
ORDINANCE
No. _____

AUTHORIZING THE ISSUANCE OF

\$ _____
CITY OF MANSFIELD, TEXAS,
WATERWORKS AND SEWER SYSTEM
REVENUE BONDS
SERIES 2009

Dated: December 1, 2009

Adopted: December 14, 2009

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Ordinance No. _____

AN ORDINANCE OF THE CITY OF MANSFIELD, TEXAS, AUTHORIZING THE ISSUANCE AND SALE OF CITY OF MANSFIELD, TEXAS, WATERWORKS AND SEWER SYSTEM REVENUE BONDS, SERIES 2009, IN THE AGGREGATE PRINCIPAL AMOUNT OF \$_____; PROVIDING FOR THE SECURITY FOR AND PAYMENT OF SAID BONDS; APPROVING THE OFFICIAL STATEMENT; APPROVING AN ENGAGEMENT LETTER; APPROVING EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT; AND ENACTING OTHER PROVISIONS RELATING THERETO

WHEREAS, the City of Mansfield, Texas (the “City”), has previously issued its waterworks and sewer system revenue bonds payable from and secured by a first and superior lien on and pledge of the Pledged Revenues (as hereinafter defined) of the City’s combined waterworks and sewer system (the “System”); and

WHEREAS, in the respective ordinances authorizing such previously issued waterworks and sewer system revenue bonds, the City reserved the right and option to issue, under certain conditions, additional bonds on a parity as to lien and pledge with such bonds; and

WHEREAS, the City Council finds and determines that the bonds hereinafter authorized shall be issued pursuant to this Ordinance to provide funds to be used for constructing, acquiring and installing additions, improvements and extensions to the System which the City Council hereby determines to be necessary and economically feasible, and for paying the costs of issuing the Bonds, all in accordance with the Constitution and general laws of the State of Texas, particularly Chapter 1502, Texas Government Code, as amended; and

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

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

ARTICLE I

DEFINITIONS, FINDINGS AND INTERPRETATION

Section 1.01. Definitions. Unless otherwise expressly provided or unless the context clearly requires otherwise, in this Ordinance, the following terms shall have the meanings specified below:

“Additional Bonds” means additional parity revenue bonds permitted to be issued by Section 9.01.

“Applicable Law” means 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, credit agreement, operations and procedures are, or may be, governed or from which its powers may be derived.

“Bond” means any of the Bonds.

“Bonds” means the City’s bonds authorized to be issued by Section 3.01 of this Ordinance and designated as “City of Mansfield, Texas, Waterworks and Sewer System Revenue Bonds, Series 2009,” in the aggregate principal amount of \$_____.

“Bond Date” means the date designated as the date of the Bonds by Section 3.02(a).

“Capital Improvements Plan” means the City’s capital improvements plan that identifies water supply, treatment and distribution facilities and wastewater collection and treatment facilities constituting capital improvements or facility expansions for which impact fees may be assessed, adopted pursuant to Sections 17-87 and 17-88 in Article V of Chapter 17 of the Code of Ordinances of the City, as amended from time to time.

“City” means the City of Mansfield, Texas.

“Closing Date” means the date of the initial delivery of and payment for the Bonds.

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

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

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

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

“Fiscal Year” or “Year” means the fiscal year used by the City in connection with the operation of the System.

“Fund” or “Funds” means any fund established pursuant to this Ordinance or any ordinance authorizing the issuance of the Previously Issued Bonds and any Additional Bonds.

“Gross Revenues” means all revenues and income of every nature derived or received by the City from the operation and ownership of the System, including impact fees imposed by the City pursuant to Chapter 395, Local Government Code, and Article V of Chapter 17 of the Code

of Ordinances of the City, as amended from time to time, to finance capital improvements and facility expansions identified in the Capital Improvements Plan and the interest income from the investment or deposit of money in any special fund created by any of the respective ordinances authorizing the issuance of Previously Issued Bonds, the Bonds and any Additional Bonds.

“Initial Bond” means the initial Bond authorized by Section 3.04(d) of this Ordinance.

“Interest and Sinking Fund” means the interest and sinking fund previously established by the City and confirmed by Section 8.02.

“Interest Payment Date” means the date or dates upon which interest on the Bonds is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being February 1 and August 1 of each year, commencing August 1, 2010.

“Net Revenues” means all Gross Revenues after deducting therefrom an amount equal to the current expenses of operation and maintenance of the System, including all salaries, labor, materials, repairs, and extensions necessary to render efficient service, provided, however, that only such repairs and extensions, as in the judgment of the City Council, reasonably and fairly exercised by the adoption of appropriate resolutions, are necessary to keep the System in operation and render adequate service to the City and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair any obligations payable from the Net Revenues of the System, shall be deducted in determining “Net Revenues.” Payments required to be made by the City for water supply or water facilities, sewer services or sewer facilities, fuel supply, which payments under law constitute operation and maintenance expenses of any part of the System, shall constitute and be regarded as expenses of operation and maintenance of the System. Depreciation and amortization shall not constitute or be regarded as expenses of operation and maintenance of the System.

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

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

“Paying Agent/Registrar Agreement” means the Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar relating to the Bonds.

“Pledged Revenues” means (1) the Net Revenues, plus (2) resources which are expected to be available to the City on a regular periodic basis, including, without limitation, any grants, donations, or income received or to be received from the United States Government, or any other public or private source, whether pursuant to an agreement or otherwise, which in the future may, at the option of the City, be pledged to the payment of Previously Issued Bonds, the Bonds and any Additional Bonds.

“Previously Issued Bonds” means the outstanding and unpaid revenue bonds of the City designated as Waterworks and Sewer System Revenue Bonds, Series 2002, dated November 25,

2002; Waterworks and Sewer System Revenue Bonds, Series 2003, dated October 15, 2003; Waterworks and Sewer System Revenue Refunding Bonds, Series 2004, dated March 1, 2004; Waterworks and Sewer System Revenue Bonds, Series 2004A, dated November 1, 2004; Waterworks and Sewer System Revenue Refunding Bonds, Series 2005, dated July 1, 2005; Waterworks and Sewer System Revenue Refunding Bonds, Series 2007, dated December 1, 2006; and Waterworks and Sewer System Revenue Bonds, Series 2009, dated December 1, 2008.

“Prior Ordinances” means the respective ordinances that authorized the issuance of the Previously Issued Bonds.

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

“Register” means the Register specified in Section 3.06(a).

“Representation Letter” means the Blanket Letter of Representations between the City and DTC.

“Reserve Fund” means the “City of Mansfield Waterworks and Sewer Bonds Reserve Fund,” described in Section 8.03 of this Ordinance.

“Reserve Fund Surety Bond” means any surety bond or insurance policy having a rating in the highest respective rating categories by Moody’s Investors Service, Inc. and Standard & Poor’s Ratings Services, a Division of The McGraw-Hill Companies, Inc., issued to the City for the benefit of the Owners of the Bonds to satisfy any part of the Required Reserve as provided in Section 8.09(c) of this Ordinance.

“Special Record Date” means the Special Record Date as prescribed in Section 3.03(b).

“System” means (1) the City’s entire existing waterworks and sewer system, together with all future extensions, improvements, enlargements, and additions thereto, and all replacements thereof, and (2) any other related facilities, all or any part of the revenues or income from which, in the future, at the option of the City, in accordance with law, become “Pledged Revenues” as herein defined; provided that, notwithstanding the foregoing, and to the extent now or hereafter authorized or permitted by law, the term System shall not mean any water, sewer, or other facilities of any kind which are declared not to be a part of the System, and which are acquired or constructed by the City with the proceeds from the issuance of “Special Facilities Bonds,” which are hereby defined as being special revenue obligations of the City which are not payable from or secured by any Pledged Revenues, but which are secured by and payable from liens on and pledges of any other revenues, sources, or payments, including, but not limited to, special contract revenues or payments received from any other legal entity in connection with such facilities; and such revenues, sources, or payments shall not be considered as or constitute Gross Revenues of the System, unless and to the extent otherwise provided in the ordinance or ordinances authorizing the issuance of such “Special Facilities Bonds.”

“Unclaimed Payments” means money deposited with the Paying Agent/Registrar for the payment of principal of or interest on the Bonds as the same come due and payable and

remaining unclaimed by the Owners of such Bonds for 90 days after the applicable payment or redemption date.

Section 1.02. Other Definitions. The terms “City” and “City Council” shall have the meanings assigned to them in the preamble of this Ordinance.

Section 1.03. Findings. The declarations, determinations and findings declared, made and found in the preambles to this Ordinance are hereby adopted, restated and made a part of the operative provisions hereof.

Section 1.04. Table of Contents, Titles and Headings. The table of contents, titles and headings of the Articles and Sections of this Ordinance have been inserted for convenience of reference only and are not to be considered a part hereof and shall not in any way modify or restrict any of the terms or provisions hereof and shall never be considered or given any effect in construing this Ordinance or any provision hereof or in ascertaining intent, if any question of intent should arise.

Section 1.05. Interpretation. Unless the context requires otherwise, words of the masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa.

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

(b) Article and section references shall mean references to articles and sections of this Ordinance unless otherwise designated.

ARTICLE II

SECURITY FOR THE BONDS

Section 2.01. Pledge. The Bonds herein authorized are “Additional Bonds” described in the Prior Ordinances, and the payment of the principal of, premium, if any, and interest on the Previously Issued Bonds, the Bonds and any Additional Bonds shall be secured by and payable from a lien on and pledge of the Pledged Revenues, and the Pledged Revenues are further pledged to the establishment and maintenance of the Funds created by this Ordinance, and any Funds created by any ordinance authorizing the issuance of any Previously Issued Bonds and any Additional Bonds. The Previously Issued Bonds, the Bonds and any Additional Bonds are not and will not be secured by or payable from a mortgage or deed of trust on any real, personal, or mixed properties constituting the System.

Section 2.02. Bonds as Special Obligations. The Bonds are special obligations of the City payable solely from the Pledged Revenues, as described herein, and the Owners thereof shall never have the right to demand payment thereof out of any funds raised or to be raised by taxation.

ARTICLE III

AUTHORIZATION; GENERAL TERMS AND PROVISIONS REGARDING THE BONDS

Section 3.01. Authorization. The City’s bonds to be designated the “City of Mansfield, Texas, Waterworks and Sewer System Revenue Bonds, Series 2009,” are hereby authorized to be issued and delivered in accordance with the laws of the State of Texas, including particularly Chapter 1502, Texas Government Code, as amended, and Section 9.13 of the Charter of the City. The Bonds shall be issued in the aggregate principal amount of \$ _____, for the purpose of constructing, acquiring and installing improvements, additions and extensions to the System and paying the costs of issuing the Bonds.

Section 3.02. Date, Denomination, Maturities and Interest. (a) The Bonds shall be dated December 1, 2009, shall be in fully registered form, without coupons, in the denomination of \$5,000 or any integral multiple thereof and shall be numbered separately from one upward or such other designation acceptable to the City and the Paying Agent/Registrar, except the Initial Bond, which shall be numbered T-1.

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

Serial Bonds

<u>Year</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>	<u>Year</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>
2010			2020		
2011			2021		
2012			2022		
2013			2023		
2014			2024		
2015			2025		
2016			2026		
2017			2027		
2018			2028		
2019			2029		
			2030		

Term Bonds

<u>Year</u>	<u>Principal Amounts</u>	<u>Interest Rate</u>
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(c) Interest shall accrue and be paid on each Bond respectively until the principal of such Bond shall have been paid or provision for such payment shall have been made, from the later of the Bond Date or the most recent Interest Payment Date to which interest has been paid or provided for at the rate per annum for each respective maturity specified in the schedule

contained in subsection (b) above. Such interest shall be payable semiannually on February 1 and August 1 of each year, commencing August 1, 2010, computed on the basis of a 360-day year of twelve 30-day months.

Section 3.03. Medium, Method and Place of Payment. (a) The principal of, redemption premium, if any, and interest on the Bonds shall be paid in lawful money of the United States of America.

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

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

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

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

(f) Subject to Title 6 of the Texas Property Code, or similar law, Unclaimed Payments remaining unclaimed by the Owners entitled thereto for three years after the applicable payment or redemption date shall be deposited into the Interest and Sinking Fund and applied to the next payment on the Bonds thereafter coming due; to the extent any such moneys remain after the retirement of all outstanding Bonds, such moneys may be used by the City for any lawful purpose. Thereafter, neither the City, the Paying Agent/Registrar, nor any other person shall be liable or responsible to any Owners of such Bonds for any further payment of such unclaimed moneys or on account of any such Bonds, subject to Title 6 of the Texas Property Code, or similar law.

Section 3.04. Execution and Registration of Bonds. (a) The Bonds shall be executed on behalf of the City by the Mayor and City Secretary, by their manual or facsimile signatures, and the official seal of the City shall be impressed or placed in facsimile thereon. Such facsimile signatures on the Bonds shall have the same effect as if each of the Bonds had been signed manually and in person by each of said officers, and such facsimile seal on the Bonds shall have the same effect as if the official seal of the City had been manually impressed upon each of the Bonds.

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

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

(d) On the Closing Date, one Initial Bond representing the entire principal amount of all Bonds, payable in stated installments to the initial purchaser, or its designee, executed by the Mayor and the City Secretary by their manual or facsimile signature, approved by the Attorney General, and registered and manually signed by the Comptroller of Public Accounts, will be delivered to the Underwriter or its designee. Upon payment for the Initial Bond, the Paying Agent/Registrar shall cancel the Initial Bond and deliver registered definitive Bonds, in accordance with Section 3.10 hereof.

Section 3.05. Ownership. (a) The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute Owner of such Bond for the purpose of making and receiving payment of the principal thereof and redemption premium, if any, thereon, for the further purpose of making and receiving payment of the interest thereon (subject to the provisions that interest is to be paid to the person in whose name the Bond is registered on the Record Date), and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the contrary.

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

Section 3.06. Registration, Transfer and Exchange. (a) So long as any Bond remains outstanding, the City shall cause the Paying Agent/Registrar to keep at the Designated Payment/Transfer Office a Register in which, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with this Ordinance.

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

(c) The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any denomination or denominations of any integral multiple of \$5,000 and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds exchanged for other Bonds in accordance with this Section.

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

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

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

Section 3.07. Cancellation. All Bonds paid or redeemed before scheduled maturity in accordance with this Ordinance and all Bonds in lieu of which exchange Bonds or replacement Bonds are authenticated and delivered in accordance with this Ordinance shall be cancelled upon the making of proper records regarding such payment, redemption, exchange or replacement. The Paying Agent/Registrar shall dispose of cancelled Bonds in accordance with the Securities Exchange Act of 1934.

Section 3.08. Temporary Bonds. (a) Following the delivery and registration of the Initial Bond and pending the preparation of definitive Bonds, the proper officers of the City may execute and, upon the City's request, the Paying Agent/Registrar shall authenticate and deliver, one or more temporary Bonds that are printed, lithographed, typewritten, mimeographed or otherwise produced, in any denomination, substantially of the tenor of the definitive Bonds in

lieu of which they are delivered, without coupons, and with such appropriate insertions, omissions, substitutions and other variations as the officers of the City executing such temporary Bonds may determine, as evidenced by their signing of such temporary Bonds.

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

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

Section 3.09. Replacement Bonds. (a) Upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like tenor and principal amount, bearing a number not contemporaneously outstanding. The City or the Paying Agent/Registrar may require the Owner of such Bond to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection therewith and any other expenses connected therewith.

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

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

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

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

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

(c) After the delivery of such replacement Bond, if a bona fide purchaser of the original Bond in lieu of which such replacement Bond was issued presents for payment such original Bond, the City and the Paying Agent/Registrar shall be entitled to recover such replacement Bond from the person to whom it was delivered or any person taking therefrom,

except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the City or the Paying Agent/Registrar in connection therewith.

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

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

Section 3.10. Book-Entry Only System. (a) The definitive Bonds shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof with the ownership of each such Bond registered in the name of Cede & Co., as nominee of DTC, and except as provided in Section 3.11 hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/ Registrar shall have no responsibility or obligation to any DTC Participant or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown on the Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Register of any amount with respect to principal of, premium, if any, or interest on the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Register as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on the Bonds, for the purpose of all matters with respect to such Bond, for the purpose of registering transfer with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Register as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Register, shall receive a Bond certificate evidencing the obligation of the City to make payments of amounts due pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks or drafts being mailed to the registered Owner at the close of business on the Record Date, the word "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(c) The Representation Letter previously executed and delivered by the City, and applicable to the City's obligations delivered in book-entry-only form to DTC as securities depository for said obligations, is hereby ratified and approved for the Bonds.

Section 3.11. Successor Securities Depository; Transfer Outside Book-Entry Only System. In the event that the City or the Paying Agent/Registrar determines that DTC is incapable of discharging its responsibilities described herein and in the Representation Letter, and that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, or in the event DTC discontinues the services described herein, the City or the Paying Agent/Registrar shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts, as identified by DTC. In such event, the Bonds shall no longer be restricted to being registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

Section 3.12. Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bonds are registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bonds, and all notices with respect to such Bonds, shall be made and given, respectively, in the manner provided in the Representation Letter.

ARTICLE IV

REDEMPTION OF BONDS BEFORE MATURITY

Section 4.01. Limitation on Redemption. The Bonds shall be subject to redemption before scheduled maturity only as provided in this Article IV.

Section 4.02. Optional Redemption. (a) The City reserves the option to redeem Bonds maturing on and after August 1, 2020, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof before their respective scheduled maturity dates, on August 1, 2019, or on any date thereafter, such redemption date or dates to be fixed by the City, at a redemption price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption.

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

Section 4.03. Mandatory Sinking Fund Redemption.

(a) The Bonds stated to mature on August 1, _____ ("Term Bonds"), are subject to scheduled mandatory redemption and will be redeemed by the City, in part at a price equal to the

principal amount thereof, without premium, plus accrued interest to the redemption date, out of moneys available for such purpose in the Interest and Sinking Fund, on the dates and in the respective principal amounts as set forth in the following schedule:

<u>Term Bonds Maturing August 1, 20_____</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, _____	
August 1, _____	
August 1, _____	
August 1, _____ (maturity)	

(b) At least forty-five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided in Section 4.5.

(c) The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to subparagraph (a) of this Section 4.3 shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation.

Section 4.04. Partial Redemption. (a) If less than all of the Bonds are to be redeemed pursuant to Section 4.02, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity or maturities and in such principal amounts for redemption.

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

(c) Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar, in accordance with Section 3.06 of this Ordinance, shall authenticate and deliver an exchange Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered, such exchange being without charge, notwithstanding any provision of Section 3.06 to the contrary.

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

Section 4.05. Notice of Redemption to Owners. (a) The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by first class United States mail, postage prepaid, not less than 30 days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown in the Register at the close of business on the business day next preceding the date of mailing of such notice.

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

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

Section 4.06. Payment Upon Redemption. (a) Before or on each redemption date, the City shall deposit with the Paying Agent/Registrar money sufficient to pay all amounts due on the redemption date and the Paying Agent/Registrar shall make provision for the payment of the Bonds to be redeemed on such date by setting aside and holding in trust an amount from the Interest and Sinking Fund or otherwise received by the Paying Agent/Registrar from the City and shall use such funds solely for the purpose of paying the principal of, redemption premium, if any, and accrued interest on the Bonds being redeemed.

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

Section 4.07. Effect of Redemption. (a) Notice of redemption having been given as provided in Section 4.05 of this Ordinance, the Bonds or portions thereof called for redemption shall become due and payable on the date fixed for redemption and, unless the City defaults in the payment of the principal thereof, redemption premium, if any, or accrued interest thereon, such Bonds or portions thereof shall cease to bear interest from and after the date fixed for redemption, whether or not such Bonds are presented and surrendered for payment on such date.

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

Section 4.08. Conditional Notice of Redemption. The City reserves the right, in the case of an optional redemption pursuant to Section 4.02 herein, to give notice of its election or direction to redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date, or (ii) that the City retains the right to rescind such notice at any time on or prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice and such notice and redemption shall be of no effect if such moneys and/or authorized securities are not so

deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an Event of Default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an Event of Default.

ARTICLE V

PAYING AGENT/REGISTRAR

Section 5.01. Appointment of Initial Paying Agent/Registrar. Bank of Texas, N.A., is hereby appointed as the initial Paying Agent/Registrar for the Bonds.

Section 5.02. Qualifications. Each Paying Agent/Registrar shall be a commercial bank, a trust company organized under the laws of the State of Texas, 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 Bonds.

Section 5.03. Maintaining Paying Agent/Registrar. (a) At all times while any Bonds are outstanding, the City will maintain a Paying Agent/Registrar that is qualified under Section 5.02 of this Ordinance. The Mayor is hereby authorized and directed to execute an agreement with the Paying Agent/Registrar specifying the duties and responsibilities of the City and the Paying Agent/Registrar. The signature of the Mayor shall be attested by the City Secretary.

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

Section 5.04. Termination. The City, upon not less than 60 days notice, reserves the right to terminate the appointment of any Paying Agent/Registrar by delivering to the entity whose appointment is to be terminated written notice of such termination, 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 Bonds.

Section 5.05. Notice of Change. Promptly upon each change in the entity serving as Paying Agent/Registrar, the City will cause notice of the change to be sent to each Owner by first class United States mail, postage prepaid, at the address in the Register, stating the effective date of the change and the name and mailing address of the replacement Paying Agent/Registrar.

Section 5.06. Agreement to Perform Duties and Functions. By accepting the appointment as Paying Agent/Registrar, and executing the Paying Agent/Registrar Agreement, the Paying Agent/Registrar is deemed to have agreed to the provisions of this Ordinance and that it will perform the duties and functions of Paying Agent/Registrar prescribed thereby.

Section 5.07. Delivery of Records to Successor. If a Paying Agent/Registrar is replaced, such Paying Agent, promptly upon the appointment of the successor, will deliver the Register (or

a copy thereof) and all other pertinent books and records relating to the Bonds to the successor Paying Agent/Registrar.

ARTICLE VI

FORM OF THE BONDS

Section 6.01. Form Generally. (a) The Bonds, including the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the Certificate of the Paying Agent/Registrar and the Assignment form to appear on each of the Bonds, (i) shall be substantially in the form set forth in this Article with such appropriate insertions, omissions, substitutions and other variations as are permitted or required by this Ordinance, and (ii) may have such letters, numbers or other marks of identification (including identifying numbers and letters of the Committee on Uniform Securities Identification Procedures of the American Bankers Association) and such legends and endorsements (including any reproduction of an opinion of counsel) thereon as, consistently herewith, may be determined by the City or by the officers executing such Bonds, as evidenced by their execution thereof.

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

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

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

Section 6.02. Form of the Bonds. The form of the Bonds, including the form of the Registration Certificate of the Comptroller of Public Accounts of the State of Texas, the form of Certificate of the Paying Agent/Registrar and the form of Assignment appearing on the Bonds shall be substantially as follows:

(a) Form of Bonds.

REGISTERED
No. _____

REGISTERED
\$ _____

United States of America
State of Texas

CITY OF MANSFIELD, TEXAS
WATERWORKS AND SEWER SYSTEM
REVENUE BOND
SERIES 2009

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>BOND DATE</u>	<u>CUSIP NUMBER</u>
_____%	August 1, ____	December 1, 2009	_____

The City of Mansfield (the "City"), in the Counties of Tarrant, Johnson and Ellis, State of Texas, for value received, hereby promises to pay to

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

_____ DOLLARS

unless this Bond shall have been sooner called for redemption and the payment of the principal hereof shall have been paid or provided for, and to pay interest on such principal amount from the later of the Bond Date specified above or the most recent interest payment date to which interest has been paid or provided for until such principal amount shall have been paid or provision for such payment shall have been made, at the per annum rate of interest specified above, computed on the basis of a 360-day year of twelve 30-day months, such interest to be paid semiannually on February 1 and August 1 of each year, commencing August 1, 2010.

The principal of this Bond shall be payable without exchange or collection charges in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate trust office in Houston, Texas, of Bank of Texas, N.A., as initial Paying Agent/Registrar (the "Designated Payment/Transfer Office"), or, with respect to a successor paying agent/registrar, at the Designated Payment/Transfer Office of such successor. Interest on this Bond is payable by check dated as of the interest payment date, mailed on or before such interest payment date, by first class United States mail, postage prepaid, by the Paying Agent/Registrar to the registered owner at the address shown on the registration books kept by the Paying Agent/Registrar, or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the person to whom interest is to be paid; provided, however, that such person shall bear all risk and expenses of such customary banking arrangement. For the purpose of the payment of interest on this Bond, the registered owner shall be the person in whose name this Bond is registered at the close of business on the "Record Date," which shall be the fifteenth day of the month next preceding such interest payment date. However, in the event

that interest is not paid on a scheduled payment date and remains unpaid 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 (which date shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each registered owner of a Bond appearing on the books of the Paying Agent/Registrar at the close of business on the last business day preceding the date of mailing of such notice.

If the date for the payment of the principal of or interest on this Bond shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the Designated Payment/Transfer Office is located are required or authorized by law or executive order to close, the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which banking institutions are required or authorized to close and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

This Bond is one of the series of fully registered bonds specified in its title issued in the aggregate principal amount of \$_____ (herein referred to as the "Bonds") issued pursuant to an ordinance adopted by the governing body of the City (the "Ordinance"), for the purpose of constructing, acquiring and installing improvements, extensions and additions to the City's combined waterworks and sewer system and for paying the costs of issuing the Bonds.

The Bonds constitute special obligations of the City and, together with outstanding parity revenue bonds and any additional parity revenue bonds which the City has reserved the right to issue, are payable solely from and equally secured by a first lien on and pledge of the Pledged Revenues (as defined in the Ordinance) of the City's combined waterworks and sewer system (the "System"). The Bonds do not constitute a legal or equitable pledge, charge, lien or encumbrance upon any property of the City or the System, except with respect to the Pledged Revenues.

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

The City expressly reserves the right to issue additional revenue obligations in all things on a parity with the Bonds and the previously issued parity revenue bonds, payable solely from and equally secured by a lien on and pledge of the Pledged Revenues of the System; provided, however, that any and all such additional obligations may be so issued only in accordance with and subject to the covenants, conditions, limitations and restrictions relating thereto which are set out and contained in the Ordinance to which reference is hereby made for more complete and full particulars.

The City has reserved the option to redeem the Bonds maturing on or after August 1, 2020, in whole or in part, before their respective scheduled maturity dates, on August 1, 2019, or on any date thereafter, at a price equal to the principal amount of the Bonds so called for redemption plus accrued interest to the date fixed for redemption. If less than all of the Bonds

are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar to call by lot the Bonds, or portions thereof, within such maturity or maturities and in such principal amounts, for redemption.

The Bonds stated to mature on August 1, 20__ (“Term Bonds”), are subject to scheduled mandatory redemption and will be redeemed by the City, in part at a price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, out of moneys available for such purpose in the Interest and Sinking Fund, on the dates and in the respective principal amounts as set forth in the following schedule:

<u>Term Bonds Maturing August 1, 20__</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>
August 1, 20__	
August 1, 20__	
August 1, 20__	
August 1, 20__ (maturity)	

At least forty-five (45) days prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed and shall call such Term Bonds for redemption on such scheduled mandatory redemption date.

The principal amount of the Term Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced, at the option of the City, by the principal amount of any Term Certificates which, at least 45 days prior to the mandatory sinking fund redemption date shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation.

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

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

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

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

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

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

IT IS HEREBY CERTIFIED AND RECITED that the issuance of this Bond and the series of which it is a part is duly authorized by law; that all acts, conditions and things required to be done precedent to and in the issuance of the Bonds to render the same lawful and valid have been properly done and have happened in regular and due time, form and manner as required by law; that the Bonds do not exceed any constitutional or statutory limitation; and that provision has been made for the payment of the principal of and interest on the Bonds by irrevocably pledging the Pledged Revenues of the System, as hereinabove recited.

IN WITNESS WHEREOF, the City has caused this Bond to be duly executed under its official seal.

City Secretary, City of Mansfield, Texas

Mayor, City of Mansfield, Texas

(b) Form of Comptroller's Registration Certificate.

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

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

I hereby certify that there is on file and of record in my office a certificate to the effect that the Attorney General of the State of Texas has approved this Bond and that this Bond has this day been registered by me.

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

Comptroller of Public Accounts of the
State of Texas

[SEAL]

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

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

CERTIFICATE OF PAYING AGENT/REGISTRAR

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

BANK OF TEXAS, N.A.,
as Paying Agent/Registrar

Dated: _____

By: _____
Authorized Signatory

(d) Form of Assignment.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto (print or typewrite name, address and Zip Code of transferee): _____

(Social Security or other identifying number: _____) the within Bond and all rights hereunder and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration hereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed By:

Authorized Signatory

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

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

(i) immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall both be completed with the words "As Shown Below" and "CUSIP NO." shall be deleted;

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

Years Principal Installments Interest Rates

(Information to be inserted from schedule in Section 3.02 of this Ordinance)

(iii) the Initial Bond shall be numbered T-1.

Section 6.03. CUSIP Registration. The City may secure identification numbers through the CUSIP Service Bureau Division of Standard & Poor's Corporation, New York, New York, and may authorize the printing of such numbers on the face of the Bonds. It is expressly provided, however, that the presence or absence of CUSIP numbers on the Bonds shall be of no

significance or effect as regards the legality thereof and neither the City nor bond counsel to the City are to be held responsible for CUSIP numbers incorrectly printed on the Bonds.

Section 6.04. Legal Opinion. The approving legal opinion of Vinson & Elkins L.L.P., Bond Counsel, may be printed on each Bond over the certification of the City Secretary of the City, which may be executed in facsimile.

Section 6.05. Statement of Insurance. If municipal bond guaranty insurance is obtained with respect to the Bonds, the Bonds, including the Initial Bond, may bear an appropriate legend, as provided by the insurer. To the extent permitted by applicable law, the City will comply with all notice and other applicable requirements of the insurer in connection with the issuance of the Bonds, as such requirements may be in effect and transmitted to the City with the insurer's commitment to issue such insurance.

ARTICLE VII

SALE AND DELIVERY OF BONDS; DEPOSIT OF PROCEEDS

Section 7.01. Sale of Bonds, Official Statement, Engagement Letter. (a) The Bonds are hereby officially sold and awarded and shall be delivered to Southwest Securities, Inc. (the "Underwriter"), in accordance with the terms and provisions of that certain Bond Purchase Agreement relating to the Bonds between the City and the Underwriter and dated the date of the passage of this Ordinance. The form and content of such Bond Purchase Agreement are hereby approved, and the Mayor is hereby authorized and directed to execute and deliver, and the City Secretary is hereby authorized and directed to attest, such Bond Purchase Agreement. It is hereby officially found, determined and declared that the terms of this sale are the most advantageous reasonably obtainable. The Bonds shall initially be registered in the name of Southwest Securities, Inc. or its designee.

(b) The form and substance of the Preliminary Official Statement for the Bonds and any addenda, supplement or amendment thereto (the "Preliminary Official Statement") and the Official Statement (the "Official Statement") presented to and considered at this meeting, are hereby in all respects approved and adopted, and the Preliminary Official Statement is hereby deemed final as of its date (except for the omission of pricing and related information) within the meaning and for the purposes of paragraph (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended. The Mayor and the City Secretary are hereby authorized and directed to execute the official statement and deliver appropriate numbers of copies thereof to the Underwriters of the Bonds. The Official Statement as thus approved, executed and delivered, with such appropriate variations as shall be approved by the Mayor of the City and the Underwriters of the Bonds, may be used by the Underwriters in the public offering of the Bonds and sale thereof. The City Secretary of the City is hereby authorized and directed to include and maintain a copy of the Preliminary Official Statement and the Official Statement and any addenda, supplement or amendment thereto thus approved among the permanent records of this meeting. The use and distribution of the Preliminary Official Statement in the public offering of the Bonds is hereby ratified, approved and confirmed.

(c) All officers of the City are authorized to execute such documents, certificates and receipts, to make such elections pertaining to the tax-exempt status of the Bonds, and to take such actions as they may deem appropriate in order to consummate the delivery of the Bonds in accordance with the terms and provisions hereof.

(d) The obligation of the Underwriter to accept delivery of the Bonds is subject to the Underwriters being furnished with the final, approving opinion of Vinson & Elkins L.L.P., Bond Counsel for the City, which opinion shall be dated and delivered the Closing Date. The Mayor is hereby authorized and directed to execute the engagement letter with Vinson & Elkins L.L.P., setting forth such firm's duties as Bond Counsel for the City, and such engagement letter and the terms thereof in the form presented at this meeting is hereby approved and accepted.

Section 7.02. Control and Delivery of Bonds. (a) The Mayor of the City is hereby authorized to have control of the Initial Bond and all necessary records and proceedings pertaining thereto pending investigation, examination and approval of the Attorney General of the State of Texas, registration by the Comptroller of Public Accounts of the State of Texas, and registration with, and initial exchange or transfer by, the Paying Agent/Registrar. Further, in connection with the submission of the record of proceedings for the Bonds to the Attorney General of the State of Texas for examination and approval of such Bonds, the appropriate officer of the City is hereby authorized and directed to issue a check of the City payable to the Attorney General of the State of Texas as a nonrefundable examination fee in the amount required by Chapter 1202, Texas Government Code (such amount not to exceed \$9,500).

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

(c) In the event the Mayor or City Secretary is absent or otherwise unable to execute any document or take any action authorized herein, the Mayor Pro Tem and the Assistant City Secretary, respectively, shall be authorized to execute such documents and take such actions, and the performance of such duties by the Mayor Pro Tem and the Assistant City Secretary shall for the purposes of this Ordinance have the same force and effect as if such duties were performed by the Mayor and City Secretary, respectively.

Section 7.03. Deposit of Proceeds. (a) All amounts received on the Closing Date as accrued interest on the Bonds from the Bond Date to the Closing Date shall be deposited to the Interest and Sinking Fund.

(b) The remaining proceeds of the Bonds shall be deposited to a special construction fund of the City as directed by an authorized officer of the City, such moneys, including the investment earnings thereof, to be dedicated and used solely for extensions and improvements to the System and to pay the costs of issuing the Bonds.

(c) All amounts remaining in the construction fund after the completion of the project for which the Bonds were issued, including investment earnings of the construction fund, shall be deposited to the Interest and Sinking Fund.

ARTICLE VIII

FUNDS AND ACCOUNTS

Section 8.01. System Fund. There is hereby confirmed the establishment and maintenance on the books of the City, accounted for separate and apart from all other funds of the City, a special fund entitled “City of Mansfield Waterworks and Sewer System Fund” (the “System Fund”). All Gross Revenues shall be credited to the System Fund immediately upon receipt. All current expenses of operation and maintenance of the System shall be paid from such Gross Revenues credited to the System Fund as a first charge against same. Before making any deposits required to be made from the System Fund, the City shall retain in the System Fund at all times an amount at least equal to one-sixth of the amount budgeted for the then current fiscal year for the current operation and maintenance expenses of the System.

Section 8.02. Interest and Sinking Fund. For the sole purpose of paying the principal of and interest on the Previously Issued Bonds, the Bonds and any Additional Bonds, there is hereby confirmed the establishment on the books of the City, accounted for separate and apart from all other funds of the City, a separate fund entitled the “City of Mansfield Waterworks and Sewer System Revenue Bonds Interest and Sinking Fund” (the “Interest and Sinking Fund”).

Section 8.03. Reserve Fund. There is hereby confirmed the establishment at the City’s depository bank of a separate fund to be entitled the “City of Mansfield Waterworks and Sewer System Bonds Reserve Fund” (the “Reserve Fund”). The Reserve Fund shall be used to pay the principal of and interest on the Previously Issued Bonds, the Bonds and any Additional Bonds when and to the extent the amounts in the Interest and Sinking Fund available for such payment are insufficient for such purpose, and may be used for the purpose of finally retiring the last of the Previously Issued Bonds, the Bonds and any Additional Bonds. Following the discharge of the Previously Issued Bonds pursuant to Article XII hereof, money on deposit in the Reserve Fund may be applied to the acquisition of a Reserve Fund Surety Bond.

Section 8.04. Deposits of Pledged Revenues. Pledged Revenues shall be credited to or deposited in the Interest and Sinking Fund, the Reserve Fund and other Funds when and as required by this Ordinance and any ordinance authorizing the issuance of the Previously Issued Bonds and any Additional Bonds.

Section 8.05. Investments. Money in any Fund established pursuant to this Ordinance or any ordinance authorizing the issuance of the Previously Issued Bonds and any Additional Bonds, may, at the option of the City, be placed in time deposits or certificates of deposit secured by obligations of the type hereinafter described, or be invested in direct obligations of the United States of America or obligations guaranteed or insured by the United States of America, which, in the opinion of the Attorney General of the United States, are backed by its full faith and credit or represent its general obligations, or invested in obligations of instrumentalities of the United States of America, including, but not limited to, evidences of indebtedness issued, insured, or guaranteed by such governmental agencies as the Federal Land Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Federal Home Loan Banks, Government National Mortgage Association, United States Postal Service, Farmers Home Administration, Federal Home Loan Mortgage Association, Small Business Administration, Federal Housing

Association, or Participation Certificates in the Federal Assets Financing Trust; provided that any such investments are authorized investments for the funds of the City and shall be made in such manner as will, in the opinion of the City, permit the money required to be expended from any Fund to be available at the proper time or times as expected to be needed. Such investments (except United States Treasury Obligations--State and Local Government Series investments held in book entry form, which shall at all times be valued at cost) shall be valued in terms of current market value as of the last day of each fiscal year. Unless otherwise set forth herein, all interest and income derived from such deposits and investments immediately shall be credited to, and any losses debited to, the Fund from which the deposit or investment was made, and surpluses in any Fund shall or may be disposed of as hereinafter provided. Such investments shall be sold promptly when necessary to prevent any default in connection with the Previously Issued Bonds, the Bonds and any Additional Bonds consistent with the respective ordinances authorizing their issuance.

Section 8.06. Funds Secured. Money in all Funds created or confirmed by this Ordinance, to the extent not invested, shall be secured in the manner prescribed by law.

Section 8.07. Priority of Deposits and Payments from System Fund. The City shall make all deposits and payments from the Pledged Revenues in the System Fund when and as required by this Ordinance or ordinances authorizing the Previously Issued Bonds and any Additional Bonds and such deposits shall be made in the following manner and with the following irrevocable priorities, respectively:

- First, to the Interest and Sinking Fund, when and in the amounts required by this Ordinance, the ordinances authorizing the Previously Issued Bonds and any ordinance authorizing any Additional Bonds; and
- Second, to the Reserve Fund, when and in the amounts required by this Ordinance, the ordinances authorizing the Previously Issued Bonds and any ordinance authorizing any Additional Bonds.

Section 8.08. Interest and Sinking Fund Requirements. (a) All amounts representing accrued interest received from the sale and delivery of the Bonds shall be used to pay a portion of the interest next coming due on the Bonds.

(b) In addition to the amounts required by the ordinances authorizing the Previously Issued Bonds and any Additional Bonds, the City shall transfer from the Pledged Revenues and deposit to the credit of the Interest and Sinking Fund the amounts, at the times, as follows:

- (1) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter, commencing with the month during which the Bonds are delivered, or the month thereafter if delivery is made after the 25th day thereof, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay interest scheduled to accrue and come due on the Bonds on the next succeeding Interest Payment Date; and

(2) such amounts, deposited in approximately equal monthly installments on or before the 25th day of each month hereafter, commencing with the month during which the Bonds are delivered, or the month thereafter if delivery is made after the 25th day thereof, as will be sufficient, together with other amounts, if any, then on hand in the Interest and Sinking Fund and available for such purpose, to pay principal scheduled to mature and come due on the Bonds on the next succeeding principal payment date.

Section 8.09. Reserve Fund Requirements. (a) The City shall maintain in the Reserve Fund an amount of money and investments equal to the average annual principal and interest requirements of the Previously Issued Bonds, the Bonds and any Additional Bonds then outstanding (the "Required Reserve Amount"). After the delivery of any Additional Bonds, the City shall cause the Reserve Fund to be increased, if and to the extent necessary, so that such Fund will contain an amount of money and investments equal to the Required Reserve Amount. Any increase in the Required Reserve Amount may be funded from Pledged Revenues or from proceeds from the sale of any Additional Bonds, or any other available source or combination of sources. All or any part of the Required Reserve Amount not funded initially and immediately after the delivery of any installment or issue of Additional Bonds shall be funded, within not more than five years from the date of such delivery, by deposits of Pledged Revenues in approximately equal monthly installments on or before the 25th day of each month. Principal amounts of any Previously Issued Bonds and any Additional Bonds which must be redeemed pursuant to any applicable mandatory redemption requirements shall be deemed to be maturing amounts of principal for the purpose of calculating principal and interest requirements on such bonds. When and so long as the amount in the Reserve Fund is not less than the Required Reserve Amount no deposits shall be made to the credit of the Reserve Fund; but when and if the Reserve Fund at any time contains less than the Required Reserve Amount, then the City shall transfer from Pledged Revenues in the System Fund, and deposit to the credit of the Reserve Fund, monthly on or before the 25th day of each month, a sum equal to 1/60th of the Required Reserve Amount, until the Reserve Fund is restored to the Required Reserve Amount. The City specifically covenants that when and so long as the Reserve Fund contains the Required Reserve Amount, the City shall cause all interest and income derived from the deposit or investment of the Reserve Fund to be deposited to the credit of the System Fund; provided, that interest and income from moneys representing bond proceeds deposited to the Reserve Fund shall only be used for the same purposes for which such bonds were authorized.

(b) On or before the 25th day of each month, commencing the month following initial delivery of the Bonds, the City shall deposit Pledged Revenues in approximately equal monthly installments sufficient to fund, within five years from the Closing Date, the increase, if any, in the Required Reserve Amount resulting from the issuance of the Bonds.

(c) Following the discharge of the Previously Issued Bonds issued prior to January 1, 1999 pursuant to Article XII hereof, the Reserve Fund may be funded in the amount of the Required Reserve by the deposit of a Reserve Fund Surety Bond sufficient to provide such portion of the Required Reserve. Following such discharge, the City further expressly reserves the right to substitute at any time a Reserve Fund Surety Bond for any funded amounts in the Reserve Fund and to apply the funds thereby released, to the greatest extent permitted by law, to any of the purposes for which the related parity revenue bonds were issued or to pay debt service on the parity revenue bonds. The City shall not employ any Reserve Fund Surety Bond unless (i)

the City officially finds that the purchase of such Reserve Fund Surety Bond is cost effective, (ii) the Reserve Fund Surety Bond does not impose upon the City repayment obligations (in the event the Reserve Fund Surety Bond is drawn upon) greater than can be funded from Pledged Revenues on a parity with the deposits that are otherwise required to be made to the Reserve Fund, and (iii) that any interest due in connection with such repayment obligations does not exceed the highest lawful rate of interest which may be paid by the City at the time of delivery of the Reserve Fund Surety Bond.

Section 8.10. Deficiencies; Excess Pledged Revenues. (a) If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Interest and Sinking Fund or the Reserve Fund, such deficiency shall be made up as soon as possible from the next available Pledged Revenues.

(b) Subject to making the required deposits to the credit of the various Funds when and as required by this Ordinance or any ordinance authorizing the issuance of Previously Issued Bonds or any Additional Bonds, any surplus Pledged Revenues may be used by the City for any lawful purpose.

ARTICLE IX

ADDITIONAL BONDS

Section 9.01. Additional Bonds. The City shall have the right and power at any time and from time to time, and in one or more series or issues, to authorize, issue, and deliver additional parity revenue bonds (herein called "Additional Bonds"), in accordance with law, in any amounts, for any lawful purpose, including the refunding of any Previously Issued Bonds, the Bonds, Additional Bonds, or other obligations. Such Additional Bonds, if and when authorized, issued, and delivered in accordance with this Ordinance, shall be payable from and secured by a lien on and pledge of the Pledged Revenues, equally and ratably on a parity in all respects with the Bonds and any outstanding Previously Issued Bonds or Additional Bonds; provided that, Additional Bonds shall be issued only in accordance with this Ordinance and the ordinances authorizing the issuance of the Previously Issued Bonds, and no installment, series, or issue of Additional Bonds shall be issued or delivered unless:

(a) The principal of all Additional Bonds must be scheduled to be paid or mature on February 1 or August 1 (or both) of the years in which such principal is scheduled to be paid or mature.

(b) The Mayor of the City and the City Secretary of the City sign a written certificate to the effect that the City is not in default as to any covenant, condition, or obligation in connection with all then outstanding Previously Issued Bonds, the Bonds, and any Additional Bonds, and the ordinances authorizing same, and that Interest and Sinking Funds and Reserve Funds created by the ordinances authorizing such Previously Issued Bonds, the Bonds, and any Additional Bonds, contain the amounts then required to be therein.

(c) An independent certified public accountant, or independent firm of certified public accountants, acting by and through a certified public accountant, signs a written certificate

to the effect that, in his or her or its opinion, during either the next preceding fiscal year, or any twelve consecutive calendar month period out of the 18-month period immediately preceding the month in which the ordinance authorizing the issuance of the then proposed Additional Bonds is passed, the Pledged Revenues were at least 1.25 times an amount equal to the average annual principal and interest requirements and 1.10 times the maximum annual principal and interest requirements of all Previously Issued Bonds, the Bonds and any Additional Bonds which are scheduled to be outstanding after the delivery of the then proposed Additional Bonds. It is specifically provided, however, that in calculating the amount of Pledged Revenues for the purposes of this subsection (b), if there has been any increase in the rates or charges for services of the System which is then in effect, but which was not in effect during all or any part of the entire period for which the Pledged Revenues are being calculated (hereinafter referred to as the "entire period") then the certified public accountant, or in lieu of the certified public accountant, a firm of consulting engineers, shall determine and certify the amount of Pledged Revenues as being the total of (i) the actual Pledged Revenues for the entire period, plus (ii) a sum equal to the aggregate amount by which the actual billings to customers of the System during the entire period would have been increased if such increased rates or charges had been in effect during the entire period.

(d) Provision shall be made in the ordinance authorizing the issuance of such Additional Bonds for increasing the Reserve Fund to the Required Reserve Amount as required by Section 8.09 hereof with proceeds of the Additional Bonds, or other available source or combination of sources including Pledged Revenues, or both.

(e) All calculations of average annual principal and interest requirements of any bonds or obligations made in connection with the issuance of any then proposed Additional Bonds shall be made as of the date of such Additional Bonds; and also in making calculations for such purpose, and for any other purpose under this Ordinance, principal amounts of any bonds or obligations which must be redeemed prior to maturity pursuant to any applicable mandatory redemption requirements shall be deemed to be maturing amounts of principal of such bonds or obligations.

ARTICLE X

REPRESENTATIONS AND COVENANTS

Section 10.01. Payment of Bonds and Additional Bonds. Semiannually, on or before each January 25 and July 25 while any of the Previously Issued Bonds, the Bonds and any Additional Bonds are outstanding and unpaid, the City shall make available to the Paying Agent/Registrar therefor, out of the Interest and Sinking Fund, or if necessary, out of the Reserve Fund, money sufficient to pay, on each of such dates, the principal of and interest on the Previously Issued Bonds, the Bonds and any Additional Bonds as the same mature and come due, or to redeem the Previously Issued Bonds, the Bonds and any Additional Bonds prior to maturity, either upon mandatory redemption or at the option of the City. At the direction of the City, the Paying Agent/Registrar shall either deliver cancelled paid Previously Issued Bonds, Bonds and any Additional Bonds to the City or furnish the City with an appropriate certificate of cancellation.

Section 10.02. Rates. The City covenants and agrees with the holders of all the Previously Issued Bonds, the Bonds and any Additional Bonds, if any, as follows:

(a) that it will at all times fix, maintain, charge, and collect for services rendered by the System, rates and charges which will produce Gross Revenues, at least sufficient to pay all expenses of operation and maintenance of the System and to provide an additional amount of Net Revenues to pay promptly all of the principal of and interest on all Previously Issued Bonds, the Bonds and any Additional Bonds, and to make all deposits now or hereafter required to be made into the special funds created by this Ordinance or the ordinance or ordinances authorizing the issuance of Previously Issued Bonds, the Bonds or Additional Bonds, with such amounts being at least equal to 1.1 times the annual principal and interest requirements of all outstanding Previously Issued Bonds, the Bonds and any Additional Bonds; and

(b) that, if the System should become legally liable for any other obligations or indebtedness, the City shall fix, maintain, charge and collect additional rates and charges for services rendered by the System sufficient to establish and maintain funds for the payment thereof.

Section 10.03. General Covenants. The City further covenants and agrees that in accordance with and to the extent required or permitted by law:

(a) Performance. It will faithfully perform at all times any and all covenants, undertakings, stipulations, and provisions contained in this Ordinance, and each ordinance authorizing the issuance of the Previously Issued Bonds and Additional Bonds, and in each and every Previously Issued Bond, Bond and Additional Bond; that it will promptly pay or cause to be paid the principal of and interest on every Previously Issued Bond, Bond and Additional Bond, on the dates and in the places and manner prescribed in such ordinances, Previously Issued Bonds, Bonds and Additional Bonds; and that it will promptly pay or cause to be paid the principal of and interest on every Previously Issued Bond, Bond and Additional Bond, on the dates and in the manner prescribed in such ordinances and Previously Issued Bonds, Bonds and Additional Bonds; and that it will, at the times and in the manner prescribed, deposit or cause to be deposited the amounts required to be deposited into the Interest and Sinking Fund and the Reserve Fund; and any holder of the Previously Issued Bonds, the Bonds or Additional Bonds may require the City, its officials, and employees, to carry out, respect, or enforce the covenants and obligations of this Ordinance, or any ordinance authorizing the issuance of Additional Bonds or Previously Issued Bonds, by all legal and equitable means, including specifically, but without limitation, the use and filing of mandamus proceedings, in any court of competent jurisdiction, against the City, its officials, and employees.

(b) Legal Authority. The City is a duly created and existing home rule city of the State of Texas, and is duly authorized under the laws of the State of Texas to create and issue the Previously Issued Bonds, the Bonds and any Additional Bonds; that all action on its part for the creation and issuance of the said obligations has been or will be duly and effectively taken; and said obligations in the hands of the holders and owners thereof are and will be valid and enforceable special obligations of the City in accordance with their terms.

(c) Title. The City has or will obtain lawful title to the lands, buildings, structures, and facilities constituting the System, and the City warrants that it will defend the title to all the aforesaid lands, buildings, structures, and facilities, and every part thereof, for the benefit of the holders and owners of the Previously Issued Bonds, the Bonds and Additional Bonds, against the claims and demands of all persons whomsoever, and it is lawfully qualified to pledge the Pledged Revenues to the payment of the Previously Issued Bonds, the Bonds and any Additional Bonds in the manner prescribed herein, and has lawfully exercised such rights.

(d) Liens. The City will from time to time and before the same become delinquent pay and discharge all taxes, assessments, and governmental charges, if any, which shall be lawfully imposed upon it, or the System; it will pay all lawful claims for rents, royalties, labor, materials, and supplies which if unpaid might by law become a lien or charge thereon, the lien of which would be prior to or interfere with the liens hereof, so that the priority of the liens granted hereunder shall be fully preserved in the manner provided herein; and it will not create or suffer to be created any mechanic's, laborer's, materialman's, or other lien or charge which might or could be prior to the liens hereof, or do or suffer any matter or thing whereby the liens hereof might or could be impaired; provided, however, no such tax, assessment, or charge, and no such claims which might be used as the basis of a mechanic's, laborer's, materialman's, or other lien or charge, shall be required to be paid so long as the validity of the same shall be contested in good faith by the City.

(e) Operation of System; No Free Service. While the Previously Issued Bonds, the Bonds or any Additional Bonds are outstanding and unpaid, the City shall continuously and efficiently operate the System, and shall maintain the System, or cause the System to be operated and maintained in good condition, repair, and working order, all at reasonable cost. No free service of the System shall be allowed, and should the City or any of its agencies, instrumentalities, lessors, or concessionaires make use or the services and facilities of the System, payment monthly of the standard retail price of the services provided shall be made by the City or any of its agencies, instrumentalities, lessors, or concessionaires out of funds from sources other than the revenues of the System, unless made from surplus Pledged Revenues as permitted by Section 8.10(b) hereof.

(f) Further Encumbrance. While the Previously Issued Bonds, the Bonds or any Additional Bonds are outstanding and unpaid, the City shall not additionally encumber the Pledged Revenues in any manner, except as permitted in this Ordinance in connection with Additional Bonds, unless said encumbrance is made junior and subordinate in all respects to the liens, pledges, covenants, and agreements of this Ordinance and any ordinance authorizing the issuance of Previously Issued Bonds and any Additional Bonds; but the right of the City to issue revenue bonds payable from a subordinate lien on surplus Pledged Revenues is specifically recognized and retained.

(g) Sale or Disposal of Property. While any Previously Issued Bonds, Bonds or Additional Bonds are outstanding and unpaid, the City shall not sell, convey, mortgage, encumber, lease, or in any manner transfer title to, or dedicate to other use, or otherwise dispose of, the System, (except as permitted in paragraph (f) hereof) or any significant or substantial part thereof; provided that whenever the City deems it necessary to dispose of any property, machinery, fixtures, or equipment, or dedicate such property to other use, it may do so either

when it has made arrangements to replace the same or provide substitutes therefor, or it is determined by resolution of the City Council that no such replacement or substitute is necessary.

(h) Insurance.

(1) The City shall cause to be insured such parts of the System as would usually be insured by corporations operating like properties, with a responsible insurance company or companies, against risks, accidents, or casualties against which and to the extent insurance is usually carried by corporations operating like properties, including, to the extent reasonably obtainable, fire and extended coverage insurance, insurance against damage by floods, and use and occupancy insurance. Public liability and property damage insurance also shall be carried unless the City Attorney gives a written opinion to the effect that the City is not liable for claims which would be protected by such insurance. All insurance premiums shall be paid as an expense of operation of the System. At any time while any contractor engaged in construction work shall be fully responsible therefor, the City shall not be required to carry insurance on the work being constructed if the contractor is required to carry appropriate insurance. All such policies shall be open to the inspection of the registered owners of the Bonds and their representatives at all reasonable times. Upon the happening of any loss or damage covered by insurance from one or more of said causes, the City shall make due proof of loss and shall do all things necessary or desirable to cause the insuring companies to make payment in full directly to the City. The proceeds of insurance covering such property, together with any other funds necessary and available for such purpose, shall be used forthwith by the City for repairing the property damaged or replacing the property destroyed; provided, however, that if said insurance proceeds and other funds are insufficient for such purpose, then said insurance proceeds pertaining to the System shall be deposited in a special and separate trust fund, at an official depository of the City, to be designated the "Insurance Account." The Insurance Account shall be held until such time as other funds become available which, together with the Insurance Account, will be sufficient to make the repairs or replacements originally required.

(2) The annual audit hereinafter required may contain a section commenting on whether or not the City has complied with the requirements of this Section with respect to the maintenance of insurance, and shall state whether or not all insurance premiums upon the insurance policies to which reference is made have been paid.

(i) Annual Budget. The City shall prepare, prior to the beginning of each fiscal year, an annual budget, in accordance with law, reflecting an estimate of cash receipts and disbursements for the ensuing fiscal year in sufficient detail to indicate the probable Gross Revenues and Pledged Revenues for such fiscal year.

(j) Records. The City shall keep proper books of record and account in which full, true, proper, and correct entries will be made of all dealings, activities, and transactions relating to the System, the Pledged Revenues, and the Funds created pursuant to this Ordinance, and all books, documents, and vouchers relating thereto shall at all reasonable times be made available for inspection upon request of any Owner or citizen of the City. To the extent consistent with the provisions of this Ordinance, the City shall keep its books and records in a manner conforming to

standard accounting practices as usually would be followed by private corporations owning and operating a similar System, with appropriate recognition being given to essential differences between municipal and corporate accounting practices.

(k) Audits. After the close of each fiscal year while any of the Previously Issued Bonds, the Bonds or Additional Bonds are outstanding, an audit will be made of the books and accounts relating to the System and the Pledged Revenues by an independent certified public accountant or an independent firm of certified public accountants. As soon as practicable after the close of each such year, and when said audit has been completed and made available to the City, a copy of such audit for the preceding year shall be mailed to the Municipal Advisory Council of Texas, to each paying agent for any bonds payable from Pledged Revenues, to any registered owner of the Bonds who shall so request in writing, and to First Southwest Company. The annual audit reports shall be open to the inspection of the registered owners of the Previously Issued Bonds, the Bonds and any Additional Bonds, and their agents and representatives at all reasonable times.

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

(m) No Competition. The City will not operate, or grant any franchise or, to the extent it legally may, permit the acquisition, construction, or operation of, any facilities which would be in competition with the System, and to the extent that it legally may, the City will prohibit any such competing facilities.

(n) Impact Fees. None of the impact fees collected pursuant to Chapter 395, Local Government Code, and Article V of Chapter 17 of the Code of Ordinances of the City, as amended from time to time, and pledged herein to the payment of the Previously Issued Bonds, the Bonds and any Additional Bonds will be used or expended for an improvement or expansion not identified in the Capital Improvements Plan. This subsection shall constitute the certification required by Section 395.012(d), Local Government Code.

Section 10.04. Provisions Concerning Federal Income Tax Exclusion. The City intends that the interest on the Bonds shall be excludable from gross income for purposes of federal income taxation pursuant to sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Income Tax Regulations promulgated thereunder (the "Regulations"). The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that if taken or omitted, respectively, would cause the interest on the Bonds to be includable in gross income, as defined in section 61 of the Code, of the holders thereof for purposes of federal income taxation. In particular, the City covenants and agrees to comply with each requirement of this Article X; provided, however, that the City shall not be required to comply with any particular requirement of this Article X if the City has received an opinion of nationally recognized bond counsel ("Counsel's Opinion") that such noncompliance will not adversely affect the exclusion from gross income for federal income tax

purposes of interest on the Bonds or if the City has received a Counsel's Opinion to the effect that compliance with some other requirement set forth in this Article X will satisfy the applicable requirements of the Code and the Regulations, in which case compliance with such other requirement specified in such Counsel's Opinion shall constitute compliance with the corresponding requirement specified in this Article X.

Section 10.05. No Private Use or Payment and No Private Loan Financing. The City shall certify, through an authorized officer, employee or agent, that, based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "private activity bonds" within the meaning of section 141 of the Code and the Regulations. The City covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate the use of property financed, directly or indirectly, with such proceeds, and take such other and further action as may be required so that the bonds will not be "private activity bonds" within the meaning of section 141 of the Code and the Regulations.

Section 10.06. No Federal Guaranty. The City covenants and agrees not to take any action, or knowingly omit to take any action within its control, that, if taken or omitted, respectively, would cause the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code and the Regulations, except as permitted by section 149(b)(3) of the Code and the Regulations.

Section 10.07. Bonds are not Hedge Bonds. The City covenants and agrees not to take any action, or knowingly omit to take any action, and has not knowingly omitted and will not knowingly omit to take any action, within its control, that, if taken or omitted, respectively, would cause the Bonds to be "hedge bonds" within the meaning of section 149(g) of the Code and the Regulations.

Section 10.08. No-Arbitrage Covenant. The City shall certify, through an authorized officer, employee or agent that based upon all facts and estimates known or reasonably expected to be in existence on the date the Bonds are delivered, the City will reasonably expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of section 148(a) of the Code and Regulations. The City covenants and agrees that it will make such use of the proceeds of the Bonds, including interest or other investment income derived from Bond proceeds, regulate investment of proceeds of the Bonds, and take such other and further action as may be required so that the Bonds will not be "arbitrage bonds" within the meaning of section 148(a) of the Code and the Regulations.

Section 10.09. Arbitrage Rebate. If the City does not qualify for an exception to the requirements of Section 148(f) of the Code, the City will take all necessary steps to comply with the requirement that certain amounts earned by the City on the investment of the "gross proceeds" of the Bonds (within the meaning of section 148(f)(6)(B) of the Code), be rebated to the federal government. Specifically, the City will (i) maintain records regarding the investment of the gross proceeds of the Bonds as may be required to calculate the amount earned on the investment of the gross proceeds of the Bonds separately from records of amounts on deposit in the funds and accounts of the City allocable to other bond issues of the City or moneys which do

not represent gross proceeds of any bonds of the City, (ii) calculate at such times as are required by the Regulations, the amount earned from the investment of the gross proceeds of the Bonds which is required to be rebated to the federal government, and (iii) pay, not less often than every fifth anniversary date of the delivery of the Bonds or on such other dates as may be permitted under the Regulations, all amounts required to be rebated to the federal government. Further, the City will not indirectly pay any amount otherwise payable to the federal government pursuant to the foregoing requirements to any person other than the federal government by entering into any investment arrangement with respect to the gross proceeds of the Bonds that might result in a reduction in the amount required to be paid to the federal government because such arrangement results in a smaller profit or a larger loss than would have resulted if the arrangement had been at arm's length and had the yield on the issue not been relevant to either party.

Section 10.10. Information Reporting. The City covenants and agrees to file or cause to be filed with the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, an information statement concerning the Bonds, all under and in accordance with section 149(e) of the Code and the Regulations.

Section 10.11. Continuing Obligation. Notwithstanding any other provision of this Ordinance, the City's obligations under the covenants and provisions of this Article X shall survive the defeasance and discharge of the Bonds.

ARTICLE XI

DEFAULT AND REMEDIES

Section 11.01. Events of Default. Each of the following occurrences or events for the purpose of this Ordinance is hereby declared to be an Event of Default:

(i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable;

(ii) default in the performance or observance of any other covenant, agreement or obligation of the City, which default materially and adversely affects the rights of the Owners, including, but not limited to, their prospect or ability to be repaid in accordance with this Ordinance, and the continuation thereof for a period of 30 days after notice of such default is given by any Owner to the City; or

(iii) 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 of 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.

Section 11.02. Remedies for Default. (a) Upon the happening of any Event of Default and except as otherwise provided in Article XI, any Owner or an authorized representative

thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the City for the purpose of protecting and enforcing the rights of the Owners under this Ordinance, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Owners hereunder or any combination of such remedies.

(b) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Owners of Bonds then outstanding.

Section 11.03. Remedies Not Exclusive. (a) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Ordinance, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Ordinance.

(b) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(c) By accepting the delivery of a Bond authorized under this Ordinance, such Owner agrees that the certifications required to effectuate any covenants or representations contained in this Ordinance do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers or employees of the City or members of the City Council.

ARTICLE XII

DISCHARGE

Section 12.01. Discharge. The Bonds may be defeased, discharged or refunded in any manner permitted by applicable law.

ARTICLE XIII

CONTINUING DISCLOSURE UNDERTAKING

Section 13.01. Definitions of Continuing Disclosure Terms. As used in this Article, the following terms have the meanings assigned to such terms below:

“EMMA” means the Electronic Municipal Market Access system.

“MSRB” means the Municipal Securities Rulemaking Board.

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

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

Section 13.02. Annual Reports. (a) The City shall provide annually to the MSRB, within six (6) months after the end of each fiscal year ending in or after 2009, financial information and operating data with respect to the City of the general type included in the final Official Statement, being the information described in Exhibit A hereto. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in Exhibit A hereto, (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided, and (iii) submitted through EMMA, in an electronic format with accompanying identification, as prescribed by the MSRB. If the audit of such financial statements is not complete within such period, then the City shall provide notice that audited financial statements are not available and shall provide unaudited financial statements for the applicable fiscal year to the MSRB. Thereafter, when and if audited financial statements become available, the City shall provide such audited financial statements as required to the MSRB.

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

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

Section 13.03. Material Event Notices. (a) The City shall notify the MSRB, in a timely manner, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (i) principal and interest payment delinquencies;
- (ii) nonpayment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions or events affecting the tax exempt status of the Bonds;
- (vii) modifications to rights of Owners;
- (viii) bond calls;
- (ix) defeasances;

(x) release, substitution, or sale of property securing repayment of the Bonds;
and

(xi) rating changes.

(b) The City shall notify the MSRB, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with Section 14.02 of this Ordinance by the time required by such Section.

Section 13.04. Limitations, Disclaimers and Amendments. (a) The City shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the City remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with Article XII that causes Bonds no longer to be Outstanding.

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

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

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

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

(e) The provisions of this Article may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such

changed circumstances, and (2) either (a) the Owners of a majority in aggregate principal amount (or any greater amount required by any other provisions of this Ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Bonds. If the City so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with Section 13.02 an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

ARTICLE XIV

EFFECTIVE IMMEDIATELY

Section 14.01. Effectiveness. Notwithstanding the provisions of Article III, Section 3.13(c) of the City Charter, this Ordinance shall become effective immediately upon its adoption at this meeting pursuant to Section 1201.028, Texas Government Code.

APPROVED this _____ day of December, 2009.

Mayor, City of Mansfield, Texas

ATTEST:

City Secretary, City of Mansfield, Texas

APPROVED AS TO FORM AND LEGALITY:

City Attorney, City of Mansfield, Texas

Signature Page for Ordinance

EXHIBIT A

DESCRIPTION OF ANNUAL DISCLOSURE OF FINANCIAL INFORMATION

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

Annual Financial Statements and Operating Data

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

1. The audited financial statements of the City for the most recently concluded fiscal year.
2. Statistical and financial data set forth in Tables 1-12 in the Official Statement.

Accounting Principles

The accounting principles referred to in such Article are the accounting principles described in the notes to the financial statements set forth in Appendix B to the Official Statement.