts constituting Pledged Rent and amounts on deposit in Pledged Senior Lien Taxable Obligation Accounts may be applied to the payment of Senior Lien Tax-Exempt Obligations or Credit Agreement Obligations incurred in connection with

Senior Lien Tax-Exempt Obligations solely as provided in Section 5.2(e). Base Rent shall not be pledged to Tax-Exempt Obligations.

(d) The City hereby irrevocably pledges to the payment of Subordinate Lien Taxable Obligations and Credit Agreement Obligations incurred in connection with Subordinate Lien Taxable Obligations (i) the Pledged Special Taxes (on a parity basis with the lien on and pledge of the Pledged Special Taxes pledged to the payment of the Subordinate Lien Tax-Exempt Obligations but on a junior and subordinate basis with the lien on and pledge of Pledged Special Taxes pledged to the payment of Senior Lien Obligations), (ii) the Pledged Rent (on a junior and subordinate basis to the lien on and pledge of Pledged Rent pledged to the payment of the Senior Lien Taxable Obligations), and (iii) the Pledged Subordinate Lien Taxable Obligation Accounts, such pledge being specifically made to (A) the payment of Debt Service on all Subordinate Lien Taxable Obligations which are or may be Outstanding from time to time, (B) the payment of Debt Service on all Credit Agreement Obligations incurred in connection with Subordinate Lien Taxable Obligations, and (C) the establishment and maintenance of any other special trust funds or accounts which are ordered to be created by a Supplemental Indenture, at the times and for the periods and purposes provided in a Supplemental Indenture, in this Indenture, and in any Credit Agreement. Neither the Pledged Rent nor Pledged Subordinate Lien Taxable Obligation Accounts, other than amounts on deposit in the Tax Receipts Account as described in 2.3(f) below, are pledged to the payment of Senior Lien Tax-Exempt Obligations or Subordinate Lien Tax-Exempt Obligations or Credit Agreement Obligations incurred in connection therewith; provided, however, that amounts constituting Pledged Rent and amounts on deposit in Pledged Subordinate Lien Taxable Obligation Accounts may be applied to the payment of Subordinate Lien Tax-Exempt Obligations or Credit Agreement Obligations incurred in connection with Subordinate Lien Tax-Exempt Obligations solely as provided in Section 5.2(e). Base Rent shall not be pledged to Tax-Exempt Obligations.

(e) It is hereby expressly provided that amounts on deposit in the Tax Receipts Account shall be pledged, on a first and superior lien basis, to and shall secure payment of Senior Lien Tax-Exempt Obligations and Senior Lien Taxable Obligations on an equal and ratable basis; provided, however, that amounts on deposit in the Tax Receipts Account shall be applied to the payment of Senior Lien Taxable Obligations after giving effect to amounts on deposit in the Rent Subaccount and the Senior Lien Taxable Debt Service Subaccount available for the payment of Senior Lien Taxable Obligations.

(f) It is hereby expressly provided that amounts on deposit in the Tax Receipts Account shall be pledged, on a junior and subordinate lien basis, to and shall secure payment of Subordinate Lien Tax-Exempt Obligations and Subordinate Lien Taxable Obligations on an equal and ratable basis; provided, however, that amounts on deposit in the Tax Receipts Account shall be applied to the payment of Subordinate Lien Taxable Obligations after giving effect to amounts on deposit in the Rent Subaccount available for the payment of Debt Service on Subordinate Lien Taxable Obligations pursuant to Section 5.2, and amounts on deposit in the Subordinate Lien Taxable Debt Service Subaccount available for the payment of Subordinate Lien Taxable Obligations.

(g) The provisions, covenants, pledge and lien on and against the Pledged Special Taxes, the Pledged Rent, the Pledged Tax-Exempt Obligation Accounts and the Pledged Taxable Obligation Accounts, on the basis, and in the manner as herein set forth, are established and shall

be for the equal benefit, protection and security of the Owners of Tax-Exempt Obligations and Taxable Obligations, but solely as their rights and interests may appear according to the lien thereon, the Credit Providers, and the Persons to whom Administrative Expenses are owed, due and payable, without distinction as to priority and rights under this Indenture.

(h) The Obligations, including interest payable thereon, all Credit Agreement Obligations, and all Administrative Expenses shall constitute special obligations of the City, payable solely from, and secured solely by a pledge of and lien on, the Pledged Special Taxes, the Pledged Rent, the Pledged Tax-Exempt Obligation Accounts and the Pledged Taxable Obligation Accounts, as applicable, and not from any other revenues, properties or income of the City. It is provided, however, that the City, in a Supplemental Indenture, may set aside revenues or money of the City that do not constitute Pledged Special Taxes or Pledged Rent as additional security for and in favor of less than all of the Obligations that are Outstanding from time to time under this Indenture. Obligations, Credit Agreement Obligations, and Administrative Expenses shall not constitute debts or obligations of the State or of the City, except to the extent provided in this Indenture or a Supplemental Indenture, and the Owners, the Credit Providers, and Persons to whom Administrative Expenses are owed shall never have the right to demand payment out of any funds raised or to be raised by any system of ad valorem taxation.

(i) For the purpose of further supporting the pledge and lien herein created, the City hereby GRANTS, CONVEYS, PLEDGES, TRANSFERS, SETS OVER and ASSIGNS to the Trustee all of the Pledged Special Taxes, Pledged Tax-Exempt Obligation Accounts, Pledged Rent and Pledged Taxable Obligation Accounts, in trust for the benefit of the Owners and the Credit Providers in each case as their rights and interests may appear. It is provided, however, that the Pledged Special Taxes, Pledged Tax-Exempt Obligation Accounts, Pledged Rent and Pledged Taxable Obligation Accounts shall be received, deposited, held, used and applied strictly in accordance with and subject to the terms and provisions of the Special Tax Ordinances, this Indenture and all Supplemental Indentures.

(j) The City hereby irrevocably appoints the Trustee as its lawful agent and attorney-in-fact, for the purpose of performing those duties which consist of receiving the Pledged Special Taxes and the Pledged Rent. The power of attorney herein conferred and the agency herein created is granted for valuable consideration and is irrevocable for so long as all or any part of the Obligations remain Outstanding, or any Credit Agreement Obligations or Administrative Expenses remain unpaid. In addition, it is intended that the power of attorney herein conferred be coupled with an interest, and in furtherance thereof the City and the Trustee confirm their specific, present and co-existing interest in the Pledged Special Taxes, Pledged Rent, Pledged Tax-Exempt Obligation Accounts and Pledged Taxable Obligation Accounts.

(k) As required by Section 5.2(a), (b) and (c), the City shall cause all amounts received representing Sales Tax revenues, Hotel Tax revenues and Motor Vehicle Rental Tax revenues, in their entirety to be transferred to the Trustee for deposit to the Sales Tax Receipts Subaccount, the Hotel Tax Receipts Subaccount and the Motor Vehicle Rental Tax Receipts Subaccount, respectively. Pledged Rent, in its entirety, is to be transferred to the Trustee for deposit to the Rent Subaccount as and to the extent set forth in Section 5.2(e). The City shall cause amounts representing Sales Tax revenues to be transferred to the Trustee one (1) Business Day following receipt thereof by the City from the Comptroller of Public Accounts of Texas. The City shall cause

amounts representing Hotel Tax revenues and Motor Vehicle Rental Tax revenues to be transferred to the Trustee monthly following the receipt thereof and no later than one (1) Business Day following the completion of the City's reporting and reconciliation procedures relating to the collection thereof. The City shall instruct all payments representing Base Rent be paid by the payor thereof directly to the Trustee for deposit to the Rent Subaccount and applied as set forth in Section 5.2(e).

Section 2.4. Security Agreement. (a) This Indenture, certified and delivered to and accepted by the Trustee, is and shall continuously be and constitute a security agreement establishing a first lien and security interest in the Pledged Special Taxes, Pledged Tax-Exempt Obligation Accounts, Pledged Rent and Pledged Taxable Obligation Accounts pursuant to Applicable Law, with the Trustee as the secured party. The grants, assignments, lien, pledge and security interest of the Trustee created herein on and against the Pledged Special Taxes, Pledged Tax-Exempt Obligation Accounts, Pledged Rent and Pledged Taxable Obligation Accounts, as applicable, shall become effective immediately upon and from the time of payment for and delivery of each series of Obligations and the same shall be continuously effective for so long as any Obligations are Outstanding, or any Credit Agreement Obligations or Administrative Expenses are unpaid; provided, however, that the Pledged Rent and Pledged Taxable Obligation Accounts (other than amounts on deposit in the Tax Receipts Account which shall be pledged, on a senior lien basis to the Senior Lien Obligations and on a subordinate lien basis to the Subordinate Lien Obligations issued hereunder as set forth in this Indenture), shall be pledged as security solely for the payment of Taxable Obligations.

(b) Such grants, assignments, lien, pledge and security interest shall be fully effective as to Pledged Special Taxes, Pledged Tax-Exempt Obligation Accounts, Pledged Rent and Pledged Taxable Obligation Accounts on hand, and all Pledged Special Taxes shall be subject thereto on and as of the day or date on which they are owed to or collected by any party for the account of the City.

(c) The City shall keep a full and complete copy of this Indenture, of each Supplemental Indenture, and their authorizing proceedings at all times among the permanent records of the City. Such records shall be open for inspection to any member of the general public and to any individual, firm, corporation, governmental entity or other person proposing to do or doing business with, or having or asserting claims against the City, at all times during regular business hours.

(d) The provisions and filings required by subsections (a), (b) and (c) of this Section are included, provided, required and made herein pursuant to the requirements of, and with the effect stated in, Chapters 1201 and 1208, Texas Government Code, as amended. Should any other Applicable Law, in the opinion of counsel to the City, ever require filings additional to the filing required by subsection (c) of this Section in order to preserve and protect the priority of the grants, assignments, lien, pledge and security interest created herein as to all Obligations and Credit Agreement Obligations, then the City shall diligently and regularly make such filings to the extent required by law to accomplish such result.

ARTICLE III

AUTHORIZATION

Section 3.1. Authorization of Obligations. (a) There are hereby authorized to be issued and secured hereunder from time to time, pursuant to one or more Supplemental Indentures, in one more or more series or subseries, Obligations for the purpose of (i) refunding and defeasing the Prior Obligations, (ii) providing an amount of funds that is sufficient to fund the City Contribution, (iii) funding debt service reserves and capitalized interest, (iv) refunding any Outstanding Obligations, and (v) paying the costs of issuance relating to each series of Obligations. The Obligations shall be issued for the purposes above or for such other purposes described in the Supplemental Indentures pursuant to which Obligations are issued. No Obligations shall be issued under this Indenture unless they are part of an issue described in a Supplemental Indenture and until the conditions contained in Section 3.3 have been satisfied. In no event shall the City Contribution exceed \$500,000,000 consisting of a combination of (i) the Net Bond Proceeds deposited to the City Project Cost Account and (ii) deposits to the Excess Tax Revenue Account as set forth in Section 5.5 herein.

(b) The terms and provisions of each series of Obligations shall be set forth in a Supplemental Indenture authorizing the issuance of such series of Obligations. Tax-Exempt Obligations issued hereunder may be payable from and secured by a first and senior lien or by a junior and subordinate lien on the Pledged Special Taxes and Pledged Tax-Exempt Obligation Accounts, as prescribed in the Supplemental Indenture authorizing the issuance thereof. Taxable Obligations issued hereunder shall be payable from and secured by a first and senior lien, or a junior and subordinate lien on the Pledged Special Taxes, the Pledged Rent and the Pledged Taxable Obligation Accounts, as specified in a Supplemental Indenture authorizing the issuance thereof. Amounts representing Pledged Rent and amounts on deposit in Pledged Taxable Obligation Accounts may be applied to the payment of Tax-Exempt Obligations to the extent and subject to the terms of Section 5.2(e); provided, however, such amounts are not pledged to the payment of Tax-Exempt Obligations.

Section 3.2. Authorization of Credit Agreements and Credit Agreement Obligations. The execution and delivery of Credit Agreements and the creation of Credit Agreement Obligations relating to a series of Obligations under and pursuant to this Indenture are hereby authorized. The authorization of a Credit Agreement and Credit Agreement Obligations setting forth the terms and provisions of such Credit Agreement and Credit Agreement Obligations pertaining to a series of Obligations may be authorized pursuant to a Supplemental Indenture delivered to the Trustee. Each Credit Agreement shall be submitted to the Attorney General of the State of Texas for approval to the extent required by and in accordance with the provisions of Chapter 1371, Texas Government Code. Any Credit Agreement Obligation related to a Credit Agreement executed and delivered pursuant to the authority granted in this Section 3.2 shall be secured by and payable solely as provided in this Indenture.

Section 3.3. Conditions Precedent to Issuance of Obligations. Each series of Obligations shall be issued and delivered only upon delivery to the Trustee of the following:

- (a) Certified copy of a Supplemental Indenture authorizing the issuance thereof and specifying the terms and provisions of such Obligations as required by this Indenture;
- (b) If applicable, delivery of a Credit Agreement in connection with the issuance of the Obligations;
- (c) Written consent of any Credit Provider to the extent required by a Credit Agreement;
- (d) Certificate of the City stating that (i) all conditions precedent to the issuance of the Obligations specified in this Indenture and in any Supplemental Indenture have been satisfied, and (ii) the City is not in default in any covenant, representation, warranty or provisions of this Indenture or of any Supplemental Indenture unless such default will be cured by the issuance of the proposed Obligations;
- (e) A Letter of Instructions executed by an Authorized Officer of the City directing the application of the proceeds of the Obligations; and
- (f) Such certificates, instruction letters and opinions of counsel as may be required under a bond purchase contract or Credit Agreement.

Section 3.4. Other Encumbrances Prohibited. Except for the pledge of the Pledged Special Taxes, the Pledged Tax-Exempt Obligation Accounts, the Pledged Rent and the Pledged Taxable Obligation Accounts to the payment of the Obligations and Credit Agreement Obligations, and subject to the terms of Section 5.5, the Pledged Special Taxes, the Pledged Tax-Exempt Obligation Accounts, the Pledged Rent and the Pledged Taxable Obligation Accounts shall not be pledged or encumbered to or for the payment of any other obligation or liability of the City.

ARTICLE IV

TERMS, PROVISIONS AND AUTHENTICATION OF OBLIGATIONS

Section 4.1. Form and Denominations. Subject to the provisions of any Supplemental Indenture, Obligations and related Credit Agreements may be issued and executed in any form and manner permitted by Applicable Law and this Indenture. The form of the Obligations shall be substantially in the form set forth in or provided for in a Supplemental Indenture.

Section 4.2. Title, Legends. Each Obligation shall be entitled as specified in a Supplemental Indenture and may, in addition, contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture or any Supplemental Indenture as may be necessary or desirable to comply with Applicable Law or custom or otherwise as may be determined by the City Council prior to the delivery thereof. All Obligations of a series or subseries shall bear such further designation or designations, added to or incorporated in their title, as may be necessary to distinguish them from the Obligations of every other series or subseries. Obligations shall be lettered or otherwise differentiated so as to distinguish each series or subseries.

Section 4.3. Medium of Payment. The Debt Service on the Obligations and the Credit Agreement Obligations shall be payable in any coin or currency of the United States of America which, on the respective dates of payment, is legal tender for the payment of public and private debts.

Section 4.4. Obligation Terms. (a) Subject to the provisions hereof, Obligations shall be dated, shall mature and be payable on such dates and in such years and amounts, shall bear interest at the rate or rates and in the manner, shall be subject to redemption on such terms and conditions as shall be specified in the Supplemental Indenture authorizing their issuance.

(b) Obligations may be issued as Current Interest Obligations and Capital Appreciation Obligations with the Interest Payment Dates and Maturity Amounts as set forth in a Supplemental Indenture.

(c) The method of computing a Variable Interest Rate shall be specified in the Supplemental Indenture authorizing a series of Variable Interest Rate Obligations and shall be calculated and determined in any manner permitted by Applicable Law. The method may include periods during which a rate may be fixed and be subject to change from time to time; provided, however, such Variable Interest Rate shall be subject to a Maximum Interest Rate and may be subject to a Minimum Interest Rate. An initial rate may be specified. The Supplemental Indenture may contain such other details as may be permitted by Applicable Law.

Section 4.5. Appointment of Initial Paying Agent/Registrar. (a) The Trustee is hereby appointed as the initial Paying Agent/Registrar for the Obligations. The City may appoint a different Paying Agent/Registrar with respect to one or more series of Obligations. At all times while any Obligations are outstanding, the City will maintain a Paying Agent/Registrar with respect to each series of Obligations that is qualified under this Indenture. If the Trustee is not the Paying Agent/Registrar with respect to a series of Obligations, the City Manager is hereby authorized and directed to execute a Paying Agent/Registrar Agreement with each Paying Agent/Registrar specifying the duties and responsibilities of the City and the Paying Agent/Registrar.

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

(c) If the Paying Agent/Registrar resigns or otherwise ceases to serve as such, the City will promptly appoint a replacement, provided no such resignation shall be effective until a successor Paying Agent/Registrar has accepted the duties of Paying Agent/Registrar for the Obligations.

(d) The City, upon not less than sixty (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, provided, that such termination shall not be effective until a successor Paying Agent/Registrar has been appointed and has accepted the duties of Paying Agent/Registrar for the Obligations.

(e) 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 Obligation Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

(f) 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 Indenture and the Supplemental Indentures pursuant to which the Obligations are issued and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

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

Section 4.6. Owner of the Obligation. The City and each Paying Agent/Registrar may deem and treat the person in whose name any Obligation shall be registered as the absolute owner of such Obligation, whether such Obligation shall be overdue or not, for the purpose of receiving payment of or on account of, the principal, Maturity Amount (if applicable) and Redemption Price, if any, of, and interest on, such Obligation and for all other purposes, and all payments made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such obligation to the extent of the sum or sums so paid, and neither the City, nor any Paying Agent/Registrar shall be affected by a notice to the contrary.

Section 4.7. Execution and Authentication of Obligations. (a) Each Obligation shall be executed in the name of the City by the manual or facsimile signature of the Mayor of the City and the City's official seal shall be affixed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of the City Secretary of the City.

(b) In case any officer who shall have executed any of the Obligations shall cease to be such officer before the Obligations so signed or attested shall have been authenticated and delivered, such Obligations may nevertheless be authenticated and delivered as if the person who so signed or attested such Obligations had not ceased to be such officer. Any Obligation may be signed or attested on behalf of the City by any person who, on the date of such act, shall hold the proper office, notwithstanding that at the date of such Obligation such person may not have held such office.

(c) Obligations shall be authenticated in the manner specified in the Supplemental Indenture authorizing the issuance thereof.

Section 4.8. Obligations in Certificated or Book-Entry-Only Form. The Obligations shall be issued in fully registered form, and may be issued in Book-Entry-Only form or certificated form, as specified in the Supplemental Indenture authorizing the issuance thereof.

ARTICLE V

FUNDS AND ACCOUNTS; APPLICATION OF MONEYS

Section 5.1. Creation of Funds and Accounts. (a) The establishment of the Venue Project Fund is hereby confirmed. The Amended and Restated Venue Project Fund Resolution is hereby further amended and restated to the extent required to provide for the establishment and naming of the following accounts and subaccounts within the Venue Project Fund. The Rebate Fund is established pursuant to Section 5.13. Additional accounts or subaccounts may be established pursuant to a Supplemental Indenture. The following accounts and subaccounts are hereby established within the Venue Project Fund:

- (i) Revenue Account
 - (A) Hotel Tax Receipts Subaccount
 - (B) Motor Vehicle Rental Tax Receipts Subaccount
 - (C) Sales Tax Receipts Subaccount
 - (D) Rent Subaccount
- (ii) Tax Receipts Account
- (iii) City Project Cost Account
 - (A) Senior Lien Tax-Exempt Project Cost Subaccount
 - (B) Subordinate Lien Tax-Exempt Project Cost Subaccount
 - (C) Senior Lien Taxable Project Cost Subaccount
 - (D) Subordinate Lien Taxable Project Cost Subaccount
 - (E) Costs of Issuance Subaccount
- (iv) Debt Service Account
 - (A) Senior Lien Tax-Exempt Debt Service Subaccount
 - (B) Subordinate Lien Tax-Exempt Debt Service Subaccount
 - (C) Senior Lien Taxable Debt Service Subaccount
 - (D) Subordinate Lien Taxable Debt Service Subaccount
 - (E) Administrative Expenses Subaccount
 - (F) Capitalized Interest Subaccount

- (v) Debt Service Reserve Account
 - (A) Senior Lien Debt Service Reserve Subaccount
 - (B) Subordinate Lien Debt Service Reserve Subaccount
- (vi) Excess Tax Revenue Account
- (vii) Surplus Debt Redemption Account
 - (A) Tax-Exempt Obligation Surplus Debt Redemption Subaccount
 - (B) Taxable Obligation Surplus Debt Redemption Subaccount

(b) All funds, accounts and subaccounts created or confirmed under this Indenture and any Supplemental Indenture shall be held in trust as provided herein by the Trustee pursuant to the terms of this Indenture.

(c) The Revenue Account and the subaccounts therein are special trust accounts, to be held, to the extent pledged thereto, for the benefit of the Owners of Obligations, Credit Providers, and Persons to whom Administrative Expenses are owed, due and payable.

(d) The Debt Service Account and the subaccounts therein, the Debt Service Reserve Account and the subaccounts therein, and the Surplus Debt Redemption Account and the subaccounts therein, are special trust accounts, and they shall at all times be held for the benefit of the Owners and Credit Providers under this Indenture and all Supplemental Indentures.

(e) All funds and accounts created or confirmed in this Indenture and in any Supplemental Indenture, and the books and records of account with respect thereto, shall be kept and maintained in such manner as will record on a regular basis all deposits therein and the source thereof, withdrawals therefrom and the purpose therefor, and the earnings realized with respect thereto.

Section 5.2. Revenue Account. (a) All Hotel Tax revenues shall be deposited, transferred and credited as received to the Hotel Tax Receipts Subaccount and shall then be transferred to the Tax Receipts Subaccount pursuant to (d) below.

(b) All Motor Vehicle Rental Tax revenues shall be deposited, transferred and credited as received to the Motor Vehicle Rental Tax Receipts Subaccount and shall then be transferred to the Tax Receipts Account pursuant to (d) below.

(c) All Sales Tax revenues shall be deposited, transferred and credited as received to the Sales Tax Receipts Subaccount and shall then be transferred to the Tax Receipts Account pursuant to (d) below.

(d) On the Business Day prior to each date payment of Debt Service is due, all Pledged Special Taxes on deposit in the Hotel Tax Receipts Subaccount, the Motor Vehicle Rental Tax Receipts Subaccount and the Sales Tax Receipts Subaccount shall be transferred to the Tax

Receipts Account and then shall be transferred to following accounts and subaccounts in the following order of priority as follows:

(i) First, subject to the provisions of subsection (e) below, to the Senior Lien Tax-Exempt Debt Service Account and the Senior Lien Taxable Debt Service Account, on a pari passu basis, amounts necessary to make the amounts on deposit in the Senior Lien Tax-Exempt Debt Service Subaccount and the Senior Lien Taxable Debt Service Subaccount equal to the Debt Service due and payable with respect to Senior Lien Tax-Exempt Obligations, Senior Lien Taxable Obligations and their related Credit Agreement Obligations, as applicable, on the next Debt Service payment date;

(ii) Second, to the Senior Lien Debt Service Reserve Subaccount the amount required to cause the amount on deposit in the Senior Lien Debt Service Reserve Subaccount to be equal to the Senior Lien Debt Service Reserve Requirement, plus any amount required by Section 5.9 to restore or replenish any deficiencies in the Senior Lien Debt Service Reserve Subaccount so that the amount required by Section 5.8 is on deposit therein when, as and in the amounts therein required;

(iii) Third, subject to the provisions of subsection (e) below, to the Subordinate Lien Tax-Exempt Debt Service Subaccount and the Subordinate Lien Taxable Debt Service Subaccount, on a pari passu basis, amounts necessary to make the amounts on deposit in the Subordinate Lien Tax-Exempt Debt Service Subaccount and the Subordinate Lien Taxable Debt Service Subaccount equal to the Debt Service due and payable with respect to Subordinate Lien Tax-Exempt Obligations, Subordinate Lien Taxable Obligations and their related Credit Agreement Obligations, as applicable, on the next Debt Service payment date;

(iv) Fourth, to the Subordinate Lien Debt Service Reserve Subaccount the amount required to cause the amounts on deposit in the Subordinate Lien Debt Service Reserve Subaccount to be equal to the Subordinate Lien Debt Service Reserve Requirement, plus any amount required by Section 5.9 to restore or replenish any deficiencies in the Subordinate Lien Debt Service Reserve Subaccount so that the amount required by Section 5.8 is on deposit therein when, as and in the amounts therein required;

(v) Fifth, to the Administrative Expenses Subaccount, an amount necessary to pay Administrative Expenses of which the City has actual notice;

(vi) Sixth, to the Excess Tax Revenue Account, any amount remaining after the foregoing transfers until such time as the City Contribution has been met, as and to the extent set forth in Section 5.5 herein; and

(vii) Seventh, at such time as the City Contribution has been satisfied, to (A) the Tax-Exempt Obligation Surplus Debt Redemption Subaccount, as specified in a Letter of Instructions, or (B) if the City obtains and delivers to the Trustee an opinion of Bond Counsel to the effect that the deposit of Pledged Special Taxes to the Taxable Obligation Surplus Debt Redemption Subaccount will not have an adverse effect on the exclusion from gross income for federal income tax purposes of interest on Outstanding Tax-Exempt

Obligations, to the Taxable Obligation Surplus Debt Redemption Subaccount as specified in a Letter of Instructions.

(e) On the second Business Day prior to each date payment of Debt Service is due, all Pledged Rent shall be transferred from the Rent Subaccount and applied as follows and subject to the following limitations:

(i) First, unless otherwise directed by Supplemental Indenture, the Trustee shall transfer from amounts on deposit in the Rent Subaccount to the Senior Lien Taxable Debt Service Subaccount an amount necessary to pay Debt Service due and payable on Senior Lien Taxable Obligations and their related Credit Agreement Obligations on the next Debt Service Payment date.

(ii) Second, unless otherwise directed by Supplemental Indenture, the Trustee shall transfer from amounts on deposit in the Rent Subaccount to the Subordinate Lien Taxable Debt Service Subaccount an amount necessary to pay Debt Service due and payable on Subordinate Lien Taxable Obligations and their related Credit Agreement Obligations on the next Debt Service Payment date.

(iii) To the extent that the Debt Service on all Outstanding Taxable Obligations is less than the amount of Pledged Rent received by the City and deposited to the Rent Subaccount in any bond year and pursuant to a Letter of Instruction, such excess Pledged Rent shall be used (i) for Capital Improvement Costs or (ii) if the City obtains and delivers to the Trustee an opinion of Bond Counsel to the effect that the application of amounts on deposit in the Rent Subaccount to pay Debt Service on Tax-Exempt Obligations will not have an adverse effect on the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Obligations, to the Senior Lien Tax-Exempt Debt Service Subaccount or the Subordinate Lien Tax-Exempt Debt Service Subaccount, as directed by the City in a Letter of Instructions, or (iii) only if the City Contribution, including Incurred Financing Costs (if any), has been deposited in full to the City Project Cost Account and/or Excess Tax Revenue Account, shall be transferred to the Taxable Obligation Surplus Debt Redemption Subaccount to be used to redeem Taxable Obligations pursuant to Section 5.10.

(iv) Pledged Rent shall never be deposited to an account or subaccount established under this Indenture if the deposit thereof would result in the interest on Tax-Exempt Obligations becoming includable in the gross income of the Owners of Tax-Exempt Obligations.

(v) The Senior Lien Taxable Debt Service Subaccount shall be funded, first, from amounts on deposit in the Rent Subaccount; and second, to the extent that the amount on deposit in the Senior Lien Taxable Debt Service Subaccount is insufficient to pay Debt Service on Senior Lien Taxable Obligations when due, from Pledged Special Taxes on deposit in the Tax Receipts Account; and third, to the extent of any remaining deficiency, from the amounts on deposit in the Senior Lien Debt Service Reserve Subaccount.

(vi) The Subordinate Lien Taxable Debt Service Subaccount shall be funded, first, from amounts on deposit in the Rent Subaccount; and second, to the extent that the amount on deposit in the Subordinate Lien Taxable Debt Service Subaccount is insufficient to pay Debt Service on Subordinate Lien Taxable Obligations when due, from Pledged Special Taxes on deposit in the Tax Receipts Account; and third, to the extent of any remaining deficiency, from the amounts on deposit in the Subordinate Lien Debt Service Reserve Subaccount.

(vii) If and at such time as all Obligations have been paid in accordance with their terms, amounts representing Pledged Rent, including any amounts on deposit in the Taxable Obligation Surplus Debt Redemption Subaccount, the Senior Lien Taxable Debt Service Subaccount and the Subordinate Lien Taxable Debt Service Subaccount, may thereafter be transferred or deposited, at the written direction of the City, as provided in the Ballpark Lease.

(f) In the event that there are insufficient amounts on deposit in the Senior Lien Taxable Debt Service Subaccount and Subordinate Lien Taxable Debt Service Subaccount to pay Debt Service on all Outstanding Senior Lien Taxable Obligations and Subordinate Lien Taxable Obligations and their respective Credit Agreement Obligations on the dates such payments are due, after giving effect to the amount representing Pledged Rent on deposit in the Senior Lien Taxable Debt Service Subaccount and the Subordinate Lien Taxable Debt Service Subaccount, available Pledged Special Taxes shall be applied to the payment of Senior Lien Obligations and related Credit Agreement Obligations on a pro rata basis first and then to the Subordinate Lien Obligations and related Credit Agreement Obligations on a pro rata basis, with only the amount of the deficiency in the Subordinate Lien Taxable Debt Service Subaccount and Senior Lien Taxable Debt Service Subaccount, in that order, being given effect as being due and unpaid.

(g) Prior to each date of payment for the Obligations, the Trustee shall determine and shall notify the City in writing of (i) the amount of Debt Service then due with respect to each series of Outstanding Obligations and (ii) the basis on which such determination is made.

(h) Notwithstanding the other provisions of this Section, the City shall not be required to set aside or pay any amounts to a Credit Provider or to the Trustee with respect to Administrative Expenses except as requested by such Persons and approved by an Authorized Officer.

(i) Notwithstanding other provisions of this Indenture or in a Supplemental Indenture, payment of Termination Payments required to be paid by the City to a counterparty with respect to a Swap Agreement shall be subordinate to the payment of Debt Service on Outstanding Obligations when due.

Section 5.3. City Project Cost Account. (a) *Senior Lien Tax-Exempt Project Cost Subaccount.* The proceeds of Senior Lien Tax-Exempt Obligations (other than Refunding Obligations) that are required to be deposited therein pursuant to the Supplemental Indenture authorizing the issuance thereof, shall be deposited to the Senior Lien Tax-Exempt Project Cost Subaccount.

(b) *Subordinate Lien Tax-Exempt Project Cost Subaccount.* The proceeds of Subordinate Lien Tax-Exempt Obligations (other than Refunding Obligations) that are required to be deposited therein pursuant to the Supplemental Indenture authorizing the issuance thereof, shall be deposited to the Subordinate Lien Tax-Exempt Project Cost Subaccount.

(c) *Senior Lien Taxable Project Cost Subaccount.* The proceeds of Senior Lien Taxable Obligations (other than Refunding Obligations) that are required to be deposited therein pursuant to the Supplemental Indenture authorizing the issuance thereof, shall be deposited to the Senior Lien Taxable Project Cost Subaccount.

(d) *Subordinate Lien Taxable Project Cost Subaccount.* The proceeds of Subordinate Lien Taxable Obligations (other than Refunding Obligations) that are required to be deposited therein pursuant to the Supplemental Indenture authorizing the issuance thereof, shall be deposited to the Subordinate Lien Taxable Project Cost Subaccount.

(e) Proceeds of Obligations deposited as set forth in (a), (b), (c) and (d) above shall not exceed, in the aggregate, an amount (including any Excess Tax Revenues deposited to the Excess Tax Revenue Account pursuant to Section 5.5 herein), equal to the City Contribution.

(f) *Use of Money in City Project Cost Account.* Money on deposit in the City Project Cost Account (except the Costs of Issuance Subaccount) shall be used solely for the purpose of satisfying and paying that portion of the Project Costs constituting the City Contribution. The Trustee shall disburse funds from the Senior Lien Taxable Project Cost Subaccount, Subordinate Lien Taxable Project Cost Subaccount, Senior Lien Tax-Exempt Project Cost Subaccount or Subordinate Lien Tax-Exempt Project Cost Subaccount to the Disbursement Account, pursuant to a completed Payment Certificate.

(g) *Costs of Issuance Subaccount.* On the Closing Date for a series of Obligations, the City shall direct, in a Letter of Instructions or in a Pricing Certificate, the amount of proceeds of such Obligations to be deposited to the Costs of Issuance Subaccount. The Trustee shall segregate proceeds from Taxable Obligations and Tax-Exempt Obligations into separate subaccounts. Moneys on deposit in the Costs of Issuance Subaccount shall be disbursed to pay costs related to the issuance of Obligations to the persons, in the amounts and from the proceeds of a series of Obligations all as set forth in a Letter of Instructions or a Pricing Certificate. Upon receipt by the Trustee of a Letter of Instructions, amounts remaining in the Costs of Issuance Subaccount following the payment of costs of issuance shall be deposited to the applicable subaccount of the Debt Service Account, as directed by the City in such Letter of Instructions.

(h) *Investment of Moneys.* Until expended, money on deposit in the City Project Cost Account shall be invested in Investment Securities as directed in a Letter of Instructions, acting in accordance with Applicable Law, and subject to restrictions on investments set forth in any related Credit Agreement.

(i) *Disposition of Earnings on Investments Held in City Project Cost Account.* Earnings on Investment Securities held in the Senior Lien Tax-Exempt Project Cost Subaccount shall be deposited to the Senior Lien Tax-Exempt Debt Service Subaccount and earnings on Investment Securities held in the Subordinate Lien Tax-Exempt Project Cost Subaccount shall be

deposited to the Subordinate Lien Tax-Exempt Debt Service Subaccount. Earnings on Investment Securities held in the Senior Lien Taxable Project Cost Subaccount shall be deposited to the Senior Lien Taxable Debt Service Subaccount and earnings on Investment Securities held in the Subordinate Lien Taxable Project Cost Subaccount shall be deposited to the Subordinate Lien Taxable Debt Service Subaccount.

(j) *Project Completion.* Following the final payment of the Project Costs in the aggregate equal to the City Contribution pursuant to the terms of this Indenture, upon receipt of a Letter of Instructions directing such transfers, the Trustee shall transfer amounts remaining in the City Project Cost Account as follows:

(i) Amounts on deposit in the Senior Lien Tax-Exempt Project Cost Subaccount and Subordinate Lien Tax-Exempt Project Cost Subaccount shall be transferred to the applicable subaccount of the Tax-Exempt Debt Service Subaccount and applied to the payment of Debt Service on Tax-Exempt Obligations, or to the Tax-Exempt Obligation Surplus Debt Redemption Subaccount, as directed in the Letter of Instructions.

(ii) Amounts on deposit in the Senior Lien Taxable Project Cost Subaccount and Subordinate Lien Taxable Project Cost Subaccount shall be transferred to the applicable subaccount of the Taxable Debt Service Subaccount and applied to the payment of Debt Service on Taxable Obligations, or to the Taxable Obligation Surplus Debt Redemption Subaccount, as directed in the Letter of Instructions.

Section 5.4. Adjustments in Transfer Requirements. (a) The amounts required to be transferred to any subaccounts of the Debt Service Account by Section 5.2 shall be reduced by an amount equal to the total of (i) any moneys already on deposit in the respective subaccounts of the Debt Service Account which are in excess of the amount of Debt Service due on the next Interest Payment Date or Principal Payment Date for the applicable Outstanding Obligations, after taking into account investment earnings actually realized (including accrued interest and amortization of original issue discount or premium), and money deposited therein from the proceeds of Obligations, and (ii) any moneys transferred to the subaccounts of the Debt Service Account at the direction of the City from other funds of the City, if any, that are free of the lien of this Indenture. It is provided, however, that the amounts required to be transferred shall never be less than the amount required to pay all amounts due and owing on Outstanding Obligations and Credit Agreement Obligations when due and payable.

(b) The City agrees to require that any amounts payable by a counterparty pursuant to a Swap Agreement with respect to any funds and accounts held by the Trustee shall be paid directly to the Trustee and shall be applied as provided in a Supplemental Indenture or in a Letter of Instructions pursuant to the terms of the Swap Agreement.

Section 5.5. Excess Tax Revenue Account. (a) Upon the issuance of Obligations to refund and defease the Prior Obligations, Excess Tax Revenues shall be deposited to the Excess Tax Revenue Account. Such deposits shall occur only after (i) all amounts necessary for the payment of Debt Service due on Obligations in the current fiscal year have been accumulated in the applicable subaccount of the Revenue Account and (ii) amounts necessary to restore any deficiency in the Senior Lien Debt Service Reserve Subaccount or the Subordinate Lien Debt

Service Reserve Subaccount have been accumulated in the applicable subaccount of the Revenue Account. Such Excess Tax Revenues shall be deposited to the Excess Tax Revenue Account until the issuance of Obligations, pursuant to one or more Supplemental Indentures, the Net Bond Proceeds of which shall be sufficient to fully fund the City Contribution (the Net Bond Proceeds of such Obligations shall be net of any Excess Tax Revenues deposited to the Excess Tax Revenue Account pursuant to this section prior to the issuance of any such Obligations); provided, however, that if the Net Bond Proceeds of Obligations issued to fund the City Contribution, plus any prior funds deposited to the Excess Tax Revenue Account pursuant to this section, results in a Bond Proceeds Deficit, such deposits of Excess Tax Revenue to the Excess Tax Revenue Account shall continue until the aggregate amount transferred to the City Project Cost Account and the Excess Tax Revenue Account shall together equal the City Contribution, plus any Incurred Financing Costs. Amounts in the Excess Tax Revenue Account shall be transferred to the Disbursement Account pursuant to a Payment Certificate. The Excess Tax Revenue Account shall be a trust account but shall not be a part of the Trust Estate and shall not be pledged to the payment of Obligations.

(b) Once the City Contribution, including Incurred Financing Costs, if any, as set forth in (a) above, has been deposited in full to the City Project Cost Account and/or Excess Tax Revenue Account from the proceeds of Obligations and Excess Tax Revenues, as applicable, all deposits to the Excess Tax Revenue Account shall cease.

(c) Notwithstanding the above, if the amounts deposited to the Excess Tax Revenue Account equals the Bond Proceeds Deficit prior to the expenditure of all net proceeds of the Reduced Bond Amount, then no additional Excess Tax Revenues shall be deposited to the Excess Tax Revenue Account and no Incurred Financing Costs shall be paid or reimbursed to the Tenant and/or TeamCo pursuant to this Section 5.5.

Section 5.6. Disbursement Account. Funds on deposit in the Senior Lien Taxable Project Cost Subaccount, the Subordinate Lien Taxable Project Cost Subaccount, the Senior Lien Tax-Exempt Project Cost Subaccount, the Subordinate Lien Tax-Exempt Project Cost Subaccount and the Excess Tax Revenue Account shall be transferred to the Disbursement Account pursuant to a completed Payment Certificate. Funds deposited to the Disbursement Account shall only be used for the payment or reimbursement of the Initial Construction Costs of the Rangers Ballpark. The Disbursement Account shall not be part of the Trust Estate nor held under this Indenture, and the Disbursement Account shall not be pledged to the payment of the Obligations.

Section 5.7. Debt Service Account. (a) On the due date therefor, the Trustee shall pay to the Owner out of the applicable subaccount of the Debt Service Account, or to a Credit Provider, as applicable, Debt Service on the Outstanding Obligations or the Credit Agreement Obligations. In the event that the Trustee is not the Paying Agent/Registrar with respect to a series of Obligations, the Trustee shall pay to the Paying Agent/Registrar for such Obligations, one Business Day prior to the date payment thereon is due, the amount of Debt Service required to be paid on such Obligations on such payment date. Such amounts paid to the Paying Agent/Registrar shall be held and applied by the Paying Agent/Registrar as directed in Section 5.12.

(b) The amount accumulated in the respective subaccounts of the Debt Service Account for each Sinking Fund Installment may, and if so directed and authorized by Supplemental

Indenture shall, be applied by the Trustee on the Business Day preceding the due date of such Sinking Fund Installment, as fixed in the Supplemental Indenture, to:

(i) the purchase of Obligations of the series and maturity for which such Sinking Fund Installment was established, at prices (including any brokerage and other charges) not exceeding the Redemption Price payable from Sinking Fund Installments for such Obligations when such Obligations are redeemable by application of said installments plus unpaid interest accrued to the date of purchase, such purchases to be made in such manner as is specified in the Supplemental Indenture, or

(ii) the redemption, pursuant to the provisions of the applicable Supplemental Indenture authorizing such Obligations, if then redeemable by their terms, at a price not exceeding the Redemption Price.

(c) If a stated Interest Payment Date or a Principal Payment Date, or a date fixed for redemption of Obligations, shall not be a Business Day, then the Interest Payment Date, Principal Payment Date or redemption date shall be deemed to be the next succeeding Business Day and, payment made on such date shall have the same force and effect as if made on the original date payment was due.

(d) Amounts on deposit in the Administrative Expenses Subaccount shall be disbursed by the Trustee to pay Administrative Expenses as directed by the City in a Letter of Instructions.

(e) The Obligations may be subject to optional redemption, mandatory sinking fund redemption or special redemption from the Debt Service Account, as set forth in a Supplemental Indenture.

(f) Obligations may be redeemed pursuant to the provisions of a Supplemental Indenture after the date upon which the subaccounts in the Debt Service Account contain amounts sufficient to pay Debt Service on all Outstanding Obligations for the next twelve (12) months.

(g) Payments received by the City pursuant to a Swap Agreement for any series of Obligations shall be deposited to the applicable subaccount of the Debt Service Account and used for the payment of Debt Service on the applicable Obligations.

Section 5.8. Debt Service Reserve Account. (a) Moneys on deposit in the Senior Lien Debt Service Reserve Subaccount and Subordinate Lien Debt Service Reserve Subaccount, shall be used solely and exclusively for the purposes of making transfers to the respective subaccounts of the Debt Service Account in the event that the moneys on deposit in said subaccounts are not sufficient to pay Debt Service on the Obligations when due, or to make payments to Credit Providers for the payment of Credit Agreement Obligations, on the dates and in the full amounts required by this Indenture, by any Supplemental Indenture, or by any Credit Agreement.

(b) Subject to the rights reserved in subsection (c) of this Section, the subaccounts of the Debt Service Reserve Account shall be established and maintained in the following amounts and in the following manner, to wit:

(i) The Senior Lien Debt Service Reserve Subaccount shall be initially funded from proceeds of Senior Lien Tax-Exempt Obligations and/or other lawfully available funds and subsequently, to the extent required, from transfers from the Tax Receipts Account as provided by Section 5.2 until the Senior Lien Debt Service Reserve Subaccount contains an amount equal to the Senior Lien Debt Service Reserve Requirement.

(ii) The Subordinate Lien Debt Service Reserve Subaccount shall be initially funded from proceeds of Subordinate Lien Tax-Exempt Obligations and/or other lawfully available funds, and subsequently, to the extent required, from transfers from the Tax Receipts Account as provided by Section 5.2 until the Subordinate Lien Debt Service Reserve Subaccount contains an amount equal to the Subordinate Lien Debt Service Reserve Requirement.

(iii) It is expressly provided that proceeds from or attributable to the issuance of any Taxable Obligations shall never be deposited to the Senior Lien Debt Service Reserve Subaccount or the Subordinate Lien Debt Service Reserve Subaccount nor shall they be used to pay or to secure the payment of any Tax-Exempt Obligations, except as set forth in Section 5.2(e); and

(iv) Supplemental Indentures authorizing the issuance of Obligations may specify the terms, amounts, and methods of funding any additional Debt Service Reserve Requirements in amounts greater than the amounts initially required for the Obligations.

(c) In lieu of funding the Senior Lien Debt Service Reserve Subaccount, or the Subordinate Lien Debt Service Reserve Subaccount from the proceeds of Obligations or with Pledged Special Taxes to the amount of the Senior Lien Debt Service Reserve Requirement or the Subordinate Lien Debt Service Reserve Requirement, respectively, pursuant to a Letter of Instructions the Trustee shall accept a Debt Service Reserve Fund Policy providing amounts up to the respective Debt Service Reserve Requirement. Such Debt Service Reserve Fund Policy must provide for the payment of the principal of and interest on the Obligations when due, and in order to avoid a default thereof, up to an amount equal to the respective Debt Service Reserve Requirement to the extent cash and investment in the respective subaccounts of the Debt Service Reserve Account do not equal such Debt Service Reserve Requirement. The total dollar amount of the Debt Service Reserve Fund Policy with respect to the payment of such Obligations shall be deemed for all purposes hereof to satisfy a corresponding amount of the respective Debt Service Reserve Requirement. A determination by the City that the terms and provisions of a particular Debt Service Reserve Fund Policy is in compliance with the requirements of this subsection shall be conclusive absent manifest error. To the extent Debt Service Reserve Fund Policies are entered into, the Trustee shall pay, pursuant to a Letter of Instructions, the costs thereof from amounts that would otherwise be deposited to the applicable subaccount of the Debt Service Reserve Account pursuant to Section 5.2. A Debt Service Reserve Fund Policy entered into for the purpose of providing all or a part of the amount equal to the Senior Lien Debt Service Reserve Requirement, or the Subordinate Debt Service Reserve Requirement shall constitute a Credit Agreement hereunder.

(d) If, at any time, a transfer is required from the Senior Lien Debt Service Reserve Subaccount or the Subordinate Lien Debt Service Reserve Subaccount for the purposes stated in

subsection (a) above, the Trustee shall make such transfer on the dates on which transfers are required to be made to the Paying Agent/Registrar under this Indenture or a Supplemental Indenture; provided, that cash and investments on deposit in the applicable Debt Service Reserve Subaccount shall be applied for such purposes prior to making demand under a Credit Agreement for such purpose.

(e) Amounts on deposit in the Senior Lien Debt Service Reserve Subaccount shall be calculated by the Trustee as of September 1 in each fiscal year and upon the redemption of Outstanding Senior Lien Obligations or Outstanding Subordinate Lien Obligations pursuant to the provisions of a Supplemental Indenture. After such calculations, any funds on deposit in the Senior Lien Debt Service Reserve Subaccount in excess of the Senior Lien Debt Service Reserve Requirement shall be transferred to the Tax Receipts Account for further deposits pursuant to Section 5.2; provided, however, that no transfers from the Senior Lien Debt Service Reserve Subaccount shall be made pursuant to this section that would reduce the amount on deposit in the Senior Lien Debt Service Reserve Subaccount to an amount that is less than the Maximum Annual Debt Service on the Outstanding Senior Lien Obligations.

(f) Amounts on deposit in the Subordinate Lien Debt Service Reserve Subaccount shall be calculated by the Trustee as of September 1 in each fiscal year and upon the redemption of Outstanding Subordinate Lien Obligations. After such calculations, any funds on deposit in the Subordinate Lien Debt Service Reserve Subaccount in excess of the Subordinate Lien Debt Service Reserve Requirement shall be transferred to the Tax Receipts Account for further deposits pursuant to Section 5.2; provided, however, that no transfers from the Subordinate Lien Debt Service Reserve Subaccount shall be made pursuant to this section that would reduce the amount on deposit in the Subordinate Lien Debt Service Reserve Subaccount to an amount that is less than the Maximum Annual Debt Service on the Outstanding Subordinate Lien Obligations.

Section 5.9. Restoration of Deficiencies. Should the subaccounts of the Debt Service Account or the subaccounts of the Debt Service Reserve Account, or any other fund or account, contain less than the amount required to be on deposit in the Subaccounts therein, then any such deficiency shall be restored from the first available Pledged Special Taxes pursuant to the priority set forth in Section 5.2 and further transfers to any other accounts pursuant to Section 5.2 shall be suspended until such deficiency has been restored. If such amounts are insufficient to cure any deficiencies, amounts on deposit in the Taxable Obligation Surplus Debt Redemption Subaccount, for which notice has not been given with respect to the redemption of Taxable Obligations, shall be transferred first to the Senior Lien Taxable Debt Service Subaccount or Senior Lien Debt Service Reserve Subaccount, as applicable, to restore any such deficiency and then to the Subordinate Lien Taxable Debt Service Subaccount or Subordinate Lien Debt Service Reserve Subaccount, as applicable; amounts on deposit in the Tax-Exempt Obligation Surplus Debt Redemption Subaccount, for which notice has not been given with respect to the redemption of Tax-Exempt Obligations, shall be deposited first to the Senior Lien Tax-Exempt Debt Service Subaccount or the Senior Lien Debt Service Reserve Subaccount, as applicable, to restore any such deficiency and then to the Subordinate Lien Tax-Exempt Debt Service Subaccount or the Subordinate Lien Debt Service Reserve Subaccount, as applicable. Pledged Rent shall not be deposited to the Senior Lien Debt Service Reserve Subaccount or Subordinate Lien Debt Service Reserve Subaccount.

Section 5.10. Surplus Debt Redemption Account. (a) Amounts deposited to the subaccounts of the Surplus Debt Redemption Account pursuant to Section 5.2 shall be used and applied in accordance with this Section.

(b) Until expended, money on deposit in the subaccounts of the Surplus Debt Redemption Account shall be invested in Investment Securities as set forth in a Letter of Instructions, subject to any investment restrictions set forth in a Credit Agreement or Supplemental Indenture.

(i) Moneys deposited to the Tax-Exempt Obligation Surplus Debt Redemption Subaccount shall be applied exclusively for the purpose of (i) redeeming any Tax-Exempt Obligations that are subject to redemption prior to Stated Maturity from money on deposit therein, (ii) purchasing Tax-Exempt Obligations for cancellation, at the option of the City, at a price not to exceed the principal amount thereof plus accrued interest; (iii) to optionally redeem Tax-Exempt Obligations subject to optional redemption; and (iv) to discharge Outstanding Tax-Exempt Obligations not otherwise scheduled for redemption by their terms, pursuant to the provisions of Section 9.1 hereof.

(ii) Amounts on deposit in the Taxable Obligation Surplus Debt Redemption Subaccount shall be applied to the redemption, discharge or purchase of Taxable Obligations as directed in a Letter of Instructions.

(c) Notwithstanding any provision to the contrary herein, in the event the amount on deposit in the Senior Lien Tax-Exempt Debt Service Subaccount or the Subordinate Lien Tax-Exempt Debt Service Subaccount is insufficient to pay Debt Service on Tax-Exempt Obligations when due, amounts on deposit in the Tax-Exempt Obligation Surplus Debt Redemption Subaccount shall be transferred first to the Senior Lien Tax-Exempt Debt Service Subaccount and then to the Subordinate Lien Tax-Exempt Debt Service Subaccount pursuant to Section 5.7 herein, in each case to the extent of such deficiency, prior to transferring amounts on deposit from the Senior Lien Debt Service Reserve Subaccount or Subordinate Lien Debt Service Reserve Subaccount, respectively, for such purpose.

(d) Notwithstanding any provision to the contrary herein, in the event the amount on deposit in the Senior Lien Taxable Debt Service Subaccount or the Subordinate Lien Taxable Debt Service Subaccount is insufficient to pay Debt Service on Taxable Obligations when due, amounts on deposit in the Taxable Obligation Surplus Debt Redemption Subaccount shall be transferred first to the Senior Lien Taxable Debt Service Subaccount and then to the Subordinate Lien Taxable Debt Service Subaccount, pursuant to Section 5.7 herein, in each case to the extent of such deficiency, prior to transferring amounts on deposit from the Senior Lien Debt Service Reserve Subaccount or Subordinate Lien Debt Service Reserve Subaccount, respectively, for such purpose.

Section 5.11. Investment of Funds and Accounts. (a) Subject to restrictions set forth in a Credit Agreement, if any, amounts in any fund or account created herein may, to the extent permitted by Applicable Law, be invested in Investment Securities. All investments shall be made by the Trustee pursuant to a Letter of Instructions which Letter of Instructions shall be in accordance with Applicable Law and the City's investment policy approved by the City Council from time to time. Such investments shall mature in such amounts and at such times as may, in

the judgment of the Authorized Officer executing such Letter of Instructions, be necessary to provide funds when needed to make timely payments from such fund or account. In order to avoid loss in the event of a need for funds, the City may, in lieu of a liquidation of investments in the fund or account needing funds, exchange such investments for investments in another fund or account that may be liquidated at no, or at a reduced, loss.

(b) Except as otherwise provided in this Indenture, obligations purchased as an investment of moneys in any fund or account or subaccount created in or confirmed by this Indenture shall be deemed at all times to be a part of such fund or account and, except to the extent otherwise provided in this Indenture, the income or interest earned, profits realized or losses suffered by a fund or account due to the investment thereof shall be retained in, credited or charged, as the case may be, to such fund or account.

(c) Investment Securities held in the accounts and subaccounts hereunder shall be valued by the Trustee at their book value, excluding accrued interest, as of the last Business Day of each month, unless the City's investment policy requires otherwise, in which case the City shall notify the Trustee of such change.

(d) Except as otherwise provided in this Indenture, the Trustee shall sell or cause to be sold at the best price obtainable, or present for redemption or exchange, any Investment Security purchased as an investment pursuant to this Indenture whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the fund or account for which such investment was made.

(e) To the extent not invested in Investment Securities, funds and accounts shall be fully secured in the same manner as is required for the public funds of the City.

(f) The Trustee may conclusively rely upon the City's written instructions as to both the suitability and legality of the Investment Securities. In no event shall the Trustee be liable for the selection of investments or for investment losses incurred thereon. In the absence of investment instructions from the City, the Trustee shall hold the moneys held by it hereunder uninvested. Although the City recognizes that it may obtain a broker confirmation or written statement containing comparable information at no additional cost, the City agrees that confirmations of Investment Securities are not required to be issued by the Trustee for each month in which a monthly statement is rendered and that no statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

Section 5.12. Effect of Deposits With Trustee. (a) Whenever the amount required to pay all current and future Debt Service on all Outstanding Obligations shall be on deposit with the Trustee in the amounts required herein or in a Supplemental Indenture, then the Trustee (except as provided in the next following sentence) and the City shall be released from any further obligations of payment of the interest on or the principal of Obligations with respect to which the deposits and transfers were made. The Owners of the Obligations with respect to which such moneys are held shall look solely to the Trustee for payment of the interest on or the principal of the applicable Obligations from such moneys.

(b) Moneys held by the Trustee for payment to Owners or a Credit Provider or transferred to the Paying Agent/Registrar for payment to Owners shall be set aside and continuously held uninvested (unless otherwise provided in a Supplemental Indenture) in a special trust fund or account held by the Trustee or Paying Agent/Registrar, as applicable, and shall be used for the sole and exclusive purpose of paying the amounts due and owing on the Outstanding Obligations with respect to which such transfers were made and upon demand for such payment by the Owners thereof. Any moneys remaining unclaimed for a period specified in any Applicable Law relating to the escheat of property or money shall be distributed by the Paying Agent/Registrar in accordance with such law.

(c) Obligations, for the full payment of the principal amount or Redemption Price of which moneys have been provided for pursuant Applicable Law, shall no longer be deemed to be Outstanding from and after the maturity date, date of deposit or redemption date thereof and all interest thereon shall cease to accrue from and after said date.

(d) Notwithstanding the provisions of subsection (a) and (b) of this Section, a Supplemental Indenture may require the payment of amounts held by the Trustee to be paid to a Credit Provider if offsetting and comparable amounts are deposited by the Credit Provider with the Trustee for the purpose of making direct payment to the Owners of the applicable Obligations.

Section 5.13. Rebate Fund; Rebatable Arbitrage. (a) There is hereby established a special fund of the City to be designated "City of Arlington, Texas, Special Tax-Exempt Obligation Rebate Fund" (the "Rebate Fund") to be held by the Trustee in accordance with the terms and provisions of this Indenture. Amounts on deposit in the Rebate Fund shall be used solely for the purpose of paying amounts due the United States Government in accordance with the Code.

(b) The City hereby certifies and covenants that it will not, and will not direct the Trustee, to use or permit the use of any proceeds of Tax-Exempt Obligations, directly or indirectly, in any manner, and shall not take or omit to take any action, if such use, action or omission would cause the Tax-Exempt Obligations to be treated as an obligation not described in Section 103(a) of the Code. In furtherance of the foregoing, the City and the Trustee specifically covenant to comply with the provisions and procedures of the Federal Tax Certificate delivered concurrently with the delivery of each series of Tax-Exempt Obligations, which is incorporated herein by reference as if set forth in full herein. In the case of any inconsistency between this Section 5.13 and the Federal Tax Certificate, the provisions of the Federal Tax Certificate shall control. The covenants herein made and the certifications herein authorized are for the benefit of the Owners and the Credit Providers with respect to Tax-Exempt Obligations and may be relied upon by such Owners and Credit Providers and by Bond Counsel rendering opinions on the same. Within the limitations of this Article V, the City shall be permitted to transfer money from one fund, account or subaccount to another, adjust interest rates on Investment Securities or take such other actions as may be required in order to prevent the Tax-Exempt Obligations from becoming "arbitrage bonds."

(c) The City hereby covenants to cause to be calculated, at the times and in the manner set forth in the Federal Tax Certificate and in compliance with the Code, the amount of Rebatable Arbitrage determined with respect to each series of Tax-Exempt Obligations and shall, within ten (10) Business Days of such calculation, pursuant to a Letter of Instructions, direct the Trustee to

transfer to the applicable subaccount of the Rebate Fund from the subaccounts designated in such Letter of Instructions, an amount equal to the amount of the Rebatale Arbitrage determined on such date of calculation. The City hereby covenants to direct the Trustee to deposit to the Rebate Fund such amounts as will cause the amount on deposit therein to equal the Rebatale Arbitrage determined on the applicable calculation date.

(d) The City hereby covenants to direct the Trustee to pay Rebatale Arbitrage to the United States in installments as required under the Code. In order to assure that Rebatale Arbitrage is paid to the United States rather than to a third party, investments of funds on deposit in the Rebate Fund shall be made in accordance with the Code and the Federal Tax Certificate.

(e) The City shall keep and retain for a period of six (6) years following retirement of each series of Tax-Exempt Obligations, records of the determinations made pursuant to this Section 5.11 and the Federal Tax Certificate.

(f) The Trustee conclusively shall be deemed to have complied with the provisions of this Section and shall not be liable or responsible if it follows the instructions of the City and shall not be required to take any action under this Section in the absence of instructions from the City.

(g) If, on the date of each annual calculation, the amount on deposit in the Rebate Fund exceeds the amount of the Rebatale Arbitrage, the City may direct the Trustee, pursuant to a Letter of Instructions, to transfer the amount in excess of the Rebatale Arbitrage to the Senior Lien Tax-Exempt Debt Service Subaccount or Subordinate Tax-Exempt Debt Service Subaccount, as applicable.

ARTICLE VI

GENERAL COVENANTS AND REPRESENTATIONS

Section 6.1. Representations as to Pledged Accounts and Pledged Special Taxes. (a) The City represents and warrants that it is authorized by Applicable Law to authorize and issue the Obligations, to adopt this Indenture and to pledge the Pledged Tax-Exempt Obligation Accounts, the Pledged Special Taxes, the Pledged Rent and the Pledged Taxable Obligation Accounts in the manner and to the extent provided in this Indenture, and that the Pledged Tax-Exempt Obligation Accounts, Pledged Special Taxes, Pledged Rent and Pledged Taxable Obligation Accounts are and will be and remain free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Indenture except as expressly provided herein for Obligations and Credit Agreement Obligations.

(b) The Obligations and the provisions of this Indenture are and will be the valid and legally enforceable obligations of the City in accordance with their terms and the terms of this Indenture, subject only to any applicable bankruptcy or insolvency laws or to any Applicable Law affecting creditors' rights generally.

(c) The City shall at all times, to the extent permitted by Applicable Law, defend, preserve and protect the pledge of the Pledged Tax-Exempt Obligation Accounts, Pledged Special Taxes, Pledged Rent and Pledged Taxable Obligation Accounts and all the rights of the Owners,

the Trustee and the Credit Providers under this Indenture and all Credit Agreements against all claims and demands of all persons whomsoever.

(d) The City will take all steps reasonably necessary and appropriate to collect all delinquencies in the collection of the Sales Tax, the Hotel Tax and the Motor Vehicle Rental Tax to the fullest extent permitted by the Act and other Applicable Law.

Section 6.2. Accounts, Periodic Reports and Certificates. (a) The City shall keep or cause to be kept proper books of record and account (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the funds and accounts established by this Indenture and which, together with all other books and papers of the City, shall at all times be subject to inspection by any Credit Provider, and the Owner or Owners of not less than 5% in principal amount of the Obligations then Outstanding or their representatives duly authorized in writing, and, with respect to the payment of Project Costs, by an authorized representative of the Tenant.

(b) The City shall notify each Credit Provider immediately (i) if it becomes aware of the occurrence of any Event of Default or of any fact, condition or event that, only with the giving of notice or passage of time or both, could become an Event of Default, or (ii) of the failure of the City to observe any of its undertakings hereunder or under any Supplemental Indenture.

Section 6.3. General. The City shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the City under the provisions of this Indenture and all Supplemental Indentures.

Section 6.4. Repeal or Amendment of Power to Collect Special Tax Receipts. Any repeal of or amendment adversely affecting the right and power to levy, collect and apply the Sales Tax, the Hotel Tax or the Motor Vehicle Rental Tax pursuant to the Act shall never be effective until all amounts representing Debt Service and all Administrative Expenses have been paid in full or have been lawfully defeased under Section 9.1.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.1. Events of Default. Except as may be otherwise provided in Supplemental Indentures, each of the following occurrences or events shall be and is hereby declared to be an "Event of Default," to wit:

(i) The failure to make payment of Debt Service on any of the Obligations when the same is due and payable;

(ii) Any default under the terms and provisions of any Credit Agreement after written notice thereof to the City by the Credit Provider;

(iii) Default in the performance or observance of any covenant, agreement or obligation of the City under this Indenture or under any Supplemental Indenture (other than a default described in subsection (i) above), and such default (a) materially and adversely

affects the rights of the Owners, including but not limited to their prospect or ability to be repaid in accordance with their terms, and (b) continues for a period of 60 days after written notice specifying such default by either (A) the Owners of not less than 25% in aggregate principal amount of the Outstanding Obligations or (B) by any Credit Provider that is granted the right to give and withdraw such notices in a Supplemental Indenture (or a Pricing Certificate), and in each such case requesting that the failure be remedied; provided that such 60 day period shall not include any period of time during which the City is prevented by reason of Force Majeure from performing or observing the covenant, agreement or condition with respect to which any default exists but during which the City is diligently attempting to cure such default; or

(iv) (A) An order of relief shall be issued by the Bankruptcy Court of the United States District Court having jurisdiction, granting the City any relief under any Applicable Law, or any other court having valid jurisdiction shall issue an order or decree under applicable federal or state law providing for the appointment of a receiver, liquidator, assignee, trustee, sequestrator, or other similar official for the City or any substantial part of its property, affairs or assets, and the continuance of any such decree or order unstayed and in effect for a period of 90 consecutive days, or (B) the City shall commence a suit or proceeding seeking any such order or decree.

Section 7.2. Remedies for Default. (a) Except as may be otherwise provided in Supplemental Indentures or in a Credit Agreement, upon the happening and continuance of any of the Events of Default described in Section 7.1 and pursuant to the provisions of 7.4 herein:

(i) The Trustee shall transfer all amounts representing Pledged Special Taxes (including amounts on deposit in the Excess Tax Revenue Account) to the Debt Service Account immediately as received, and shall discontinue transfers to any other funds, accounts or subaccounts under Section 5.2 until such default has been cured in full and all payments of Debt Service on Outstanding Obligations and Credit Agreement Obligations are made current; in the event Pledged Special Taxes are not adequate to cure each and every default, the available Pledged Special Taxes shall be applied first, on a pari passu basis, to the payment of Debt Service on Senior Lien Obligations and related Credit Agreement Obligations; any remaining available Pledged Special Taxes shall then be applied, on a pari passu basis, to the payment of Debt Service on Subordinate Lien Obligations and related Credit Agreement Obligations;

(ii) After the transfers and payments set forth in (i) above, to the extent required to cure a default in the payment of Debt Service, the Trustee shall transfer all amounts on deposit in the subaccounts of the Surplus Debt Redemption Account, on a pari passu basis, to the payment of Senior Lien Obligations.

(iii) After the transfers and payments set forth in (i) and (ii) above, to the extent required to cure a default in the payment of Debt Service, the Trustee shall transfer all amounts on deposit in the Senior Lien Debt Service Reserve Subaccount, on a pari passu basis, to the payment of Senior Lien Obligations. The Trustee shall transfer all amounts on deposit in the Subordinate Lien Debt Service Reserve Subaccount, on a pari passu basis, to the payment of Subordinate Lien Obligations; provided, however, that the requirement

that Pledged Rent be applied solely to pay Taxable Obligations and Credit Agreements Obligations incurred in connection with Taxable Obligations shall be observed; and

(iv) A Credit Provider or the Owners of at least 25% of the Obligations then Outstanding acting jointly, may proceed against the City for the purpose of protecting and enforcing the rights of the Credit Provider or the Owners under this Indenture, by action seeking mandamus or by other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief to the extent permitted by Applicable Law, including, but not limited to, the specific performance of any covenant or agreement contained herein, or injunction; provided, however, that the maturity of Obligations or Credit Agreement Obligations shall not be subject to acceleration upon the occurrence of an Event of Default hereunder or under a Credit Agreement. Notwithstanding the above, no actions taken by the Owners of Subordinate Lien Obligations shall have a material adverse effect on the rights or remedies of the Owners of Senior Lien Obligations.

(b) Upon the happening and continuance of any Event of Default described in Section 7.1, no Owner shall have the right to seek the appointment of a receiver or administrator of the affairs and assets of the City and such right is expressly denied.

(c) From and after the 30th day after an Event of Default (for which a remedy is required or is sought under either subsection (a)(i) or (a)(ii) of this Section 7.2, above) has been cured, the City shall be restored to its former position under this Indenture or under any Credit Agreement prior to the occurrence of such Event of Default. Any proceedings theretofore commenced for relief shall be abandoned and dismissed within 30 days after such Event of Default has been cured.

(d) Notwithstanding any provision herein, upon the occurrence of an Event of Default hereunder or an event of default or an event of termination under a Credit Agreement, amounts on deposit in the City Project Cost Account or the Excess Tax Revenue Account, and any earnings thereon, shall be maintained in the City Project Cost Account or the Excess Tax Revenue Account and shall be applied to the payment or reimbursement of Project Costs in accordance with Section 5.2 and Section 5.5; provided, however, that, until the Event of Default, or an event of default or an event of termination has been cured pursuant to subsection (b) of this Section 7.2, further deposits of Pledged Special Taxes to the Excess Tax Revenue Account shall cease and Pledged Special Taxes received during such period shall be applied solely to the payment of Debt Service.

(e) The right to accelerate the maturity of any Obligation is not granted herein, and no right of acceleration shall be granted to any Owners of Obligations or the payees of Credit Agreement Obligations and to the payees of all Credit Agreement Obligations theretofore and thereafter issued or executed.

Section 7.3. Restriction on Owner's Action. (a) Except to enforce the rights given under Section 7.3(b), no Credit Provider and Owner of any Obligation shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust thereof or any other remedy hereunder, unless (a) a default has occurred and is continuing of which the Trustee has been notified in writing as provided in Section 12.1(b), or of which by such Section it is deemed to have notice, (b) such default has become an Event of

Default and a Credit Provider or the Owners of 25% of the aggregate principal amount of the Obligations then Outstanding have made written request to the Trustee and offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) a Credit Provider or the Owners have offered to the Trustee indemnity as provided in Section 12.6, (d) the Trustee has for 60 days after such notice failed or refused to exercise the powers hereinbefore granted, or to institute such action, suit or proceeding in its own name, (e) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority of the aggregate principal amount of the Obligations then Outstanding or by a Credit Provider, and (f) notice of such action, suit or proceeding is given to the Trustee; however, no Credit Provider and no one or more Owners of the Obligations shall have any right in any manner whatsoever to affect, disturb or prejudice this Indenture by its, his or their action or to enforce any right hereunder except in the manner provided herein, and that all proceedings at law or in equity shall be instituted and maintained in the manner provided herein and for the equal benefit of the Owners of all Obligations then Outstanding and the Credit Providers. The notification, request and offer of indemnity set forth above shall, at the option of the Trustee, be conditions precedent to the execution of the powers and trusts of this Indenture and to any action or cause of action for the enforcement of this Indenture or for any other remedy hereunder.

(b) Nothing in this Indenture shall affect or impair the right of any Owner or any Credit Provider to enforce, by action at law, payment of any Obligation or Credit Agreement Obligation at and after the maturity thereof, or on the date fixed for redemption or the obligation of the City to pay each Obligation issued hereunder to the respective Owners thereof or to pay each Credit Agreement Obligation to the Credit Provider therefor at the time, place, from the source and in the manner expressed herein and in the Obligations or the Credit Agreement Obligation, respectively.

(c) In case the Trustee or any Owners or any Credit Provider shall have proceeded to enforce any right under this Indenture and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or any Owners or any Credit Provider, then and in every such case the City, the Trustee, the Owners and the Credit Providers shall be restored to their former positions and rights hereunder, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

Section 7.4. Application of Revenues and Other Moneys After Default. (a) All money received by the Trustee pursuant to any right given or action taken under the provisions of this Article shall, after payment of the cost and expenses of the proceedings resulting in the collection of such money, the expenses (including its counsel), liabilities and advances incurred or made by the Trustee and the fees of the Trustee in carrying out this Indenture, subject to the terms of a Supplemental Indenture providing instructions, during the continuance of an Event of Default, the Trustee, on behalf of the City, notwithstanding Section 5.2 hereof, shall apply such moneys, securities, funds and Pledged Special Taxes and the income therefrom as follows and in the following order:

(i) to the payment of Debt Service then due on Senior Lien Obligations and related Credit Agreement Obligations having the highest priority lien, as follows:

(A) Unless the principal or maturity amount of all of the Outstanding Senior Lien Obligations and related Credit Agreement Obligations shall have become due and payable,

FIRST: To the payment to the Owners and the Credit Providers entitled thereto, other than the Credit Providers of Swap Agreements, all installments of interest then due, and to the Credit Providers of Swap Agreements entitled thereto, all payments of Debt Service then due to Credit Providers of Swap Agreements (excluding any Termination Payments), in the direct order of maturity of such installments and Debt Service; and, if the amount available shall not be sufficient to pay in full any installment of interest or Debt Service then due to the Credit Provider of a Swap Agreement, then to the payment thereof ratably, according to the amounts due on such installment of interest (or Debt Service with respect to a Swap Agreement), to the Owners and the Credit Providers, without any discrimination or preference; and

SECOND: To the payment to the Owners and the Credit Providers entitled thereto, other than Credit Providers of Swap Agreements, of the unpaid principal or maturity amount of Outstanding Senior Lien Obligations and related Credit Agreement Obligations, or Redemption Price of any Senior Lien Obligations which shall have become due, whether at maturity or by call for redemption, in the direct order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Senior Lien Obligations and related Credit Agreement Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal due and to the Owners and Credit Providers entitled thereto, without any discrimination or preference;

(B) If the principal of all of the Senior Lien Obligations and related Credit Agreement Obligations shall have become due and payable, to the payment of Debt Service without preference or priority of any amount due on the Senior Lien Obligations or related Credit Agreement Obligations (excluding Termination Payments), ratably, according to the amounts due respectively to the Persons entitled thereto without any discrimination or preference;

(ii) to (1) the payment of Subordinate Lien Obligations and related Credit Agreement Obligations, as set forth in (i)(A) and (B) above, and (2) to the Credit Providers of Swap Agreements any amounts representing Termination Payments and (3) Debt Service on Refunding Obligations issued to pay Termination Payments, in the order of such lien priority; provided however, that Termination payments are junior and subordinate to the payment of Debt Service on Subordinate Lien Obligations; and

(iii) If the principal of all of the Subordinate Lien Obligations and related Credit Agreement Obligations shall have become due and payable, to the payment of Debt Service without preference or priority of any amount due on the Subordinate Lien Obligations or related Credit Agreement Obligations (excluding Termination Payments), ratably,

according to the amounts due respectively to the Persons entitled thereto without any discrimination or preference

(iv) subject to any provisions of a Supplemental Indenture regarding priority of amounts payable to Credit Providers, to the payment of any amounts payable to the Credit Providers under the Credit Agreements (to the extent not otherwise payable under clauses (i), (ii) and (iii) above), ratably according to the amounts due to the Credit Providers entitled thereto.

(b) Within ten (10) days of receipt of such good and available funds, the Trustee may fix a record and payment date for any payment to be made to Owners and Credit Providers pursuant to this Section 7.4.

(c) The restoration of the City to its prior position after any and all default have been cured shall not extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

(d) In the event funds are not adequate to cure any of the Events of Default described in paragraphs (i), (iii) or (iv) of Section 7.1, the available funds shall be allocated to the Obligations and Credit Agreement Obligations that are outstanding in proportion to the quantity of Obligations and Credit Agreement Obligations that are currently due and in default under the terms of each Supplemental Indenture.

(e) The restoration of the City, the Trustee or any Credit Provider to its prior position after any and all defaults have been cured, as provided in Section 7.2(b), shall not extend to or affect any subsequent default under this Indenture or impair any right consequent thereon.

Section 7.5. Effect of Waiver. No delay or omission of the Trustee, any Owner or Credit Provider 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 an acquiescence therein; and every power and remedy given by this Indenture to the Trustee, the Owners, and the Credit Providers, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 7.6. Evidence of Ownership of Obligations. (a) Any request, consent, revocation of consent or other instrument which this Indenture may require or permit to be signed and executed by the Owners of Obligations may be in one or more instruments of similar tenor, and shall be signed or executed by such Owners in person or by their attorneys appointed in writing. Proof of the execution of any such instrument, or of any instrument appointing any such attorney, or the holding by any person of the Obligations shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner:

(i) The fact and date of the execution by any Owner of Obligations or his attorney of such instruments may be provided by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer authorized to take acknowledgments of deeds, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such

execution, duly sworn to before such notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership, on behalf of such corporation, association or partnership, such signature guarantee, certificate or affidavit shall also constitute sufficient proof of his authority.

(ii) The ownership of registered Obligations and the amount, numbers and other identification and date of holding the same shall be proved by the applicable Obligation Register.

(b) Except as otherwise provided in Section 8.4 with respect to revocation of a consent, any request or consent by an Owner of Obligations shall bind all future Owners of the same Obligation in respect of anything done or suffered to be done by the City, the Trustee or the Paying Agent/Registrar in accordance therewith.

ARTICLE VIII

AMENDMENTS OF INDENTURE

Section 8.1. Limitations on Modifications. This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article.

Section 8.2. Supplemental Indentures Without Owners' Consent. (a) Subject to any limitations contained in a Supplemental Indenture, the City may, from time to time and at any time, adopt and implement Supplemental Indentures without consent of or notice to the Owners but with the written consent of each Credit Provider, for the following purposes:

(i) To cure any formal defect, omission or ambiguity in the Special Tax Ordinances, in this Indenture or in any description of the Pledged Special Taxes, the Pledged Tax-Exempt Obligation Subaccounts, the Pledged Rent and the Pledged Taxable Obligation Subaccounts, if such action is not adverse to the interest of the Owners;

(ii) To grant to or confer upon the Owners of any series of Obligations any additional rights, remedies, powers, authority or security which may lawfully be granted or conferred and which are not contrary to or inconsistent with the Special Tax Ordinances or this Indenture as theretofore in effect;

(iii) To add to the covenants and agreements of the City in this Indenture, other covenants and agreements to be observed by the City or the Trustee which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(iv) To add to the limitations and restrictions in this Indenture, other limitations and restrictions to be observed by the City or the Trustee which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(v) To confirm, as further assurance, any pledge or lien created or to be created by this Indenture, of the Pledged Tax-Exempt Obligation Accounts, the Pledged Taxable

Obligation Accounts, the Pledged Special Taxes and the Pledged Rent, or to subject to the lien or pledge of this Indenture additional revenues, properties or collateral;

(vi) To authorize the issuance of the Obligations and to prescribe the terms, forms and details thereof not inconsistent with this Indenture and, in connection therewith, to create such additional funds and accounts, and to effect such amendments of this Indenture as may be necessary for such issuance, provided, that, no Supplemental Indenture shall be inconsistent with the limitations set forth in Section 8.3; or

(vii) To make modifications in the Special Tax Ordinances, this Indenture or in a Supplemental Indenture that are necessary in the opinion of Bond Counsel to conform to requirements of the Code, securities law, the Attorney General of the State or the Act and that do not, in the opinion of Bond Counsel, adversely affect the rights and security of the Owners to be paid in full when due.

(b) A Supplemental Indenture adopted for any of the purposes permitted by this Section 8.2, in order to be valid, shall be accepted by the Trustee. A copy of each Supplemental Indenture, as accepted by the Trustee, shall be delivered to each Credit Provider.

Section 8.3. Powers of Amendment. Any modification or amendment of this Indenture and of the rights and obligations of the City and of the Owners may be made by a Supplemental Indenture, only with the written consent of each Credit Provider and if not authorized by Section 8.2, only with the written consent (given as provided in Section 8.4), (i) of the Owners of more than fifty percent (50%) of the combined principal amount of the Obligations then Outstanding, or (ii) in case less than all of the several series of Obligations then Outstanding are affected by the modification or amendment, of the Owners of more than fifty percent (50%) in principal amount of the Obligations of each series so affected and Outstanding at the time such consent is given; provided, however, no such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Obligation, or of any installment of interest thereon, or a reduction in the principal amount of the Redemption Price thereof, or in the rate of interest thereon, or in the security thereof, without the consent of the Owner of such Obligation, and provided further that no such modification or amendment may be made without the prior written consent of all Credit Providers. The City may obtain and receive an opinion of counsel selected by the City, as conclusive evidence as to whether Obligations of any particular series or maturity would be so affected by any such modification or amendment of this Indenture.

Section 8.4. Consent of Owners. (a) The City may at any time adopt a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 8.3, to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto), together with a request for consent, addressed to each Credit Provider and to each Owner whose consent is required, shall promptly after adoption be mailed by the City to the appropriate Owners and to each Credit Provider (but failure to mail such copy and request shall not affect the validity of the Supplemental Indenture when consented to as herein provided). Such Supplemental Indenture shall not be effective unless and until the City shall have received the written consents of each Credit Provider and the proper Owners having the percentages specified in Section 8.3. Any such consent shall be continuously binding upon the Credit Provider and upon the Owner giving such consent and upon any subsequent Owner thereof

and of any Obligations issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner thereof by filing with the City, prior to the time action is taken in response to such consents. At any time thereafter notice, stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture adopted by the City on a stated date) has been consented to by the Credit Providers and the Owners of the required percentages of Obligations and will be effective as hereinafter provided, shall be given to the Owners (whose consent was required) by the City by mailing such notice to such Owners (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding). The Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the City, the Trustee, each Credit Provider and all Owners at the expiration of 30 days after the mailing by the City of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such 30 day period; provided, however, that the City and the Trustee during such 30 day period and any such further period during which any such action or proceeding may be pending shall be entitled in their reasonable discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

(b) This Indenture and each Supplemental Indenture relating to Outstanding Obligations and outstanding Credit Agreement Obligations may be amended under Section 8.3 and this Section 8.4 of this Indenture without the consent of any Owners if such amendment is approved by each Credit Provider existing at the time the amendment is proposed.

Section 8.5. Mailing of Notice. Any provision in this Article for the mailing of a notice or other document to Owners and to Credit Providers shall be fully complied with if it is mailed, first class postage prepaid, only (i) to each registered owner of Owners at the address, if any, appearing upon the Obligation Registers, and (ii) to each Credit Provider.

Section 8.6. Amendments by Unanimous Consent. Subject to any limitations contained or rights reserved in a Supplemental Indenture, the rights and obligations of the City, the Credit Providers and the Owners of each series of Obligations, and the terms and provisions of this Indenture and any Supplemental Indenture may be modified or amended in any respect upon the adoption of a Supplemental Indenture by the City with the consent of all Owners of each series of Obligations Outstanding and each Credit Provider, such consent to be given as provided in Section 8.4.

Section 8.7. Exclusion of Obligations. Obligations owned or held by or for the account of the City will not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Obligations provided for in this Indenture, and the City shall not be entitled with respect to such Obligations to give any consent or take any other action provided for in this Indenture.

Section 8.8. Supplemental Indentures. Notwithstanding anything to the contrary contained in Sections 8.2, 8.3 and 8.4 hereof, before the City and the Trustee enter into any Supplemental Indenture pursuant to Sections 8.2, 8.3 or 8.4 hereof, there shall have been delivered to the City and the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture

is authorized or permitted by this Indenture and the Act, complies with their respective terms, and will, upon the execution and delivery thereof, be valid and binding upon the City in accordance with its terms.

ARTICLE IX

DISCHARGE OF INDENTURE

Section 9.1. Discharge. The Obligations and the Credit Agreement Obligations may be defeased, refunded and discharged in any manner permitted by Applicable Law.

ARTICLE X

MISCELLANEOUS PROVISIONS

Section 10.1. Additional Obligations. The City reserves the right to issue Additional Senior Lien Obligations and Additional Subordinate Lien Obligations, under and in accordance with this Section 10.1, for the purposes set forth in Section 3.1 herein.

(a) The Additional Senior Lien Obligations shall be issued only if:

(i) The City is not then in default as to any covenant, condition or obligation prescribed by any Indenture authorizing the issuance of Outstanding Obligations or such Additional Senior Lien Obligations;

(ii) The Director of Finance of the City has executed a certification that the Pledged Special Taxes (with respect to Additional Senior Lien Tax-Exempt Obligations) or the Pledged Special Taxes and Pledged Rent (with respect to Additional Senior Lien Taxable Obligations) for either the completed fiscal year next preceding the date of issuance of the Additional Senior Lien Obligations or a consecutive twelve-month period out of the last fifteen months next preceding the date of issuance of the Additional Senior Lien Obligations is equal to at least 1.30 times the Maximum Annual Debt Service (calculated on a fiscal year basis and net of capitalized interest to be used in that year, if any) of all Senior Lien Obligations which will be outstanding after the issuance of the proposed Additional Senior Lien Obligations;

(iii) The Director of Finance of the City has executed a certification that the pro forma Pledged Special Taxes (with respect to Additional Senior Lien Tax-Exempt Obligations) or the pro forma Pledged Special Taxes and Pledged Rent (with respect to Additional Senior Lien Taxable Obligations), using reasonable revenue growth assumptions, will be at least 1.00 times the annual Debt Service (calculated on a fiscal year basis and net of capitalized interest to be used in that year, if any) in each fiscal year of all Obligations which will be outstanding after the issuance of the proposed Additional Senior Lien Obligations; and

(iv) The Net Bond Proceeds of all Obligations issued pursuant to this Indenture (excluding any Refunding Obligations issued pursuant to Section 10.2 below or issued to refund the Prior Obligations) does not exceed the City Contribution, after taking into

account any available Excess Tax Revenues deposited to the Excess Tax Revenue Account pursuant to Section 5.5 herein.

(b) Additional Subordinate Lien Obligations may be issued pursuant to the terms and conditions set forth in a Supplemental Indenture authorizing Subordinate Lien Obligations.

Section 10.2. Refunding Obligations. The City reserves the right to issue hereunder Refunding Obligations for the purpose of refunding Outstanding Obligations (of the same or lower priority) or related outstanding Credit Agreement Obligations in principal amount, after giving effect to any premiums received on the sale thereof, sufficient to provide for the payment thereof.

(a) Each series of Refunding Obligations shall be authorized and issued pursuant to a Supplemental Indenture which shall prescribe the terms of such Refunding Obligations and the security therefor; provided, that, tax-exempt Refunding Obligations shall be issued only upon receipt by the Trustee of an opinion of Bond Counsel to the effect that the issuance and delivery of the Refunding Obligations will not adversely affect the exclusion from gross income for purposes of federal income taxation of the interest on Outstanding Tax-Exempt Obligations. Refunding Obligations shall not be subject to the provisions of Section 10.1 herein if they meet either of the conditions below:

(i) The issuance of the Refunding Obligations would result in a net present value savings of Debt Service to the City; or

(ii) The issuance of the Refunding Obligations would result in a reduction of the City's Maximum Annual Debt Service for all Outstanding Obligations.

(b) The City may issue Refunding Obligations secured hereunder for the purpose of obtaining funds to pay a Termination Payment due to the counterparty to a Swap Agreement in connection with the termination thereof. The lien of this Indenture and payment of Refunding Obligations issued pursuant to this subparagraph (b) shall be subordinate to the lien and payment of Obligations or Credit Agreement Obligations issued hereunder for any purpose specified in Section 3.1(a).

(c) The City may issue Obligations to refund the Prior Obligations pursuant to a Supplemental Indenture without an opinion of Bond Counsel as set forth in subsection (a) above and without compliance with the requirements of subsection (a) above.

Section 10.3. Estimating Variable Rate Debt. Whenever in an Indenture a calculation of Debt Service with respect to each series of Variable Interest Rate Obligations is required, the Debt Service shall be computed by assuming that such Variable Interest Rate Obligations will bear interest at the highest of (i) the actual rate on the date of calculation, or, if such Obligations are not yet Outstanding, the initial rate, if established and binding, (ii) if the Variable Interest Rate Obligations have been Outstanding for at least twelve (12) months, the average rate of the Variable Interest Rate Obligations over the twelve (12) months immediately preceding the date of calculation, or (iii) (A) if the Variable Interest Rate Obligations are Tax-Exempt Obligations, the most recently published "Revenue Bond Index," published by the financial news publication presently known as The Bond Buyer, or by a comparable index if the Bond Buyer is no longer

published, plus fifty basis points, or (B) if the Variable Interest Rate Obligations are Taxable Obligations, the interest rate on direct obligations of the United States with comparable maturities, plus fifty basis points or (C) if the Variable Interest Rate Obligations are Credit Agreement Obligations, such rate as is specified in the Supplemental Indenture creating such Credit Agreement Obligations.

Section 10.4. Redemptions. Obligations issued pursuant to this Indenture may be subject to optional, mandatory sinking fund and/or special redemption, as provided in a Supplemental Indenture.

Section 10.5. Notices. Any notice, request, demand, communication or other paper hereunder shall be sufficiently given and shall be deemed given to the respective party when addressed and actually delivered, as follows:

To the City:	City of Arlington, City Hall 101 W. Abrams Arlington, Texas 76010 Attention: City Manager
To the Tenant:	Rangers Stadium Company LLC 1000 Ballpark Way, Suite 400 Arlington, Texas 76011 Attn: Rob Matwick, Executive Vice- President of Business Operations Copy to: Katie Pothier, General Counsel
To the Trustee:	The Bank of New York Mellon Trust Company, N.A. 2001 Bryan Street, 10 th floor Dallas, Texas 75201 Attention: Corporate Trust Services

Each party may designate further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.6. Conflicts. All ordinances, orders, actions or other proceedings of the City hereto adopted or taken which are in conflict herewith are repealed to the extent of any such conflict.

Section 10.7. Governing Law. This Indenture shall be governed by the laws of the State of Texas.

ARTICLE XI

FEDERAL INCOME TAX MATTERS WITH RESPECT TO TAX-EXEMPT OBLIGATIONS

11.1 General. The City intends that the interest on the Tax-Exempt Obligations be excludable from gross income for federal income tax purposes pursuant to sections 103 and 141 through 150, inclusive, of the Code. The City covenants and agrees not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, would (i) cause the interest on the Tax-Exempt Obligations to be includable in gross income, as defined in section 61 of the Code, for federal income tax purposes or (ii) result in the violation of or failure to satisfy any applicable provision of Section 103 and 141 through 150, inclusive, of the Code. In particular, the City covenants and agrees to comply with each requirement of this ARTICLE XI; provided, however, that the City will not be required to comply with any particular requirement of this ARTICLE XI if the City has received an opinion of nationally recognized bond counsel (“Counsel’s Opinion”) that (i) such noncompliance will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Tax-Exempt Obligations or (ii) compliance with some other requirement will satisfy the applicable requirements of the Code, in which case compliance with such other requirement specified in such Counsel’s Opinion will constitute compliance with the corresponding requirement specified in this ARTICLE XI.

11.2 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 Tax-Exempt Obligations, including interest or other investment income derived from Tax-Exempt Obligation 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 Tax-Exempt Obligations will not be “private activity bonds” within the meaning of section 141 of the Code. Moreover, the City will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Tax-Exempt Obligations are delivered, that the proceeds of the Tax-Exempt Obligations will not be used in a manner that would cause the Tax-Exempt Obligations to be “private activity bonds” within the meaning of section 141 of the Code.

11.3 No Federal Guarantee. 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 Tax-Exempt Obligations to be “federally guaranteed” within the meaning of section 149(b) of the Code, except as permitted by section 149(b)(3) of the Code.

11.4 No Hedge Bonds. 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 Tax-Exempt Obligations to be “hedge bonds” within the meaning of section 149(g) of the Code.

11.5 No Arbitrage. The City covenants and agrees that it will make such use of the proceeds of the Tax-Exempt Obligations, including interest or other investment income derived from Tax-Exempt Obligation proceeds, regulate investments of proceeds of the Tax-Exempt Obligations, and take such other and further action as may be required so that the Tax-Exempt Obligations will not be “arbitrage bonds” within the meaning of section 148(a) of the Code.

Moreover, the City will certify, through an authorized officer, employee or agent, based upon all facts and estimates known or reasonably expected to be in existence on the date the Tax-Exempt Obligations are delivered, that the proceeds of the Tax-Exempt Obligations will not be used in a manner that would cause the Tax-Exempt Obligations to be “arbitrage bonds” within the meaning of section 148(a) of the Code.

11.6 Arbitrage Rebate. If the City does not qualify for an exception to the requirements of Section 148(f) of the Code relating to the required rebate to the United States, 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 Tax-Exempt Obligations (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 Tax-Exempt Obligations as may be required to calculate the amount earned on the investment of the gross proceeds of the Tax-Exempt Obligations separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issues of the City or moneys that do not represent gross proceeds of any bonds of the City, (ii) determine at such times as are required by applicable Regulations, the amount earned from the investment of the gross proceeds of the Tax-Exempt Obligations 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 Tax-Exempt Obligations, or on such other dates as may be permitted under applicable 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 Tax-Exempt Obligations 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.

11.7 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 Tax-Exempt Obligations are issued, an information statement concerning the Tax-Exempt Obligations, all under and in accordance with section 149(e) of the Code.

11.8 Record Retention. The City will retain all pertinent and material records relating to the use and expenditure of the proceeds of the Tax-Exempt Obligations until three years after the last Tax-Exempt Obligation is redeemed or paid at maturity, 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 Tax-Exempt Obligations by the Internal Revenue Service.

11.9 Registration. The Tax-Exempt Obligations will be issued in registered form.

11.10 Deliberate Actions. The City will not take a deliberate action (as defined in section 1.141-2(d)(3) of the Regulations) that causes the Tax-Exempt Obligations to fail to meet any requirement of section 141 of the Code after the issue date of the Tax-Exempt Obligations unless an appropriate remedial action is permitted by section 1.141-12 of the Regulations, the City takes such action, and an opinion of Bond Counsel is obtained that such remedial action cures any failure to meet the requirements of section 141 of the Code.

11.11 Continuing Obligation. Notwithstanding any other provision of this Indenture, the City's obligations under the covenants and provisions of this ARTICLE XI will survive the defeasance and discharge of the Tax-Exempt Obligations for as long as such matters are relevant to the exclusion from gross income of interest on the Tax-Exempt Obligations for federal income tax purposes.

ARTICLE XII

CONCERNING THE TRUSTEE

Section 12.1. Appointment; Acceptance of Trust and Performance Thereof. (a) The City hereby appoints The Bank of New York Mellon Trust Company, N.A., to serve as Trustee hereunder and the Trustee, as evidenced by its due execution of the Acceptance of Trustee attached to this Indenture, hereby accepts the trusts and obligations imposed upon it by this Indenture and agrees to perform and observe faithfully all of the duties, conditions and requirements imposed upon it in this Indenture. Except during the continuance of an Event of Default, the Trustee undertakes to perform such functions and duties and only such functions and duties as are specifically set forth in this Indenture, and no implied duties or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in the exercise of such rights and powers, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs, subject to the limitations on liability set forth in Sections 12.1(c) and 12.2, and subject to the provisions of Sections 7.3 and 12.6.

(b) All notices or other instruments required by this Indenture to be delivered in writing to the Trustee, in order to be effective, must be delivered at the address for notices to the Trustee set forth in Section 10.4, or at such other location as the Trustee may designate to the City in writing. With respect to an Event of Default pursuant to Section 7.1(iii), the Trustee shall not be deemed to have notice of any such Event of Default (other than failure by the City to file with the Trustee any documents required by the Indenture to be so filed) unless and until it shall have received actual notice thereof, and in the absence of such notice so received, the Trustee may conclusively assume that there is no such Event of Default. Nonetheless, the Trustee may in its sole discretion take notice of an Event of Default without specific notification thereof. In such case, the Trustee shall proceed as if it had received such specific notification.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken hereunder except for its own negligence or willful misconduct; except that

(i) this Section will not be construed to limit the effect of the second sentence of Section 12.1(a); the Trustee shall be obligated to take only such actions as are specifically set forth herein or as are specifically required to be taken by the Trustee when requested in writing from time to time in accordance with this Indenture by the City or by the Owners of not less than the aggregate principal amount of Outstanding Obligations specified herein with respect to the action in question (subject to the restrictions set forth in Section 7.3); and

(ii) in the absence of bad faith on the part of the Trustee, the Trustee may rely, without any independent investigation or inquiry, as to the truth of the statements and to the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the procedural requirements of this Indenture; but in the case of any such certificate or opinion which by any provision is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the procedural requirements of this Indenture; and

(iii) the Trustee shall not be liable for any error of judgment made in good faith by the Trustee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and

(iv) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the written direction of the Owners of not less than a majority in aggregate principal amount of the Obligations Outstanding (or such lesser amount as may be specified herein) or otherwise in accordance with the express provisions of this Indenture.

No provision of this Indenture or any Supplemental Indenture shall require the Trustee to risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 12.2. Trustee May Rely upon Certain Documents and Opinions. (a) Subject to Section 12.1(c)(ii), the Trustee may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Any request, direction, election, order, certification or demand of the City shall be sufficiently evidenced by an instrument signed by an Authorized Officer (unless specifically prescribed otherwise in this Indenture), and any resolution or Indenture of the City may be evidenced to the Trustee by a certified resolution or Indenture.

(c) The Trustee may, in its sole discretion and at the expense of the City, consult with its counsel (either in-house or outside), counsel to the City (unless the City is in default hereunder) or Bond Counsel, and the legal advice or opinion of such counsel or Bond Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by

the Trustee hereunder in good faith and in accordance with such legal advice or opinion of counsel or Bond Counsel.

(d) Subject to Section 12.1(a) regarding the Trustee's obligations during the continuance of an Event of Default, whenever, in the administration of the trust created by this Indenture, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof is specifically prescribed herein) may, in the absence of bad faith on the part of the Trustee, be deemed to be proved and established by a certificate of an Authorized Representative; and, in the absence of bad faith on the part of the Trustee, such certificate shall constitute full authority for any action taken, suffered or omitted by the Trustee under the provisions of this Indenture in reliance thereon.

(e) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any money which shall be released or withdrawn in accordance with the provisions hereof.

(f) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, accountants, agents or receivers and may, in all cases, pay, and be reimbursed for, the reasonable fees and expenses thereof. The Trustee shall not be responsible for the conduct of such attorneys, accountants, agents or receivers it appointed with due care.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Owners of the Obligations pursuant to this Indenture, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

Section 12.3. Trustee Reliance on Electronic Means. The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture or a Supplement Indenture and delivered using Electronic Means; provided, however, that the City shall provide to the Trustee an incumbency certificate listing officers with the City to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions

conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" for purposes of this section shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

Section 12.4. Trustee Not Responsible for Indenture Statements, Validity. The Trustee shall not be responsible for any recital or statement in this Indenture, any Supplemental Indenture, the Obligations, a Credit Agreement or a Credit Agreement Obligation or any official statement or other disclosure document prepared or distributed in connection with the Obligations or for the validity of the execution by the City of this Indenture, any Supplemental Indenture or the Obligations, or for the validity of the execution of any other or supplemental instrument by the City, or for the validity or sufficiency of the security for the Obligations issued hereunder or intended to be secured hereby, or for the value of or title to the security for the Obligations and Credit Agreement Obligations pledged hereunder or for the creditworthiness of the City or any Credit Provider. Except as otherwise expressly provided herein, the Trustee shall have no duty to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or in a Supplemental Indenture, or as to the existence of an Event of Default hereunder or thereunder, but the Trustee may require of the City full information and advice as to the performance of such covenants, conditions and agreements set forth herein and in a Supplemental Indenture, a Federal Tax Certificate or a Credit Agreement.

The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the City or the Tenant of the Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from this Indenture for the existence, furnishing or use of the Rangers Ballpark.

Section 12.5. Limits on Duties and Liabilities of Trustee. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as an obligation or duty of the Trustee. The Trustee shall not be required to give any bond or surety in respect of the execution of its trusts and powers hereunder or otherwise in respect of the premises.

Nothing contained herein or in the Obligations shall be construed to impose any duties upon the Trustee beyond those expressly contained in this Indenture or in a Supplemental Indenture. All immunities, indemnities and other provisions of this Indenture as related to the

duties and liabilities of the Trustee shall apply to the Obligations and to any Credit Agreement Obligations.

Section 12.6. Money Held in Trust. All money held by the Trustee hereunder is held in trust for the purposes set forth herein and shall be segregated and kept apart from other funds held by it in accordance with its general practices and procedures in effect from time to time.

Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Obligations. In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and, except as otherwise provided herein, all persons, including without limitation the Owners, the City and any Credit Provider, having any claim against the Trustee arising from this Indenture shall look for payment only from the funds and accounts held by the Trustee hereunder.

Section 12.7. Costs for Maintenance of Suit; Indemnification. (a) Other than to the extent described herein with respect to making the payments of Debt Service on the Obligations and the Credit Agreement Obligations and paying the Administrative Expenses when due from money held by the Trustee hereunder, and with respect to the redemption (other than optional redemption) of the Obligations, the Trustee shall be under no obligation to institute any suit, to take any proceeding under this Indenture, to enter any appearance in or in any way defend any suit in which it may be defendant, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be assured to its satisfaction that repayment of all costs and expenses, including the reasonable fees and disbursements of its in-house and outside counsel, will occur in a timely manner, and until adequate indemnity against all risk and liability is assured to its satisfaction. However, the Trustee may begin suit, or appear in and defend suit, or do anything else in its judgment proper to be done by it as such Trustee, without assurance of reimbursement or indemnity, and in such case the Trustee shall be reimbursed or indemnified by the Owners for all costs and expenses, liabilities, outlays and fees of its in-house and/or outside counsel and other reasonable disbursements properly incurred in connection therewith, unless such liability or disbursement is adjudicated to have resulted from the negligence or willful misconduct of the Trustee. If the Owners shall fail to make such reimbursement or indemnification, the Trustee may reimburse itself from any money in its possession under the provisions of this Indenture subject only to the prior lien of the Obligations for the payment of the principal thereof, premium, if any, and interest thereon, except as otherwise provided in Section 7.4.

(b) The City hereby covenants and agrees, to the extent permitted by Applicable Law and solely from the amounts held or required to be held hereunder, to indemnify the Trustee for any loss, liability, outlays and reasonable fees of its in-house and/or outside counsel, other reasonable disbursements, expenses or advances reasonably incurred or made, without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with its acceptance or administration of the trust or performance of its duties hereunder, and shall reimburse the Trustee for any amounts paid to the Trustee by the Owners pursuant to Section 12.6(a) which the Trustee has spent for the purposes of that Section and which the Trustee has subsequently been required to return to the Owners.

(c) All indemnifications and releases from liability granted to the Trustee hereunder shall extend to its directors, officers, employees, officials and agents.

Section 12.8. Intervention in Judicial Proceedings. In any judicial proceeding to which the City is a party and which, in the opinion of the Trustee in its sole discretion, has a substantial bearing on the interest of the Owners of the Obligations, the Trustee may intervene on behalf of the Owners, and must do so if requested in writing by the Owners of not less than a majority in aggregate principal amount of Outstanding Obligations upon written assurance from such Owners satisfactory to the Trustee of indemnity and reimbursement for costs and expenses, including reasonable fees and disbursements of its in-house and/or outside counsel, incurred in so intervening. The rights and obligations of the Trustee under this Section are subject to the approval of the court having jurisdiction in the premises.

Section 12.9. Reports of Activities. The Trustee shall keep and maintain accurate and complete records of fund balances, any investments thereof and all transactions involving any part of the assets held in trust hereunder by the Trustee pursuant to this Indenture and to furnish monthly reports thereof to the City, if requested. The City and its agents shall have the right to inspect all such records at all reasonable times during regular business hours and upon reasonable notice and to make such copies and extracts, at their expense, as they may desire.

Section 12.10. Compensation of Trustee. All advances, in-house and/or outside counsel fees and other expenses reasonably made or incurred by the Trustee or its agents, directors, officials, officers and employees in and about the execution of the trust hereby created; any and all reasonable compensation to the Trustee for its services in the premises; any and all claims, damages, demands, expenses, liabilities and taxes of any character or nature whatsoever (including but not limited to claims for loss or damage to any property or injury to or death of any person) asserted by or on behalf of any person arising out of, resulting from, or in any way connected with the Project or the real property and improvements thereon; and any and all costs and expenses (including reasonable fees and disbursements of its in-house and/or outside counsel, agents and other experts) incurred by or on behalf of the Trustee in defending any such claims, damages, demands, liabilities or claims for taxes of any character whatsoever (unless such claims, damages, demands or liabilities are adjudicated to have resulted from the negligence or willful misconduct of the Trustee), shall be paid by the City but solely from amounts on deposit or required to be deposited hereunder in accordance herewith. The compensation of the Trustee shall not be limited to or by any provision of law in regard to the compensation of trustees of an express trust. The Trustee shall have a lien against all money and other property or security held pursuant to this Indenture, with right of payment therefrom, subject only to the prior lien of the Obligations and the Credit Agreement Obligations for the payment of, in full and when due, the principal thereof, premium, if any, and interest thereon, but also subject to Section 7.4, for (1) the Trustee's reasonable compensation, expenses, advances and fees and disbursements of its in-house and/or outside counsel, incurred on and about the execution of the trusts created hereby and the exercise and performance of the powers and duties of the Trustee hereunder; and (2) any and all claims, damages, demands, expenses, liabilities and taxes incurred by the Trustee or its agents, directors, officials, officers and employees, and any and all costs and expenses incurred by or on behalf of the Trustee in defending against the same, of any character whatsoever (unless such damage or liability is adjudicated to have resulted from the negligence or willful misconduct of the Trustee).

Section 12.11. Trustee May Hold Obligations. The Trustee and its officers and directors may acquire and hold or become pledgees of Obligations and other obligations of the City and otherwise may deal with the City in the same manner and to the same extent and with like effect as though it were not Trustee hereunder, and may act as depository for and permit any of its officers and directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Owners, whether or not such committee represents the Owners of the majority in aggregate principal amount of the Obligations then Outstanding.

Section 12.12. Resignation of Trustee. The Trustee may resign and be discharged from the trusts created by this Indenture by giving to the City and to each Credit Provider at least 60 days' advance written notice. Such resignation shall take effect on the day specified in such notice, but the Trustee shall not be discharged from the trusts hereby created until a successor Trustee has been approved and appointed. Subsequent to such date, the Trustee shall have no further duties and obligations under this Indenture.

Section 12.13. Removal of Trustee. (a) The Trustee may be removed with thirty (30) days' prior notice, either with or without cause, with the consent of each Credit Provider, by the City (provided that an Event of Default has not occurred and is then continuing hereunder) or the Owners of a majority in aggregate principal amount of Outstanding Obligations, provided that all fees and expenses of the Trustee that are due and owing pursuant to Section 12.9 shall first be paid.

(b) Any removal of the Trustee pursuant to this Section shall be effected by delivery to the Trustee of a written instrument to that effect signed by an Authorized Representative.

(c) Such removal shall take effect on the day specified in such notice, but the Trustee shall not be discharged from the trusts hereby created until a successor Trustee has been approved and appointed. Subsequent to such date, the Trustee shall have no further duties and obligations under this Indenture.

Section 12.14. Appointment of Successor Trustee. (a) In case at any time the Trustee shall resign, be removed or otherwise become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver of the Trustee or of its property shall be appointed, or if a public supervisory office shall take charge or control of the Trustee or of its property or affairs, a vacancy shall forthwith and ipso facto be created in the office of such Trustee hereunder, and the City shall promptly appoint a successor trustee. Any such appointment shall be made by a written instrument executed by an Authorized Representative with the written consent of each Credit Provider. The City shall direct the successor Trustee to mail notice by first class mail, postage prepaid, at least once within 30 days of such appointment, to each Credit Provider, the Tenant and the Owners of all Outstanding Obligations at their addresses on the Obligation Register.

(b) If, in a proper case, no appointment of a successor Trustee shall be made pursuant to Section 12.13(a) within 60 days after the receipt by the City of the Trustee's notice of resignation given pursuant to Section 12.11 or of removal of the Trustee pursuant to Section 12.12, the retiring Trustee, at the expense of the City, or any Owner may apply to any court of competent jurisdiction to appoint a successor Trustee. The court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(c) There shall at all times be a Trustee hereunder which shall be an association or a corporation organized and doing business under the laws of the United States or any state thereof, authorized under such laws to exercise corporate trust powers. Any successor Trustee shall have a combined capital and surplus of at least \$50,000,000 and assets under trust of at least \$50,000,000, and be subject to supervision or examination by federal or state authority, or shall have been appointed by a court of competent jurisdiction pursuant to Section 12.13(b). If such association or corporation publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority referred to above, then for the purposes of this Section, the combined capital and surplus of such association or corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time any successor Trustee shall cease to be eligible in accordance with the provisions of this Section and another association or corporation is eligible, the Trustee shall resign immediately in the manner and with the effect specified in Section 12.12.

Section 12.15. Merger of Trustee. Any person into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor trustee hereunder and shall be vested with all of the title to the funds, accounts and assets held hereunder and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any person, anything herein to the contrary notwithstanding, but only if such resulting entity is entitled under state or federal law to exercise corporate trust powers.

Section 12.16. Transfer of Rights and Property to Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the City a written instrument accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with the rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request from an Authorized Representative execute and deliver a written instrument transferring to such successor all the funds, accounts and assets hereunder and the rights, powers, trusts, duties and obligations of such predecessor hereunder, and every predecessor trustee shall deliver all funds held by it as Trustee hereunder to its successor. Should any assignment, conveyance or written instrument from the City be required by any successor Trustee for more fully and certainly vesting in such successor Trustee the Trust Estate and rights, powers, trusts, duties and obligations hereby vested or intended to be vested in the predecessor Trustee, any and all such assignments, conveyances and written instruments shall, on request, be executed, acknowledged and delivered by the City. Each successor Trustee shall give, or cause the Paying Agent/Registrar to give, notice of its appointment to all Owners appearing on the Obligation Register as of the date of appointment and to each Credit Provider and to the Tenant. The City shall reimburse the predecessor Trustee for any expenses (including fees and disbursements of its in-house or outside counsel) incurred under this Section as an Administrative Expense.

Section 12.17. Survival of Rights. The Trustee's rights to immunity and protection from liability hereunder, its right to receive payment of its fees and expenses and its rights to

indemnification hereunder shall survive its removal or resignation and the final payment, defeasance or discharge of the Obligations and the termination of the lien of this Indenture.

Section 12.18. Appointment of a Co-Trustee. It is the intent of the City and the Trustee that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture, and, in particular, in case of the enforcement of any of them on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies granted herein to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint, with the consent of the City, an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, in the event of the incapacity or lack of authority of the Trustee, by reason of any present or future law of any jurisdiction, to exercise any of the rights, powers, trusts and remedies herein granted to the Trustee or to hold title to the funds, accounts and assets hereunder or to take any other action which may be necessary or desirable in connection therewith, each and every remedy, power, right, obligation, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be imposed upon, exercised by or vested in or conveyed to the Trustee with respect thereto shall be imposed upon, exercisable by and vested in such separate trustee or co-trustee, but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights, trusts and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either of them. Such separate trustee or co-trustee shall deliver an instrument in writing acknowledging and accepting its appointment hereunder to the City, the Trustee, each Credit Provider and the Tenant.

Should any instrument in writing from the City be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the City. If the City shall fail to deliver the same within 15 days of such request, the Trustee is hereby appointed attorney-in-fact for the City to execute, acknowledge and deliver such instruments in the City's name and stead. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

No trustee hereunder shall be personally liable by reason of any act or omission of any other trustee hereunder, nor will the act or omission of any trustee hereunder be imputed to any other trustee.

PRESENTED, PASSED AND APPROVED, AND EFFECTIVE on the _____ day of _____, 2017, by a vote of _____ ayes and _____ nays at a regular meeting of the City Council of the City of Arlington, Texas.

By: _____
W. JEFF WILLIAMS, Mayor

ATTEST:

MARY SUPINO, City Secretary

APPROVED AS TO FORM:
TERIS SOLIS, City Attorney

By: _____

Signature Page to Master Debt Indenture

TRUSTEE'S ACCEPTANCE OF TRUST AND DUTIES

The Trustee, acting by and through the below named duly authorized officer, hereby accepts the trusts imposed by this Indenture and agrees to perform the duties of Trustee hereunder, but only upon and subject to the express terms and conditions herein.

Dated: _____

_____, as Trustee

By: _____

Title: _____

EXHIBIT A

PAYMENT CERTIFICATE

No. _____

The undersigned (the "Tenant") hereby requests from the City of Arlington, Texas (the "City") authorization for payment or reimbursement, from the account or accounts identified below, of Project Costs or Incurred Financing Costs pursuant to the terms of the City of Arlington Venue Projects Master Indenture of Trust, dated on August 31, 2017 (the "Master Trust Indenture") by and between the City and Trustee (as defined in the Master Trust Indenture) in the total amount of \$ _____, all as more fully described in Attachment I hereto. In connection with this Payment Certificate, the undersigned hereby represents and warrants to the City as follows:

1. He (she) is a duly authorized officer of the Tenant qualified to execute this Payment Certificate for payment to or on behalf of the Tenant and is knowledgeable as to the matters set forth herein.

2. All of the Project Costs or Incurred Financing Costs for which payment or reimbursement is requested hereby are actual Project Costs or Incurred Financing Costs incurred. True and correct copies of each invoice received by the Tenant relating to any such Project Costs, identifying the payee, the goods, services and/or materials provided by such payee and the total amount due and owing (or to be reimbursed) for the identified Project Costs are set forth in Attachment I hereto, or documentation of paid Incurred Financing Costs is attached, as applicable. The items for which payment is requested have not been the subject of any prior payment request submitted to the City or, if previously requested, no disbursement was made with respect thereto.

3. In the case of any Project Cost covered by such Payment Certificate that was incurred in connection with services, goods or materials provided by the General Contractor or any other contractor, such Payment Certificate has been executed by the Architect or an independent engineer for the purpose of confirming that such services, goods or materials have been satisfactorily delivered or completed as the case may be;

4. All conditions set forth in the Ballpark Funding and Closing Agreement for the payment or reimbursement hereby requested have been satisfied, and the Tenant is in compliance with the terms and provisions of the Ballpark Funding and Closing Agreement.

5. Attached to Attachment I is a true and correct copy of a bills paid affidavit evidencing that any contractor or subcontractor having performed work on the Projects described in Attachment I has been paid in full for all work completed through the previous Payment Certificate.

6. All Project Costs submitted pursuant to this Payment Certificate do not include contract retentions (other than those that are due, or which have been released to subcontractors that have completed work early as allowed by [the GMP Contract]).

7. The payment or reimbursement requested hereunder in the amount of \$_____ should be transferred to the Disbursement Account from the [City Project Cost Account] [Excess Tax Revenue Account].

8. If this Payment Certificate is for the payment or reimbursement of Project Costs attributable to costs under a construction contract, attached hereto are the required releases by the General Contractor of materialman's and mechanic's liens for work for which payment or reimbursement is hereby requested.

9. If amounts requested in this Payment Certificate were incurred under contracts providing for the fees of the Tenant or its employees or agents, such amounts have been certified by an independent auditor and the costs and fees reflected in the invoices attached hereto in Attachment I are consistent with the terms of the written contract to which such costs were incurred.

RANGERS STADIUM COMPANY LLC,
a Delaware limited liability company

By: _____
Name: _____
Title: _____
Date: _____

Approved: City of Arlington

By: _____
Name: _____
Title: _____
Date: _____

Wiring Instructions for Disbursement Account:

APPENDIX D

FORM OF BOND COUNSEL'S OPINIONS

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[Form of Bond Counsel Opinion]

[Date]

\$266,080,000

CITY OF ARLINGTON, TEXAS
SENIOR LIEN SPECIAL TAX REVENUE BONDS
SERIES 2018A

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

CITY OF ARLINGTON, TEXAS SENIOR LIEN SPECIAL TAX REVENUE BONDS SERIES 2018A, dated March 1, 2018 in the principal amount of \$266,080,000.

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 City of Arlington Venue Projects Master Indenture of Trust (the "Master Indenture") and Second Supplemental Indenture (the "Second Supplemental Indenture") adopted by the City Council of the Issuer authorizing their issuance and the Pricing Certificate authorized therein (the Master Indenture, Second Supplemental Indenture and Pricing Certificate are referred to herein as the "Indenture").

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 Official Statement 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 solely from and are equally secured, together with certain other Additional Senior Lien Obligations and Credit Agreement Obligations of the Issuer, by a first lien on and pledge of the Pledged Special Taxes and the Pledged Senior Lien Obligation Accounts, and owners of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation except from these sources; 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 subject to the alternative minimum tax on individuals.

In providing such opinions, we have relied on representations of the Issuer, the Issuer's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Issuer, the Issuer's Financial Advisor and the Underwriters, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Indenture 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 Indenture, 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, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the U.S. 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, our 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 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 Issuer as the taxpayer. We observe that the Issuer has covenanted in the Indenture 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.

[Form of Bond Counsel Opinion]

[Date]

\$28,250,000

CITY OF ARLINGTON, TEXAS
SENIOR LIEN SPECIAL TAX REVENUE BONDS
TAXABLE SERIES 2018B

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

CITY OF ARLINGTON, TEXAS SENIOR LIEN SPECIAL TAX REVENUE BONDS, TAXABLE SERIES 2018B, dated March 1, 2018 in the principal amount of \$28,250,000.

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 City of Arlington Venue Projects Master Indenture of Trust (the "Master Indenture") and Third Supplemental Indenture (the "Third Supplemental Indenture") adopted by the City Council of the Issuer authorizing their issuance and the Pricing Certificate authorized therein (the Master Indenture, Third Supplemental Indenture and Pricing Certificate are referred to herein as the "Indenture").

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 Official Statement 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 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 solely from and are equally secured, together with certain other Additional Senior Lien Obligations and Credit Agreement Obligations of the Issuer, by a first lien on and pledge of the Pledged Special Taxes and the Pledged Senior Lien Obligation Accounts, and owners of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation except from these sources; 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.

We observe that the Issuer has taken no action to cause any interest on the Bonds to be excludable from gross income for the purposes of federal income taxation, and therefore it is assumed that income derived from a Bond by an Owner is subject to U.S. federal income taxation. We express no opinion as to this or any other federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of 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.

[Form of Bond Counsel Opinion]

[Date]

\$171,095,000

CITY OF ARLINGTON, TEXAS
SUBORDINATE LIEN SPECIAL TAX REVENUE BONDS
SERIES 2018C

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

CITY OF ARLINGTON, TEXAS SUBORDINATE LIEN SPECIAL TAX REVENUE BONDS SERIES 2018C, dated March 1, 2018 in the principal amount of \$171,095,000.

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 City of Arlington Venue Projects Master Indenture of Trust (the "Master Indenture") and Fourth Supplemental Indenture (the "Fourth Supplemental Indenture") adopted by the City Council of the Issuer authorizing their issuance and the Pricing Certificate authorized therein (the Master Indenture, Fourth Supplemental Indenture and Pricing Certificate are referred to herein as the "Indenture").

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 Official Statement 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 solely from and are equally secured, together with certain other Additional Subordinate Lien Obligations and Credit Agreement Obligations of the Issuer, by a junior and subordinate lien on and pledge of the Pledged Special Taxes and the Pledged Subordinate Lien Obligation Accounts, and owners of the Bonds shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation except from these sources; 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 subject to the alternative minimum tax on individuals.

In providing such opinions, we have relied on representations of the Issuer, the Issuer's Financial Advisor and the Underwriters with respect to matters solely within the knowledge of the Issuer, the Issuer's Financial Advisor and the Underwriters, respectively, which we have not independently verified, and have assumed continuing compliance with the covenants in the Indenture 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 Indenture, 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, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the U.S. 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, our 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 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 Issuer as the taxpayer. We observe that the Issuer has covenanted in the Indenture 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.

APPENDIX E

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY
FOR THE SERIES 2018A BONDS**

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

BONDS: \$ in aggregate principal amount of

Policy No: -N

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each owner of a Bond the full amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit a completed Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud, whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereon, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

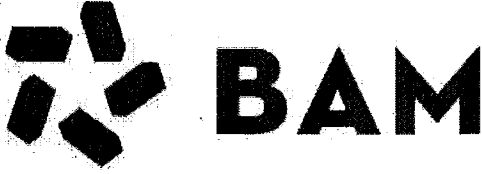
A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

APPENDIX F

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY
FOR THE SERIES 2018C BONDS**

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MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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INVESTMENT BANKERS



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