

In late March, the QSCB program was modified by federal legislation that made the program more attractive to issuers and investors alike. VPSA is moving quickly to take advantage of this legislation and needs to go to the bond market the week of May 24. In order to meet this aggressive schedule, VPSA notified local issuers during the week of April 12 that each issuer must secure preliminary authorization by its respective governing bodies by May 14, with final authorization before the sale date of May 24. Because there is a public hearing requirement, and VPSA's request came after the public hearing advertisement deadlines, the County Board is being asked to take initial authorization action at its April 24 meeting and then subsequently conduct a public hearing and take final authorization action at its May 22 meeting. The School Board is scheduled to take action on this at its May 6 meeting.

BACKGROUND: ARRA includes several bond programs intended to spur state and local governments to invest in infrastructure. One of these programs is the QSCB program which authorizes tax credit bonds designed to bear no interest to help finance construction or rehabilitation of public school facilities. ARRA provided that QSCB bond authority be allocated to states who would in turn allocate to local issuers. The Commonwealth of Virginia received \$191 million in QSCB authority and ran a competitive allocation process this past fall open to all school systems state-wide. Selection criteria included annual energy savings, project payback period, shovel readiness and composite index.

County staff supported Schools staff in their application effort, and Arlington Public Schools received \$3,331,002 for energy efficiency improvements to the Career Center, including HVAC, solar, lighting and window upgrades.

As noted earlier, in late March, Congress passed amendments to the QSCB portion of ARRA that make the program more attractive to issuers and investors alike. (Previously the QSCB program provided a tax credit to investors; under the revised program, borrowers will directly receive an interest subsidy of up to 100%.)

The County has had previous success with other ARRA bond programs, including last summer's issuance of Build America Bonds (BABs) for Metro capital improvements and the acquisition of Buckingham Village 1 streets and parkland. Under the BABs program, the County receives a direct interest subsidy from the U.S. Treasury equivalent to 35%.

DISCUSSION: The primary terms of the QSCB financing are as follows:

Amount: APS' award totaled \$3.3 million; staff is asking for bond authority of approximately \$3.7 million, or 10% higher than the award, to accommodate the potential for investors bidding with a discount on the bonds.

Term: Not to exceed 17 years per U.S. Treasury regulations

Amortization Structure: Bullet maturity with minimum sinking fund requirements so that at least 10% of the principal is repaid over the first five years and at least 50% by the end of ten years. Sinking fund payments will be reinvested in accordance with U.S. Treasury requirements.

Subsidy: Structured so that localities would receive an interest subsidy of up to 100%. Subsidy payments would be made to the Commonwealth who would then pass them on to local issuers.

Other Requirements: Proceeds must be spent within three years of issuance. Projects financed with QSCB bonds are subject to Davis-Bacon wage rate requirements.

As noted above, VPSA's issuance schedule is extremely tight in light of the recent federal legislative changes and other school districts' immediate need for cash to proceed with their projects. The Arlington School Board is expected to act on this at its May 6 meeting.

FISCAL IMPACT: Issuance under the QSCB program is projected to save \$65,000 to \$80,000 annually, or \$1.4 million on a net present value basis. APS has budgeted sufficient debt service in its proposed FY 2011 budget for QSCB bonds and this issuance has been included in recent analysis of debt capacity.

**RESOLUTION AUTHORIZING THE ISSUANCE OF A NOT TO EXCEED
\$3,664,125 GENERAL OBLIGATION SCHOOL BOND, SERIES 2010,
OF THE COUNTY OF ARLINGTON, VIRGINIA, TO BE SOLD TO
THE VIRGINIA PUBLIC SCHOOL AUTHORITY
AND PROVIDING FOR THE FORM AND DETAILS THEREOF.**

WHEREAS, the County Board (the "Board") of the County of Arlington, Virginia (the "County"), has determined that it is necessary and expedient to borrow an amount not to exceed \$3,664,125 and to issue its general obligation school bond (as more specifically defined below, the "Local School Bond") for the purpose of financing certain capital projects for public school purposes, including the energy efficiency improvements and renovations, as well as renewable energy projects, at various public school buildings within the County (the "Projects"), and

WHEREAS, the County will hold a public hearing, duly noticed, on May 22, 2010, on the issuance of the Local School Bond in accordance with the requirements of Section 15.2-2606, Code of Virginia 1950, as amended (the "Virginia Code"); and

WHEREAS, the School Board of the County has, by resolution, requested the Board to authorize the issuance of the Local School Bond and consented to the issuance of the Local School Bond; and

WHEREAS, the Virginia Public School Authority ("VPSA") has offered to purchase the Local School Bond along with the local school bonds of certain other localities with a portion of the proceeds of certain bonds to be issued by VPSA in the spring of 2010 (the "VPSA Bonds"); and

WHEREAS, VPSA intends to issue the VPSA Bonds as "qualified school construction bonds" (referred to below as "QSCBs") within the meaning of Section 54F of the Internal Revenue Code of 1986, as amended (the "Tax Code"), which section was added to the Tax Code by the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 123 Stat. 355), enacted on February 17, 2009; and

WHEREAS, VPSA intends to elect to treat the VPSA Bonds as "specified tax credit bonds" under Section 6431 of the Tax Code, as amended by the Hiring Incentives to Restore Employment Act (Pub. L. No. 111-147, 123 Stat. 301), enacted on March 18, 2010, which status enables an issuer of a QSCB to receive a direct payment of a refundable credit in lieu of providing a tax credit to the purchaser or holder of the QSCB; and

WHEREAS, the refundable credit payable with respect to each interest payment date will be equal to the lesser of (i) the amount of interest payable under the QSCB on such date or (ii) the amount of interest which would have been payable on under the QSCB on such date if such interest were determined at the applicable credit rate determined under Section 54A(b)(3) of the Tax Code (that is, the rate used in computing the amount of tax credit that could be claimed by the QSCB holder absent the "specified tax credit bond" refundable credit election); and

WHEREAS, subject to the terms and conditions set forth or referred to below, VPSA will transfer to the County the allocable portion of the refundable credit received by VPSA with respect to the VPSA Bonds; and

WHEREAS, the allocation of QSCB volume cap pursuant to which VPSA will issue the VPSA Bonds was made by Executive Order 110 (2010) issued by the Governor of the Commonwealth of Virginia on January 13, 2010 (the "Executive Order"), to finance the Projects along with a number of other projects on the first priority waiting list or selected through a competitive evaluation process administered by the Virginia Department of Education and the Virginia Department of Mines, Minerals and Energy announced by letter of the Governor of the Commonwealth of Virginia dated October 14, 2009; and

WHEREAS, the Bond Sale Agreement (as defined below) shall indicate that \$3,331,022 is the amount of proceeds requested (the "Proceeds Requested") by the County from the VPSA in connection with the sale of the Local School Bond; and

WHEREAS, VPSA's objective is to pay the County a purchase price for the Local School Bond which, in VPSA's judgment, reflects the Local School Bond's market value (the "VPSA Purchase Price Objective"), taking consideration of such factors as the purchase price to be received by VPSA the VPSA Bonds, the underwriters' discount and the other issuance costs of the VPSA Bonds and other market conditions relating to the sale of the VPSA Bonds; and

WHEREAS, such factors may result in the Local School Bond having a purchase price other than par and consequently (i) the County may have to issue the Local School Bond in a principal amount that is greater than or less than the Proceeds Requested in order to receive an amount of proceeds that is substantially equal to the Proceeds Requested, or (ii) if the maximum authorized principal amount of the Local School Bond set forth in Section 1 of this Resolution does not exceed the Proceeds Requested by at least the amount of any discount, the purchase price to be paid to the County, given the VPSA Purchase Price Objective and market conditions, will be less than the Proceeds Requested.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNTY BOARD OF THE COUNTY OF ARLINGTON, VIRGINIA:

1. **Authorization of Local School Bond and Use of Proceeds**. The Board hereby determines that it is advisable to contract a debt and issue and sell its general obligation school bond in a principal amount not to exceed \$3,664,125 (the "Local School Bond") for the purpose of financing the Projects and the issuance costs of the Local School Bond. The Board hereby authorizes the issuance and sale of the Local School Bond in the form and upon the terms established pursuant to this Resolution and the Bond Sale Agreement.

2. **Sale of the Local School Bond**. It is determined to be in the best interest of the County to accept the offer of VPSA to purchase from the County, and to sell to VPSA, the Local School Bond at a price, determined by VPSA to be fair and accepted by the Chairman of the Board, the County Manager and the Director of the Department of Management and Finance, or any of them (the "Authorized Representatives"). Given the VPSA Purchase Price Objective and market conditions, it may become necessary to sell the Local School Bond in a principal amount greater than the Proceeds Requested. If the limitation on the maximum principal amount on the Local School Bond set forth in Section 1 of this Resolution restricts VPSA's ability to generate the Proceeds Requested, the Local School Bond may be sold for a purchase price of not lower than 90% of the Proceeds Requested. The Authorized Representatives and such other officer or

officers of the County as any of the Authorized Representatives may designate are hereby authorized and directed to enter into a Bond Sale Agreement with VPSA providing for the sale of the Local School Bond to VPSA. The agreement shall be in substantially the form submitted to the Board at this meeting, which form is hereby approved (the "Bond Sale Agreement").

3. **Details of the Local School Bond.** The Local School Bond shall be dated the date of its issuance and delivery; shall be designated "General Obligation School Bond, Series 2010;" shall bear interest from the date of delivery thereof payable quarterly or semi-annually on dates specified by VPSA (each, an "Interest Payment Date" at the rates established in accordance with Section 4 of this Resolution; and shall mature annually in the years (each a "Principal Payment Date") and in the amounts (the "Principal Installments") determined by the Authorized Representatives, subject to the provisions of Section 4 of this Resolution.

4. **Interest Rates and Principal Installments.** The Authorized Representatives are hereby authorized and directed to accept the interest rates on the Bonds established by VPSA, provided that each interest rate may be up to five one-hundredths of one percent (0.05%) over the interest rate to be paid by VPSA for the corresponding principal payment date of the VPSA Bonds, a portion of the proceeds of which will be used to purchase the Bonds, to the extent required by VPSA (the "Annual Administrative Fee"), and provided further that the true interest cost of the Bonds does not exceed seven and a half percent (7.50%) per annum. The Interest Payment Dates and the Principal Installments may be specified by VPSA. The Authorized Representatives are hereby authorized and directed to accept the final Interest Payment Dates and the Principal Installments at the request of VPSA based on the final term to maturity of the VPSA Bonds, requirements imposed on VPSA by the nationally-recognized rating agencies and the final principal amount of the Local School Bond; provided, however, that the principal amount of the Local School Bond shall not exceed the amount authorized by this Resolution and the final maturity of the Local School Bond shall be no later than the earlier of December 31, 2029 and the latest maturity date permitted under Section 54A of the Tax Code. The execution and delivery of the Local School Bond as described in Section 9 hereof shall conclusively evidence the final Principal Installments as having been accepted by the Authorized Representatives as authorized by this Resolution.

5. **Acknowledgement of Disclaimer.** The County acknowledges that the interest rate on the Local School Bond will be set at the level necessary to pay the interest on the allocable portion of the VPSA Bonds plus the Annual Administrative Fee, if any, and that the County will be obligated to pay interest on the Local School Bond at the stated taxable rate thereon regardless of the elimination or reduction of the refundable credit to be received by VPSA due to (i) any amendments by Congress to Sections 54A, 54F or 6431 or any other applicable sections of the Tax Code, (ii) any guidance or changes to guidance provided by the U.S. Department of Treasury or the Internal Revenue Service, or (iii) any action or omission by VPSA, the County or any other locality selling local school bonds to VPSA in connection with the VPSA Bonds that causes the VPSA Bonds to lose their status as QSCBs and/or specified tax credit bonds in whole or in part. It is also acknowledged that the County has the right to affect an extraordinary optional redemption of the Local School Bond in whole or in part upon the occurrence of any of these events as provided in the form of Local School Bond.

6. **Certain Investment Earnings.** The Board hereby acknowledges that VPSA will (i) issue the VPSA Bonds with multiple maturities or with a single "bullet" maturity, in either case, with a final maturity date on or shortly before the latest maturity date permitted for the VPSA Bonds under Section 54A of the Tax Code and (ii) invest the Principal Installments for the benefit of the County until they are applied to pay the principal of the VPSA Bonds and (iii) either remit the investment earnings periodically to the County or credit the investment earnings against the County's obligation to make Principal Installments, at the option of VPSA. The Board further acknowledges that VPSA may cause a portion of such earnings to be deposited into a reserve fund or account to be applied by VPSA for use to pay the costs, fees and expenses described in Section 14 below. Any balance in such reserve fund or account attributable to investment earnings on the County's Principal Installments as reasonably determined by VPSA will be remitted or credited to the County on the final maturity date of the VPSA Bonds.

7. **Form of the Local School Bond.** The Local School Bond shall be initially in the form of a single, temporary typewritten bond substantially in the form attached hereto as Exhibit A.

8. **Payment; Paying Agent and Bond Registrar.** The following provisions shall apply to the Local School Bond:

(a) For as long as VPSA is the registered owner of the Local School Bond, all payments of principal of and interest, if any, and premium, if any, on the Local School Bond shall be made in immediately available funds to, or at the direction of, VPSA at, or before 11:00 a.m. on the applicable Principal Payment Date or date fixed for prepayment or redemption, or if such date is not a business day for Virginia banks or for the Commonwealth of Virginia, then at or before 11:00 a.m. on the business day next succeeding such Principal Payment Date or date fixed for payment, prepayment or redemption.

(b) The Bond Registrar and Paying Agent for the Local School Bond shall be the banking institution selected by VPSA for such purposes.

9. **Prepayment or Redemption.** The Principal Installments of the Local School Bond may be subject to optional prepayment or redemption prior to their stated maturities as determined by VPSA. The Principal Installments of the Local School Bond will be subject to extraordinary mandatory redemption (i) if certain proceeds of the Local School Bond have not been spent within three years after the date of its issuance and delivery (which three year period may be extended by the U.S. Secretary of the Treasury or his delegate), (ii) due to a loss of "qualified tax credit bond" and "qualified school construction bond" status of the VPSA Bonds corresponding to the Local School Bond under Sections 54A and 54F of the Tax Code, and (iii) if due to (a) any amendments by Congress to Sections 54A, 54F or 6431 or any other applicable sections of the Tax Code or (b) any guidance or changes to guidance provided by the U.S. Department of Treasury or the Internal Revenue Service, there is a reduction or elimination of the direct payment of the refundable credit to be received by VPSA with respect to the VPSA Bonds. The Principal Installments of the Local School Board shall be redeemed at the redemption prices and upon the other terms set forth in the Local School Bond.

10. **Execution of the Local School Bond.** The Chairman or Vice Chairman and the Clerk or any Deputy Clerk of the Board are authorized and directed to execute and deliver the Local School Bond and to affix the seal of the County thereto.

11. **Pledge of Full Faith and Credit.** For the prompt payment of the principal of and interest, if any, and premium, if any, on the Local School Bond as the same shall become due, the full faith and credit of the County are hereby irrevocably pledged, and in each year while any of the Local School Bond shall be outstanding there shall be levied and collected in accordance with law an annual ad valorem tax upon all taxable property in the County subject to local taxation sufficient in amount to provide for the payment of the principal of and interest, if any, and premium, if any, on the Local School Bond as such principal and interest, if any, and premium, if any, shall become due, which tax shall be without limitation as to rate or amount and in addition to all other taxes authorized to be levied in the County to the extent other funds of the County are not lawfully available and appropriated for such purpose.

12. **Use of Proceeds Certificate and Tax Compliance Agreement.** The Authorized Representatives and such other officer or officers of the County as any of the Authorized Representatives may designate are hereby authorized and directed to execute and deliver on behalf of the County a Use of Proceeds Certificate and Tax Compliance Agreement (the "Tax Compliance Agreement") setting forth the expected use and investment of the proceeds of the Local School Bond and containing such covenants as may be necessary in order to show the compliance of the VPSA Bonds with the provisions of the Tax Code and applicable regulations relating to the qualification of the VPSA Bonds as "qualified tax credit bonds," "qualified school construction bonds" and "specified tax credit bonds" under Sections 54A, 54F and 6431 of the Tax Code. The Board covenants on behalf of the County that (i) the proceeds from the issuance and sale of the Local School Bond will be invested and expended as set forth in the Tax Compliance Agreement and that the County shall comply with the other covenants and representations contained therein and (ii) the County shall comply with the provisions of the Tax Code so that the VPSA Bonds will not lose their status as "qualified tax credit bonds," "qualified school construction bonds" and "specified tax credit bonds" under Sections 54A, 54F and 6431 of the Tax Code.

13. **State Non-Arbitrage Program; Proceeds Agreement.** The Board hereby determines that it is in the best interests of the County to authorize and direct the Director of the Department of Management and Finance of the County to participate in the State Non-Arbitrage Program in connection with the Local School Bond. The Authorized Representatives and such officer or officers of the County as any of the Authorized Representatives may designate are hereby authorized and directed to execute and deliver a Proceeds Agreement with respect to the deposit and investment of proceeds of the Local School Bond by and among the County, the other participants in the sale of the VPSA Bonds, VPSA, the investment manager and the depository, substantially in the form submitted to the Board at this meeting, which form is hereby approved.

14. **Continuing Disclosure Agreement.** The Authorized Representatives and such other officer or officers of the County as any of the Authorized Representatives may designate are hereby authorized and directed to execute a Continuing Disclosure Agreement, as set forth in Appendix F to the Bond Sale Agreement, setting forth the reports and notices to be filed by the

County and containing such covenants as may be necessary in order to show compliance with the provisions of the Securities and Exchange Commission Rule 15c2-12, under the Securities Exchange Act of 1934, as amended, and directed to make all filings required by Section 3 of the Bond Sale Agreement should the County be determined by the VPSA to be a MOP (as defined in the Continuing Disclosure Agreement).

15. **Fees, Costs and Expenses.** The County agrees to pay the following fees, costs and expenses incurred by VPSA in connection with its purchase and carrying of the Local School Bond within thirty days after receipt by the County Manager of a written bill therefor:

(A) The County's allocable share of the fees, costs and expenses of the trustee, paying agent and bond registrar under the indenture pursuant to which VPSA will issue the VPSA Bonds and the County's allocable share of any fees, costs and expenses payable to third parties in connection with such indenture or VPSA's School Tax Credit Bond Program, as determined by VPSA; and

(B) To the extent permitted by law, the reasonable fees, costs and expenses, including reasonable attorneys' fees, if any, incurred by VPSA in connection with any false representation or certification or covenant default by the County or any County or School Board official, employee, agent or contractor under the Local School Bond, the Continuing Disclosure Agreement, the Tax Compliance Agreement, the Proceeds Agreement and/or any document, certificate or instrument associated therewith (collectively, the "County Documents"), or in connection with any extraordinary mandatory redemption of the Local School Bond as described in Section 8 above and the corresponding VPSA Bonds, any amendment to or discretionary action that VPSA makes or undertakes at the request of the County under any of the County Documents or any other document related to the VPSA Bonds.

16. **Filing of Resolution.** The appropriate officers or agents of the County are hereby authorized and directed to cause a certified copy of this Resolution to be filed with the Circuit Court of the County.

17. **Election to Proceed under Public Finance Act.** In accordance with Section 15.2-2601 of the Virginia Code, the Board elects to issue the Local School Bond pursuant to the provisions of the Public Finance Act of 1991, Chapter 26 of Title 15.2 of the Virginia Code.

18. **Further Actions.** The members of the Board and all officers, employees and agents of the County are hereby authorized to take such action as they or any one of them may consider necessary or desirable in connection with the issuance and sale of the Local School Bond and any such action previously taken is hereby ratified and confirmed.

19. **Public Hearing.** The Local School Bond may not be issued pursuant to this resolution until such time as a public hearing has been held in accordance with the requirements of Section 15.2-2606 of the Virginia Code on the proposed issuance of the Local School Bond.

20. **Effective Date.** This Resolution shall take effect immediately.

EXHIBIT A

[FORM OF TEMPORARY BOND]

NO. TR-1

\$ _____

**UNITED STATES OF AMERICA
COMMONWEALTH OF VIRGINIA
COUNTY OF ARLINGTON
General Obligation School Bond
Series 2010**

The **COUNTY OF ARLINGTON, VIRGINIA** (the "County"), for value received, hereby acknowledges itself indebted and promises to pay to the **VIRGINIA PUBLIC SCHOOL AUTHORITY** ("VPSA") the principal amount of _____ DOLLARS (\$ _____), in annual installments in the amounts set forth on Schedule I attached hereto commencing on September 1, 20__ and continuing each September 1 thereafter to and including September 1, 20__ (each a "Principal Payment Date"), together with interest from the date of this Bond on the unpaid installments, payable [quarterly/semi-annually] on _____ and _____ of each year, commencing June 1, 2010 (each an "Interest Payment Date," and together with any Principal Payment Date, a "Payment Date"), at the rates per annum set forth on Schedule I attached hereto, subject to redemption as hereinafter provided. The principal of and interest, if any, and premium, if any, on this Bond are payable in lawful money of the United States of America.

For as long as VPSA is the registered owner of this Bond, _____, as bond registrar (the "Bond Registrar"), shall make all payments of the principal of and interest, if any, and premium, if any, on this Bond, without the presentation or surrender hereof, to or at the direction of VPSA, in immediately available funds at or before 11:00 a.m. on the applicable Payment Date or date fixed for redemption. If a Payment Date or date fixed for redemption is not a business day for banks in the Commonwealth of Virginia or for the Commonwealth of Virginia, then the payment of the principal of and interest, if any, and premium, if any, on this Bond shall be made in immediately available funds at or before 11:00 a.m. on the business day next succeeding the scheduled Payment Date or date fixed for payment or redemption. Upon receipt by the registered owner of this Bond of said payments, written acknowledgment of the receipt thereof shall be given promptly to the Bond Registrar, and the County shall be fully discharged of its obligation on this Bond to the extent of the payment so made. Upon final payment, this Bond shall be surrendered to the Bond Registrar for cancellation.

The full faith and credit of the County are irrevocably pledged for the payment of the principal of and interest, if any, and the premium, if any, on this Bond. The resolution adopted by the County Board of the County on _____, 2010 (the "Local Resolution"), authorizing the issuance of this Bond provides, and Section 15.2-2624, Code of Virginia 1950, as amended (the "Virginia Code"), requires, that there shall be levied and collected an annual tax upon all taxable property in the County subject to local taxation sufficient to provide for the payment of the principal of and interest, if any, and premium, if any, on this Bond as the same shall become due which tax shall be without limitation as to rate or amount and shall be in addition to all other

taxes authorized to be levied in the County to the extent other funds of the County are not lawfully available and appropriated for such purpose.

This Bond is duly authorized and issued in compliance with and pursuant to the Constitution and laws of the Commonwealth of Virginia, including the Public Finance Act of 1991, Chapter 26, Title 15.2, of the Virginia Code, and the Local Resolution and a resolution duly adopted by the School Board of the County to provide funds for capital projects for school purposes.

This Bond is registered in VPSA's name on the books of the County kept by the Bond Registrar, and the transfer of this Bond may be effected by the registered owner of this Bond only upon due execution of an assignment by such registered owner. Upon receipt of such assignment and the surrender of this Bond, the Bond Registrar shall exchange this Bond for a substitute Bond, and register such substitute Bond on such registration books in the name of the assignee or assignees named in such assignment.

[The principal installments of this Bond are not subject to optional prepayment or redemption prior to their stated maturities.]

Upon not less than 15 days' written notice from VPSA to the Bond Registrar, this Bond is subject to mandatory redemption in whole or in part in an amount to be specified by VPSA on a date to be fixed by VPSA in the event that, due to a failure by the County to cause 100% of the Available Project Proceeds to be expended by the end of the Expenditure Period for Qualified Purposes, VPSA must redeem a portion of its School Tax Credit Bonds (Direct Payment Qualified School Construction Bonds), Series 2010-1 (the "VPSA Bonds"), pursuant to Section 54A(d)(2)(B)(i) of the Internal Revenue Code of 1986, as amended (the "Tax Code"), and Section 3.1(b) of the Second Supplemental Trust Indenture dated as of June 1, 2010 (the "Second Supplemental Indenture"), between VPSA and U.S. Bank National Association, as trustee. The redemption price shall be equal to 100% of the principal amount of this Bond to be redeemed plus a premium equal to any outstanding fees, costs and expenses for which the County is or will become obligated to pay under Section 14 of the Local Resolution as determined by VPSA.

Upon not less than 15 days' written notice from VPSA to the Bond Registrar, this Bond is also subject to mandatory redemption in whole or in part in an amount to be specified by VPSA on a date to be fixed by VPSA if, due to a default by the County under the Use of Proceeds Certificate and Tax Compliance Agreement dated the dated date hereof (the "Tax Compliance Agreement"), between VPSA and the County, there occurs a Determination of Loss of QSCB Status (as defined in the Second Supplemental Indenture) with respect to all or any portion of the VPSA Bonds. The redemption price shall be equal to 100% of the principal amount to be redeemed plus a premium equal to the sum of (i) the redemption premium and other amounts VPSA will be obligated to pay in connection with the extraordinary mandatory redemption of the VPSA Bonds under Section 3.1(c) of the Second Supplemental Indenture and (ii) any outstanding fees, costs and expenses for which the County is or will become obligated to pay under Section 14 of the Local Resolution, all as determined by VPSA.

Upon not less than 15 days' written notice from VPSA to the Bond Registrar, this Bond is also subject to mandatory redemption in whole or in part, as determined by the County, on a date

to be fixed by VPSA if, due to (i) any amendments by Congress to Section 54A, 54F or 6431 or any other applicable sections of the Tax Code or (ii) any guidance or changes to guidance provided by the U.S. Department of Treasury or the Internal Revenue Service, there is a reduction or elimination of the refundable credit to be received by VPSA with respect to the VPSA Bonds. The redemption price shall be equal to (a) the redemption price VPSA will be obligated to pay in connection with the extraordinary mandatory redemption of the allocable portion of the VPSA Bonds under Section 3.1(d) of the Second Supplemental Indenture and (b) any outstanding fees, costs and expenses for which the County is or will become obligated to pay under Section 14 of the Local Resolution, all as determined by VPSA.

Unless otherwise defined, each of the capitalized terms used in the foregoing two paragraphs has the meaning given it in the Tax Compliance Agreement.

All acts, conditions and things required by the Constitution and laws of the Commonwealth of Virginia to happen, exist or be performed precedent to and in the issuance of this Bond have happened, exist and have been performed in due time, form and manner as so required, and this Bond, together with all other indebtedness of the County, is within every debt and other limit prescribed by the Constitution and laws of the Commonwealth of Virginia.

IN WITNESS WHEREOF, the County Board of the County of Arlington has caused this Bond to be issued in the name of the County of Arlington, Virginia, to be signed by its Chairman or Vice-Chairman, its seal to be affixed hereto and attested by the signature of its Clerk or any of its Deputy Clerks, and this Bond to be dated _____, 2010.

COUNTY OF _____,
VIRGINIA

Chairman, County Board of the
County of Arlington, Virginia

(SEAL)

ATTEST:

Clerk, County Board of the
County of Arlington, Virginia

ASSIGNMENT

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

(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OF ASSIGNEE)

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE: _____

the within Bond and irrevocably constitutes and appoints

_____ attorney to exchange said Bond for definitive bonds in lieu of which this Bond is issued and to register the transfer of such definitive bonds on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

Registered Owner

Signature Guaranteed:

(NOTICE: Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Bond Registrar which requirements will include Membership or participation in STAMP or such other "signature guarantee program" as may be determined by the Bond Registrar in addition to, or in substitution for, STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

(NOTICE: The signature above must correspond with the name of the Registered Owner as it appears on the front of this Bond in every particular, without alteration or change.)

SCHEDULE 1

AMORTIZATION SCHEDULE

CERTIFICATE OF THE CLERK
OF THE COUNTY BOARD OF
ARLINGTON COUNTY, VIRGINIA

At a regular meeting of the County Board of Arlington County, Virginia, held on the 24th day of April, 2010, the following County Board members were recorded as present:

PRESENT:

On motion by _____, seconded by _____, the foregoing Resolution was adopted by a majority of the members of the County Board by a roll call vote recorded as follows:

MEMBER

VOTE

Dated: _____, 2010

CLERK, ARLINGTON COUNTY BOARD