
Ordinance No. _____

AN ORDINANCE

AUTHORIZING THE ISSUANCE OF

“CITY OF LEAGUE CITY, TEXAS, GENERAL OBLIGATION

REFUNDING BONDS, SERIES 2016A”;

LEVYING AN AD VALOREM TAX;

APPROVING AN OFFICIAL STATEMENT,

AUTHORIZING THE EXECUTION

OF A BOND PURCHASE AGREEMENT, A TRANSFER AND

PAYING AGENCY AGREEMENT, AND AN ESCROW AGREEMENT;

AUTHORIZING OFFICIALS TO APPROVE THE AMOUNT,

CERTAIN OTHER MATTERS RELATING THERETO;

AND OTHER MATTERS IN CONNECTION THEREWITH.

CITY OF LEAGUE CITY, TEXAS

Adopted August 23, 2016

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AN ORDINANCE AUTHORIZING THE ISSUANCE OF “CITY OF LEAGUE CITY, TEXAS, GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016A”; LEVYING AN AD VALOREM TAX; APPROVING AN OFFICIAL STATEMENT, AUTHORIZING THE EXECUTION OF A BOND PURCHASE AGREEMENT, A TRANSFER AND PAYING AGENCY AGREEMENT, AND AN ESCROW AGREEMENT; AUTHORIZING OFFICIALS TO APPROVE THE AMOUNTS, INTEREST RATES, PRICES AND TERMS THEREOF; AND OTHER MATTERS IN CONNECTION THEREWITH.

RECITALS

1. The City of League City, Texas (the “*Issuer*”), a home-rule city, has duly issued the stated maturities of the obligations (the “*Refunded Obligations*”) described in this Ordinance.

2. The City Council of the Issuer (the “*Governing Body*”) has determined that refunding bonds should be issued in an amount sufficient to discharge and make final payment of the principal of and interest on all of the Refunded Obligations at their respective maturities in order to achieve a present value debt service savings and a gross debt service savings, to be established in the Officers’ Pricing Certificate described herein.

3. The Governing Body has determined that it is in the best interest of the Issuer to issue such refunding bonds.

4. The Issuer is empowered by Texas Government Code chapter 1207, as amended, and the Charter of the Issuer to issue the refunding bonds hereinafter authorized for such purposes.

4. A proposed form of Bond Purchase Agreement has been submitted to the Governing Body for purchase of the refunding bonds described herein.

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

ARTICLE ONE
THE BONDS

SECTION 1.1. *Authorization and Terms; Purpose.*

A. *Authorization, Designation, Principal Amount, Purpose.* General Obligation Refunding Bonds of the Issuer shall be and are hereby authorized to be issued in the aggregate principal amount not to exceed \$14,000,000 to be designated and bear the title “CITY OF LEAGUE CITY, TEXAS, GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016A”, for the purpose of providing funds to refund the Refunded Obligations, and to pay costs incurred in connection with the issuance of the Bonds, pursuant to and in conformity with the Constitution and laws of the State of Texas, including particularly, but not by way of limitation, Texas Government Code chapter 1207, as amended.

As authorized by Chapter 1207, Texas Government Code, as amended, the City Manager of the Issuer (and in the absence of the City Manager, the Deputy City Manager of the Issuer) is hereby authorized to act on behalf of the Issuer in selling and delivering the Bonds and carrying out the other procedures specified in this Ordinance, including any additional designation or title by which the Bonds shall be known, the price at which the Bonds will be sold, the date or dates on which the Bonds shall be sold, the form in which the Bonds shall be issued whether as current interest bonds, as compound interest bonds, or as a combination of current interest bonds and compound interest bonds, the years in which the Bonds will mature, the principal amount to mature in each of such years, the aggregate principal amount of the Bonds, the rate of interest to be borne by each such maturity, the first interest payment date or compounding date, as the case may be, the dates, prices, and terms, if any, upon and at which the Bonds shall be subject to redemption prior to maturity at the option of the Issuer, as well as any mandatory sinking fund redemption provisions, all other matters relating to the issuance, sale and mandatory sinking fund redemption provisions, designating an amount of up to \$1,000,000 of legally available funds of the Issuer to be used to refund the Refunded Obligations, and all other matters relating to the issuance, sale and delivery of the Bonds, including the refunding of the Refunded Obligations, all of which shall be specified in the Officers’ Pricing Certificate for the Bonds, provided that:

- (i) the price to be paid for the Bonds shall not be less than 90% of the aggregate original principal amount of the Bonds plus accrued interest, if any, thereon from their date to their delivery,
- (ii) none of the Bonds shall bear interest at an interest rate which results in an initial yield in excess of the maximum rate allowed by Chapter 1204, Texas Government Code, whichever is less, and
- (iii) the aggregate principal amount of the Bonds shall equal an amount sufficient to provide for the refunding of the Refunded Obligations, which will result in a minimum dollar reduction in aggregate debt service costs to the Issuer on a present value basis of not less than 4.0% based on bond market conditions

and available interest rates for the Bonds on the date of the sale of the Bonds, all as set forth in the Officers' Pricing Certificate.

If the condition set forth above cannot be met, the Bonds may not be issued.

The delegation made hereby shall expire if not exercised by the City Manager of the Issuer (or in the absence of the City Manager, the Deputy City Manager of the Issuer) by the close of business on December 31, 2016.

B. *Denominations, Stated Maturities, Interest Rates.* The Bonds shall be issued in fully registered form only, shall have a dated date of September 15, 2016 (unless otherwise provided in the Officers' Pricing Certificate as a later date) (the "*Dated Date*"), shall be in denominations of \$5,000 or any integral multiple (within a Stated Maturity) thereof; and the Bonds are due and payable on February 15 thereafter in each of the years (but not later than February 15, 2034) and in the principal amounts (the "*Stated Maturities*") and bear interest, computed on the basis of a 360-day year of twelve 30-day months, on the unpaid principal amounts from the Dated Date; or from the most recent Interest Payment Date (hereinafter defined) to which interest has been paid or duly provided for, to the earlier of redemption or Stated Maturity, at per annum rates, all as to be set forth in the Officers' Pricing Certificate. Interest on the Bonds shall be payable semiannually on each February 15 and August 15 (each such date an "*Interest Payment Date*"), commencing February 15, 2017, while any of the Bonds remain Outstanding.

C. *Terms of Payment.* The principal of and the interest on the Bonds, due and payable by reason of maturity or otherwise, shall be payable only to the Registered Owners appearing on the Security Register maintained by the Paying Agent, and the payment thereof shall be in any coin or currency of the United States of America, which at the time of payment is legal tender for the payment of public and private debts and shall be without exchange or collection charges to the Registered Owners.

Principal of the Bonds shall be payable at the Stated Maturities only upon presentation and surrender of the Bonds to the Paying Agent at the Place of Payment. Interest on the Bonds shall be paid to the Registered Owners whose name appears in the Security Register at the close of business on the Record Date and shall be paid by the Paying Agent (i) by check sent United States Mail, first class postage prepaid, to the address of the Registered Owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent, requested by, and at the risk and expense of, the Registered Owner.

If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due.

If interest is not paid on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “*Special Record Date*”) will be established by the Paying Agent, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“*Special Payment Date*”), which shall be 15 days after the Special Records 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 registration books of the Paying Agent at the close of business on the last business day next preceding the date of mailing of such notice.

SECTION 1.2. *Redemption.*

A. *Optional and Mandatory Redemption.* The Bonds are subject to redemption at the option of the Issuer and by mandatory redemption prior to Stated Maturity on the Redemption Dates and Redemption Prices as provided in the Form of Bond in **Section 3.2** and as set forth in the Officers’ Pricing Certificate.

B. *Exercise of Redemption Option.* The exercise by the Issuer of its option to redeem Bonds must be evidenced by an order or resolution of the Governing Body entered into its minutes. The Issuer at least 45 days prior to each Redemption Date (unless a shorter notice shall be satisfactory to the Paying Agent) must notify the Paying Agent of such Redemption Date and of the principal amount of Bonds of each Stated Maturity to be redeemed.

C. *Selection of Bonds for Redemption.* If less than all Outstanding Bonds of a Stated Maturity are to be redeemed, then not more than 60 days prior to the Redemption Date the Paying Agent shall select the particular Bonds within such Stated Maturity to be redeemed from the Outstanding Bonds not previously called for redemption by such random method as the Paying Agent deems fair and appropriate. The method of selection may provide for the selection for redemption of portions (equal to \$5,000 or any integral multiple thereof) of the principal of Bonds of a denomination larger than \$5,000.

The Paying Agent will promptly notify the Issuer in writing of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

For purposes of this Ordinance, unless the context otherwise requires, all provisions relating to the redemption of Bonds relates, in the case of any Bond redeemed only in part, to the portion of the principal of such Bond which has been or is to be redeemed.

D. *Notice of Redemption.* The Paying Agent shall mail notice of redemption in the name and at the expense of the Issuer not less than 30 days prior to the Redemption Date to each Registered Owner of Bonds to be redeemed, stating:

- (1) the Redemption Date,
- (2) the Redemption Price,

(3) the principal amount, the identification (by title, CUSIP number, Stated Maturity, interest rate, and Dated Date) and, in the case of partial redemption, the respective principal amounts and Bond numbers of the Bonds to be redeemed,

(4) that on the Redemption Date the Redemption Price of each of the Bonds to be redeemed will become due and payable and that interest thereon ceases to accrue from and after said date, and

(5) that the Bonds to be redeemed are to be surrendered for payment of the Redemption Price at the Place of Payment, and the address of such Place of Payment.

Neither the failure to give any notice to any Registered Owner nor any defect therein will affect the sufficiency of notice given to Registered Owners as hereinabove stated. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the Holder receives such notice. Notice having been so given, the Bonds called for redemption shall become due and payable on the specified Redemption Date, and notwithstanding that any Bond or portion thereof has not been surrendered for payment, interest on such Bond or portion thereof shall cease to accrue.

E. *Payment of the Redemption Price.* Upon the surrender of such Bonds for redemption in accordance with such notice, the Paying Agent shall pay such Bonds at the Redemption Price out of money supplied by the Issuer.

If any Bond called for redemption is not so paid upon surrender thereof for redemption, the same continues to bear interest from the Redemption Date at the rate borne by such Bond.

F. *Partial Redemption.* Any Bond which is to be redeemed only in part must be surrendered at the Place of Payment (with, if the Issuer or the Paying Agent so requires, due endorsement by, or written instrument of transfer in form satisfactory to the Issuer and the Paying Agent duly executed by, the Holder thereof or his attorney duly authorized in writing), and the Issuer shall execute and the Paying Agent shall register and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds of the same Stated Maturity and of any authorized denomination or denominations as requested by such Holder in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered.

SECTION 1.3. *Execution, Registration by Comptroller, Delivery, and Dating.*

The Mayor of the Issuer shall execute the Bonds on behalf of the Issuer and such signature shall be attested by the Secretary of the Issuer. The signature of either of said officers on the Bonds may be manual or facsimile. Bonds bearing the manual or facsimile signatures of individuals who were at the time the proper officers of the Issuer bind the Issuer, notwithstanding that such individuals or either of them cease to hold such offices prior to the certification and delivery of such Bonds. The seal of the Issuer may be reproduced, affixed, or impressed thereon but is not required except as otherwise required under Texas law.

The Mayor of the Issuer is authorized and directed to execute and the Secretary of the Issuer to attest the initial Bond in the name of Cede & Co. The Mayor of the Issuer is further authorized and directed to submit such initial Bond, together with the record of the proceedings authorizing the issuance thereof and any and all other necessary orders, certificates, and records, to the Attorney General of Texas for approval. After the Attorney General has approved such Bonds, the Mayor of the Issuer shall cause such Bonds to be delivered to the Comptroller of Public Accounts of the State of Texas for registration. If requested by the Attorney General or its representatives, or if otherwise deemed necessary to properly evidence the intent of the Issuer in the adoption of this Ordinance, the Mayor or Mayor Pro Tem of the Issuer may make such ministerial changes in the written text of this Ordinance as such officer determines are consistent with the intent and purposes of this Ordinance, which determination shall be final. Upon registration of the Bonds, the Comptroller is authorized and directed to deliver the Bonds in accordance with instructions of the Mayor of the Issuer. At any time thereafter the Issuer may deliver such Bonds to the Paying Agent together with definitive Bonds to be issued in exchange therefor, and the Paying Agent is directed, within not more than five business days following receipt of instructions from the payee named therein designating the Persons, Stated Maturities, and denominations to and in which such Bonds are to be transferred, register and deliver such definitive Bonds as provided in such instructions. The officers or acting officers of the Governing Body are authorized to execute and deliver on behalf of the Governing Body such certificates and instruments as may be necessary to accomplish or in furtherance of the delivery of the Bonds to and payment therefor by the Purchasers.

All Bonds registered and delivered by the Paying Agent hereunder are to be dated by the Paying Agent the date of their registration.

No Bond is entitled to any right or benefit under this Ordinance, or is valid or obligatory for any purpose, unless there appears on such Bond either a certificate of registration substantially in the form provided in **Section 3.3**, executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent by manual signature, or a certificate of registration substantially in the form provided in **Section 3.4**, executed by the Paying Agent by manual signature, and either such certificate upon any Bond is conclusive evidence, and the only evidence, that such Bond has been duly certified or registered and delivered.

SECTION 1.4. *Registration, Transfer, and Exchange.*

The Issuer shall cause to be kept at the Place of Payment a register (herein referred to as the “*Security Register*”) in which, subject to such reasonable regulations as the Issuer or the Paying Agent may prescribe, the Paying Agent shall provide for the registration of the Bonds and of transfers of the Bonds as herein provided.

Upon surrender or transfer of any Bond at the Place of Payment, the Issuer shall execute, and the Paying Agent shall register and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount. New Bonds registered, and delivered in an exchange or transfer will be delivered by the Paying Agent at the Place of Payment or sent by United States mail at the Holder’s written request, risk, and expense.

At the option of the Holder, Bonds may be exchanged for other Bonds of the same Stated Maturity, of any authorized denominations, and of like aggregate principal amount, upon surrender of the bonds to be exchanged at the Place of Payment. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute, and the Paying Agent shall register and deliver, the Bonds which the Holder of Bonds making the exchange is entitled to receive.

Every Bond presented or surrendered for transfer or exchange must be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Paying Agent duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge may be made to the Holder for any registration, transfer, or exchange of Bonds, but the Issuer or the Paying Agent may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the Issuer nor the Paying Agent is required (1) to transfer or exchange any Bond during a period beginning 45 days prior to a Redemption Date hereunder and ending at the close of business on the day of mailing of a notice of redemption or (2) thereafter to transfer or exchange in whole or in part any Bond so selected for redemption.

SECTION 1.5. *Mutilated, Destroyed, Lost, and Stolen Bonds.*

If (1) any mutilated Bond is surrendered to the Paying Agent, or the Issuer and the Paying Agent receive evidence to their satisfaction of the destruction, loss, or theft of any Bond, and (2) there is delivered to the Issuer and the Paying Agent such security or indemnity as they require to save each of them harmless, then, in the absence of notice to the Issuer or the Paying Agent that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and upon its request the Paying Agent shall register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost, or stolen Bond, a new Bond of the same Stated Maturity, and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost, or stolen Bond has become or is about to become due and payable, the Issuer in its discretion may pay such Bond instead of issuing a new Bond.

Upon the issuance of any new Bond under this Section, the Issuer or the Paying Agent may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

Every new Bond issued pursuant to this Section in lieu of any mutilated, destroyed, lost, or stolen Bond constitutes an original additional contractual obligation of the Issuer, whether or not the mutilated, destroyed, lost, or stolen Bond is at any time enforceable by anyone, and the new Bond is entitled to all the benefits of this Ordinance equally and ratably with all other Outstanding Bonds.

The provisions of this Section are exclusive and preclude (to the extent lawful) all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds.

SECTION 1.6. *Persons Deemed Owners.*

The Issuer and the Paying Agent, and any agent of either, may treat the Registered Owner as the owner of a Bond for purposes of receiving payment of principal and Redemption Price of and (*subject to Section 1.3*) interest on the Bond and for all other purposes whatsoever, whether or not the Bond is due or overdue, and neither the Issuer nor the Paying Agent, or any agent of either, is affected by notice to the contrary.

SECTION 1.7. *Cancellation.*

All Bonds surrendered for payment, redemption, transfer, exchange, or replacement, if surrendered to the Paying Agent, are to be promptly canceled by it and, if surrendered to the Issuer, are to be delivered to the Paying Agent and, if not already canceled, are to promptly be canceled by the Paying Agent. The Issuer may at any time deliver to the Paying Agent for cancellation any Bonds previously certified and delivered which the Issuer acquires in any manner whatsoever, and all Bonds so delivered are to be promptly canceled by the Paying Agent. No Bond may be certified in lieu of or in exchange for any Bond canceled as provided in this Section, except as expressly provided by this Ordinance. All canceled Bonds held by the Paying Agent are to be disposed of in accordance with the standard document retention policies of the Issuer.

SECTION 1.8. *Book-Entry Only*

Notwithstanding the provisions contained in *Sections 1.3, 1.4, 1.5, or 1.6* relating to the payment, redemption and transfer/exchange of the Bonds, the Issuer hereby approves and authorizes the use of “Book-Entry Only” securities clearance, settlement and transfer system provided by The Depository Trust Company (“DTC”), a limited purpose trust company organized under the laws of the State of New York, in accordance with DTC’s requirements and procedures, and authorizes the Issuer and the Paying Agent to take such as actions as are necessary to qualify the Bonds with DTC and to deliver the Bonds through DTC.

Pursuant to the rules and procedures of DTC now in effect, the Bonds shall be deposited with DTC (or with the Paying Agent on behalf of DTC) who shall hold said Bonds for its participants (the “DTC Participants”). While the Bonds are so held, the Registered Owner of the Bonds on the Security Register for all purposes, including payment and notices, shall be Cede & Co., as nominee of DTC, notwithstanding the ownership of each actual purchaser or owner of each Bond (the “Beneficial Owners”) being recorded in the records of DTC and DTC Participants.

In the event DTC determines to discontinue serving as securities depository for the Bonds or otherwise ceases to provide book-entry clearance and settlement of securities transactions in general or the Issuer determines that DTC is incapable of properly discharging its duties as securities depository for the Bonds, the Issuer covenants and agrees with the Registered Owners

of the Bonds to cause Bonds to be printed in definitive form and provide for the certificated certificates to be issued and delivered to DTC Participants and Beneficial Owners, as the case may be. Thereafter, the Bonds in definitive form shall be assigned, transferred and exchanged on the Security Register maintained by the Paying Agent and payment of such Bonds shall be made in accordance with the provisions of ***Sections 1.2, 1.3, 1.4, or 1.5.***

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ARTICLE TWO
DEFINITIONS AND OTHER PROVISIONS OF
GENERAL APPLICATION

SECTION 2.1. *Definitions*

For all purposes of this Ordinance, except as otherwise expressly provided or unless the context otherwise requires:

- (1) The terms defined in this Section have the meanings assigned to them in this Section.
- (2) All terms defined herein include the plural as well as the singular.
- (3) All references in this Ordinance to designated “*Articles*”, “*Sections*”, “*Exhibits*”, and other subdivisions are to the designated Articles, Sections, Exhibits, and other subdivisions of this Ordinance as originally adopted.
- (4) The words “*herein*”, “*hereof*”, and “*hereunder*” and other words of similar import refer to this Ordinance as a whole and not to any particular Article, Section, Exhibit, or other subdivision.

“*Bonds*” means any obligation of the Issuer authorized to be issued by **Article One**, whether initially delivered or issued in exchange for or upon transfer or in lieu of any Predecessor Bond.

“*Code*” means the Internal Revenue Code of 1986, as amended by any amendments thereto enacted prior to the Issue Date.

“*Computation Date*” has the meaning stated in section 1.148-1(b) of the Regulations.

“*Collection Date*” means, for any year, the date that annual ad valorem taxes levied by the Issuer in that year.

“*Dated Date*” has the meaning stated in **Section 1.1(b)**.

“*Debt Service Fund*” means the special fund of the Issuer created and established by the provisions of **Section 4.1**.

“*Debt Service Requirements*” means (i) the interest on the Bonds and (ii) a sinking fund for payment of principal of the Bonds at Stated Maturity or earlier redemption or a sinking fund of 2% (whichever amount is greater).

“*DTC*” means The Depository Trust Company, New York, 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 through electronic book-entry changes in the accounts of the DTC Participants, thereby eliminating the need for physical movement of definitive certificates.

“*Escrow Agent*” means The Bank of New York Mellon Trust Company, N.A., or any successor thereto under the Escrow Agreement.

“*Escrow Agreement*” means the Escrow Agreement dated as of the Dated Date among the Issuer and the Escrow Agent.

“*Fiscal Year*” means the annual financial accounting period for the Issuer as established by the Issuer on or prior to the date of this Ordinance; provided, however, the Governing Body may change such annual financial accounting period to end on another date if such change is found and determined to be necessary for accounting purposes or is required by applicable law.

“*Governing Body*” means the City Council of the Issuer.

“*Governmental Obligations*” means

(1) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States;

(2) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent; and

(3) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent.

“*Gross Proceeds*” means any proceeds as defined in section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in section 1.148-1(c) of the Regulations, of the Bonds.

“*Interest Payment Date*” means a date specified in the Bonds as a fixed date on which an installment of interest thereon is due and payable.

“*Investment Property*” has the meaning stated in section 1.148(b)(2) and (3) of the Code and includes

(1) a share of stock in a corporation or a right to subscribe for or to receive such a share,

(2) any obligation, including United States Treasury bonds, notes, and bills and bank deposits, whether or not certified or interest bearing, but excluding obligations the interest on which is, in the opinion of counsel nationally recognized in the field of municipal bond law, excludable from the gross income of any owner thereof and is not included in computing the alternative minimum taxable income of individuals under the Code or the Internal Revenue Code of 1954, as amended to the date of issuance of such obligations,

(3) any annuity contract, or any other deferred payment contract acquired to fund an obligation of the Issuer, or

(4) any other property held for investment.

“*Issue Date*” means the date on which Bonds are first registered and delivered to the Purchasers in exchange for the purchase price therefor.

“*Issuer*” has the meaning stated in the Recitals.

“*Maturity*” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein provided, whether at the Stated Maturity, by call for redemption, or otherwise.

“*Officers’ Pricing Certificate*” shall mean a certificate or certificates to be signed by the City Manager of the Issuer (or in the City Manager’s absence, the Assistant City Manager) pursuant to *Section I* hereof, in substantially the form attached hereto as **Exhibit B**.

“*Ordinance*” means this Ordinance as finally passed and adopted by the Governing Body or as it may from time to time be supplemented, modified, or amended in accordance with the provisions hereof.

“*Outstanding*” when used with respect to Bonds means, as of the date of determination, all Bonds theretofore issued and delivered under this Ordinance, except, without duplication:

(1) *Canceled Bonds*: Bonds theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation;

(2) *Gross Cash Defeasance*: Bonds for whose payment or redemption money in the necessary amount has been theretofore deposited with the Paying Agent in trust for the Registered Owner of such Bonds, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to this Ordinance, irrevocably provided for to the satisfaction of the Paying Agent, or waived;

(3) *Replaced Bonds*: Bonds in exchange for or in lieu of which other Bonds have been registered and delivered pursuant to this Ordinance;

(4) *Paid Missing Bonds*: Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in **Section 1.7**; and

(5) *Net Cash Defeasance* : Bonds for the payment of the principal (or Redemption Price) of and interest on which money or Governmental Obligations or both are held by the Paying Agent or other bank or trust company and with the effect specified in **Section 6.1**;

provided, however, that in determining whether the Registered Owners of the requisite principal amount of Bonds Outstanding have given any request, demand, authorization, direction, notice, consent, or waiver hereunder, Bonds owned by the Issuer or any other obligor upon the Bonds are disregarded and deemed not Outstanding, except that, in determining whether the Paying Agent is protected in relying upon any such request, demand, authorization, direction, notice, consent, or waiver, only Bonds which the Paying Agent knows to be so owned are required to be so disregarded.

“*Paying Agent*” means the corporation named as the “*Paying Agent*” herein until a successor Paying Agent becomes such pursuant to the applicable provisions of this Ordinance, and thereafter “*Paying Agent*” means such successor Paying Agent.

“*Person*” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“*Place of Payment*” initially means a corporate trust office of the Paying Agent in the City of Dallas, Texas, established, and thereafter means the city so designated from time to time by the Issuer as the “*Place of Payment*” with notice to the Registered Owners.

“*Predecessor Bonds*” of any particular Bond means every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and, for purposes of this definition, any Bond registered and delivered under **Section 1.7** in lieu of a mutilated, lost, destroyed, or stolen Bond is deemed to evidence the same debt as the mutilated, lost, destroyed, or stolen Bond.

“*Purchaser*” means the initial purchaser or purchasers of the Bonds named in **Section 7.1**.

“*Record Date*” for the interest payable on any Interest Payment Date means the close of business on the last business day of the calendar month next preceding such Interest Payment Date.

“*Redemption Date*” means the date fixed for redemption of a Bond pursuant to the terms of this Ordinance.

“*Redemption Price*” means the price specified in the Form of Bond in **Section 3.2** as the price at which a Bond may be redeemed pursuant to the terms of the Ordinance.

“*Refunded Obligations*” means the outstanding Southshore Harbor Municipal Utility District No. 2 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2006, maturing 2017 through 2019, and the Issuer’s outstanding Combination Tax and Revenue Certificates of Obligation, Series 2009, maturing 2020 and 2028 – 2039, Waterworks and Revenue Bonds, Series 2008, maturing 2018, and Waterworks and Sewer System Revenue Bonds, Series 2009, maturing 2020 and 2031 – 2034. (except as any such maturities or bonds within a maturity may be omitted in the Officers’ Pricing Certificate).

“*Registered Owner*” mean the registered owner, whose name appears in the Security Register, for any Bond.

“*Regulations*” means any temporary or final Income Tax Regulations issued pursuant to sections 103 and 141 through 150 of the Code, and 103 of the Internal Revenue Code of 1954, which are applicable to the Bonds. Any reference to any specific Regulation shall also mean, as appropriate, any temporary or final Income Tax Regulation designed to supplement, amend or replace the specific Regulation referenced.

“*Security Register*” has the meaning stated in *Section 1.4*.

“*Stated Maturity*” when used with respect to any Bond means the date specified in such Bond as the fixed date on which the principal of such Bond is due and payable.

“Yield” of

(1) any Investment has the meaning set forth in section 1.148-5 of the Regulations; and

(2) the Bonds has the meaning set forth in section 1.148-4 of the Regulations.

SECTION 2.2. *Notices.*

Where this Ordinance provides for notice to Registered Owners of any event, such notice is sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Registered Owner, at the address of such Registered Owner as it appears in the Security Register close of business on the date next preceding the date of mailing such notice. Neither the failure to mail such notice, nor any defect in any notice so mailed, to any particular Registered Owner affects the sufficiency of such notice with respect to all other Registered Owners. Where this Ordinance provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event with respect to which such notice is given, and such waiver is the equivalent of such notice. Waivers of notice by Registered Owners are to be filed with the Issuer, but such filing is not a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 2.3. *Effect of Headings and Table of Contents; Recitals.*

The section headings herein and in the Table of Contents are for convenience only and do not affect the construction hereof.

The Recitals contained in the preamble hereof are hereby found to be true, and such Recitals are hereby made a part hereof for all purposes and are adopted as part of the judgment and findings of the Governing Body.

SECTION 2.4. *Ordinance a Contract; Amendments.*

This Ordinance constitutes a contract with the Registered Owners entered into upon the initial purchase of the Bonds, is binding on the Issuer and its successors and assigns whether or not so expressed, and may not be amended or repealed by the Issuer so long as any Bond remains Outstanding except as permitted in this Section.

The Issuer may, without the consent of or notice to any Registered Owner, from time to time and at any time amend this Ordinance in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency, or formal defect or omission herein or therein. In addition, the Issuer may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then Outstanding affected thereby, amend, add to, or rescind any of the provisions of this Ordinance; provided that, without the consent of the Registered Owners of all of the affected Outstanding Bonds, no such amendment, addition, or rescission may (1) change the Stated Maturity of the Bonds or any Interest Payment Date for an installment of interest thereon, reduce the principal amount thereof, the Redemption Price therefor, or the rate of interest thereon, change the place or places at, or the coin or currency in, which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, (3) modify any of the provisions of the proviso to the definition of the term “*Outstanding*”, or (4) modify any of the provisions of this Section, except to increase the percentage provided hereby or to provide that certain other provisions of this Ordinance cannot be modified or waived without the consent of the Registered Owner of each Bond affected thereby.

Any consent to any amendment hereof by the Registered Owner of any Bond binds every future Registered Owner of the same Bond and the Registered Owner of every Bond issued upon transfer or in lieu thereof or in exchange therefor, in respect of anything done or suffered to be done by the Issuer in reliance thereon, whether or not notation of such action is made upon such Bond.

SECTION 2.5. *Benefits of Ordinance.*

Nothing in this Ordinance, expressed or implied, is intended or may be construed to confer upon any Person (other than the Issuer and Registered Owners) any right, remedy, or claim, legal or equitable, under or by reason of this Ordinance or any provision hereof, this Ordinance and all its provisions being intended to be and being for the sole and exclusive benefit of the Issuer and the Registered Owners.

SECTION 2.6. *Repealer.*

All orders, ordinances, and resolutions, or parts thereof, which are in conflict or inconsistent with any provision of this Ordinance are hereby repealed and declared to be

inapplicable to the extent of such conflict, and the provisions of this Ordinance are controlling as to the matters prescribed herein.

SECTION 2.7. *Governing Law.*

This Ordinance is to be construed in accordance with and governed by the laws of the State of Texas and the United States of America.

SECTION 2.8. *Severability.*

If any provision of this Ordinance or the application thereof to any Person or circumstance is held to be invalid, illegal, or unenforceable, the remainder of this Ordinance and the application of such provision to other Persons and circumstances is nevertheless valid, legal, and enforceable and the Governing Body hereby declares that this Ordinance would have been enacted without such invalid provision or application.

SECTION 2.9. *Public Meeting.*

The Governing Body officially finds, determines, and declares that notice of the adoption of this Ordinance was posted as required by law at a location within the Issuer in a place readily accessible to the general public at all times for at least 72 hours preceding the scheduled time of the meetings at which this Ordinance is read and approved; that such meetings were open to the public; and that public notice of the time, place, and purpose of such meetings was given as required by Texas Government Code chapter 551, as amended.

SECTION 2.10. *Authority of Officers.*

The Mayor, the Mayor Pro Tem, the Secretary or any assistant secretary, City Manager, City Attorney, or Director of Finance of the Issuer, or any of them, are authorized to evidence adoption of this Ordinance and to do any and all things proper and necessary to carry out the intent hereof.

SECTION 2.11. *Ancillary Bond Contracts.*

Though such parties may be identified, and the entry into a particular form of contract may be authorized herein, the Governing Body, pursuant to applicable law, hereby delegates to the City Manager of the Issuer the authority to independently select the counterparty to any agreement with any Paying Agent, rating agency, bond insurer, securities depository, Escrow Agent, open market securities bidding agent, verification agent, or any other contract that is determined by the City Manager, the Issuer's financial advisor, or the bond counsel to be necessary or incidental to the issuance of the Bonds as long as each of such contracts has a value of less than the amount referenced in Section 2252.908 of the Texas Government Code (collectively, the "Ancillary Bond Contracts"); and, as necessary, to execute the Ancillary Bond Contracts on behalf and as the act and deed of the Issuer. The Governing Body has not participated in the selection of any of the business entities which are counterparties to the Ancillary Bond Contracts.

ARTICLE THREE
FORMS

SECTION 3.1. *Forms Generally.*

The Bonds, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be reproduced on the initial Bonds, the Registration Certificate of the Paying Agent to be reproduced on subsequently delivered Bonds, and the form of Assignment to be reproduced on each of the Bonds are to be substantially in the forms set forth in this Section with such appropriate insertions, omissions, substitutions, and other variations as are permitted or required by this Ordinance, and the Bonds 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 or notice of insurance) thereon as may, consistently herewith, be determined by the officers executing such Bonds as evidenced by their execution thereof. Any portion of the text of any Bonds may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Bond.

The Bonds may be printed, lithographed, engraved, typewritten, photocopied, or produced by any combination of these methods, or produced in any other manner, all as determined by the officers executing such Bonds as evidenced by their execution thereof. The initial Bonds submitted to the Attorney General of Texas are to be numbered consecutively T-1 and upward.

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SECTION 3.2. *Form of Bond.*

Unless this bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Issuer or its agent for registration of transfer, exchange, or payment, and any bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

REGISTERED
NO.

REGISTERED
\$.

United States of America
State of Texas
CITY OF LEAGUE CITY, TEXAS,
GENERAL OBLIGATION REFUNDING BOND,
SERIES 2016A

Dated Date:	Interest Rate:	Stated Maturity:	CUSIP NO.:
September 15, 2016

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

The City of League City, Texas (hereinafter referred to as the “*Issuer*”), a body corporate and political subdivision of the State of Texas, for value received, acknowledges itself indebted to and hereby promises to pay to the order of the Registered Owner named above, or the registered assigns thereof, on the Stated Maturity date specified above the Principal Amount hereinabove stated, and to pay interest on the unpaid principal amount hereof from the Dated Date specified above at the per annum Interest Rate specified above, computed on the basis of a 360-day year of twelve 30-day months; such interest being payable on February 15 and August 15 in each year, commencing February 15, 2017 (the “*Interest Payment Dates*”), and, except as otherwise permitted by the Ordinance hereinafter referred to, to make the payments to the United States of America in the amounts and on the dates therein described when due. Principal of this Bond is payable at its Stated Maturity to the Registered Owner hereof, upon presentation and surrender, at the principal payment office of the Paying Agent executing the Registration Certificate of Paying Agent appearing hereon, which shall initially be The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or its successor.

If interest is not paid on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “*Special Record Date*”) will be established by the

Paying Agent, if and when funds for the payment of such interest have been received from the Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“*Special Payment Date*”), which shall be 15 days after the Special Records 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 registration books of the Paying Agent at the close of business on the last business day next preceding the date of mailing of such notice.

If the specified date for the payment of the principal of or interest on this Bonds shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due.

This Bond is one of the series specified in its title issued in the aggregate principal amount of \$[*Principal Amount*] (the “*Bonds*”) for the purpose of providing funds to refund certain of the Issuer’s outstanding obligations and to pay costs incurred in connection with the issuance of the Bonds, under and in conformity with the Constitution and laws of the State of Texas, including particularly, but not by way of limitation, Texas Government Code chapter 1207, as amended, and pursuant to an Ordinance adopted by the Governing Body of the Issuer (herein referred to as the “*Ordinance*”).

The Issuer shall have the option of redeeming the Bonds maturing on and after February 15, 2027 on any date but not before February 15, 2026, in whole or from time to time in part (but if less than all of the Bonds of a single maturity are called for redemption, those Bonds called shall be selected by lot or other customary random method in integral multiples of \$5,000), at a redemption price of par, plus accrued interest from the most recent interest payment date to the date fixed for redemption.

[*Bonds maturing on Mandatory Redemption Dates*] are subject to mandatory redemption prior to maturity in the principal amounts and on the redemption dates set out below, at a price equal to such principal amounts plus accrued interest from the most recent interest payment date to such redemption dates:

Bonds maturing [Stated Maturity]

	Redemption Date (<i>[Maturity Date]</i>)	Principal Amount	
		\$	
	(Stated Maturity)		

Bonds maturing [Stated Maturity]

	Redemption Date <i>([Maturity Date])</i>	Principal <u>Amount</u>	
		\$	
	(Stated Maturity)		

Bonds maturing [Stated Maturity]

	Redemption Date <i>([Maturity Date])</i>	Principal <u>Amount</u>	
		\$	
	(Stated Maturity)		

Bonds maturing [Stated Maturity]

	Redemption Date <i>([Maturity Date])</i>	Principal <u>Amount</u>	
		\$	
	(Stated Maturity)		

Bonds maturing [Stated Maturity]

	Redemption Date <i>([Maturity Date])</i>	Principal <u>Amount</u>	
		\$	
	(Stated Maturity)		

Such Bonds to be redeemed shall be selected by lot from and among the Bonds of such maturity then subject to redemption. The Issuer, at its option, may credit against any mandatory sinking fund redemption requirement Bonds of the maturity then subject to redemption which have been purchased and canceled by the Issuer or have been redeemed and theretofore applied as a credit against any mandatory sinking fund redemption requirement.]

The Bonds may be redeemed in part only in integral multiples of \$5,000. If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed but only in integral multiples of \$5,000. In selecting portions of Bonds for redemption, each Bond shall be treated as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent, in accordance with the provisions of the Ordinance, shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any such redemption shall be sent by first-class mail to the Registered Owners thereof at their addresses as shown on the books of registration kept by the Paying Agent not less than 30 days before the date fixed for such redemption. By the date fixed for redemption, due provision shall be made with the Paying Agent for the payment of the redemption price of the Bonds called for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Bonds which are to be so redeemed thereby automatically shall be deemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding for purposes of the Ordinance except for the purpose of being paid by the Paying Agent with the funds so provided for such payment.

The Bonds are equally and ratably payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer.

Reference is hereby made to the Ordinance, a copy of which is on file with the Paying Agent, and to all of the provisions thereof which the Registered Owner of this Bond by the acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied for the payment of the Bonds; the terms and conditions relating to the transfer or exchange of this Bond; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Registered Owners; the rights, duties, and obligations of the Issuer and the Paying Agent; the terms and provisions upon which this Bond may be redeemed or discharged at or prior to its maturity, and deemed to be no longer Outstanding thereunder; and for other terms and provisions contained therein. A capitalized term used herein and not otherwise defined has the same meaning as the meaning assigned to such term in the Ordinance.

The Ordinance permits, with certain exceptions as therein provided, the amendment thereof and the modification of the rights and obligations of the Issuer and the rights of the Registered Owners of the Bonds under the Ordinance at any time by the Issuer with the consent of the Registered Owners of a majority in aggregate principal amount of such Bonds at the time outstanding affected by such modification. Any such consent by the Registered Owners of this Bond or any Predecessor Bond herefor evidencing the same debt is conclusive and binding upon such Registered Owner and all future Registered Owners of this Bond and of any Bond issued upon the transfer or in lieu hereof or in exchange herefor, whether or not notation of such consent is made upon this Bond.

This Bond, subject to certain limitations contained in the Ordinance, may be transferred on the Security Register only upon its presentation and surrender at the principal corporate trust office of the Paying Agent, with the Assignment hereon duly endorsed by, or accompanied by a written instrument of transfer in form satisfactory to the Paying Agent duly executed by, the Registered Owner hereof, or his duly authorized agent. When a transfer on the Security Register occurs, one or more new fully registered Bonds of the same Stated Maturity, of authorized denominations, bearing the same Interest Rate, and of the same aggregate Principal Amount will be issued by the Paying Agent to the designated transferee or transferees.

No service charge may be made for any transfer or exchange of this Bond, but the Issuer or the Paying Agent may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

The Issuer, the Paying Agent, and any agent of either of them may treat the Person in whose name this Bond is registered as the Registered Owner hereof for the purpose of receiving payment as herein provided and for all other purposes, whether or not this Bond be overdue, and none of the Issuer, the Paying Agent, and any such agent is affected by notice to the contrary.

It is hereby certified, recited, represented and declared that the Issuer is a body corporate and political subdivision duly organized and legally existing under and by virtue of the Constitution and laws of the State of Texas; that the issuance of the Bonds is duly authorized by law; that all acts, conditions and things required to exist and be done precedent to and in the issuance of the Bonds to render the same lawful and valid obligations of the Issuer have been properly done, have happened, and have been performed in regular and due time, form, and manner as required by the Constitution and laws of the State of Texas, and the Ordinance; that the Bonds do not exceed any Constitutional or statutory limitation; and that due provision has been made for the payment of the principal of and interest on the Bonds by the levy of a tax as aforesated. In case any provision in this Bond shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. The terms and provisions of this Bond and the Ordinance shall be construed in accordance with and shall be governed by the laws of the State of Texas.

Unless either a Registration Certificate hereon has been executed by the Comptroller of Public Accounts of the State of Texas or his duly authorized agent or by the Paying Agent, respectively, by manual signature, this Bond shall not be entitled to any benefit under the Ordinance or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be duly executed.

Dated:

.....

CITY OF LEAGUE CITY, TEXAS

COUNTERSIGNED:

.....

Mayor

.....

City Secretary

[The remainder of this page intentionally left blank.]

SECTION 3.3. *Form of Registration Certificate of Comptroller of Public Accounts*

REGISTRATION CERTIFICATE OF
COMPTROLLER OF PUBLIC ACCOUNTS

OFFICE OF THE COMPTROLLER §
OF PUBLIC ACCOUNTS §
THE STATE OF TEXAS §

REGISTER NO.

I HEREBY CERTIFY that this Bond has been examined, certified as to validity and approved by the Attorney General of the State of Texas, and duly registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS my signature and seal of office this

.....
Comptroller of Public Accounts
of the State of Texas

(SEAL)

Note to Printer: Not to appear on definitive Bonds

SECTION 3.4. *Form of Certificate of Paying Agent.*

CERTIFICATE OF PAYING AGENT

This Bond has been duly issued under the provisions of the within-mentioned Ordinance; the Bond or Bonds of the above-entitled and designated series originally delivered having been approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts, as shown by the records of the Paying Agent.

.....
The Bank of new York Mellon
Trust Company, N.A.
as Paying Agent

By
Authorized Officer

Note to Printer: Not to appear on initial Bonds

SECTION 3.5. *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 thereunder, and hereby irrevocably constitutes and appoints

.....
attorney to transfer the within Bond on the books kept for registration thereof, with full power of
substitution in the premises.

DATED:

Signature guaranteed:
.....

.....
NOTICE: The signature on this
assignment must correspond
with the name of the regis-
tered owner as it appears
on the face of the within
Bond in every particular.

SECTION 3.6. *Insurance Legend.*

If bond insurance is obtained by the Issuer or the Purchaser for the Bonds, the Definitive Bonds and the Initial Bond(s) shall bear the appropriate legend as provided by the Insurer.

SECTION 3.7. *Form of Initial Bond.*

The Initial Bond shall be in the form set forth in Section 3.2 except that the form of a single fully registered Bond shall be modified as follows:

- (i) immediately under the name of the Bond the headings "Interest Rate _____" and "Stated Maturity _____" will be omitted, and "CUSIP No." may be omitted;
- (ii) Paragraph one will read as follows:

The City of League City, Texas (together with its successors, the "Issuer"), a body politic and political subdivision duly organized and existing under and by virtue of the laws of the State of Texas, for value received, hereby promises to pay to the Registered Owner named above (the "Registered Owner"), or the registered assigns thereof, the hereinabove stated Principal Amount

on February 15 in each of the years and in principal amounts and bearing interest at per annum rates in accordance with the following schedule:

<u>Year of Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>
------------------------------------	-----------------------------	------------------------------

(Information to be inserted from schedule in Officers' Pricing Certificate).

(or so much thereof as shall not have been paid upon prior redemption) and to pay interest thereon computed on the basis of a 360-day year of twelve 30-day months to the Person herein specified from the Dated Date specified above, or from the most recent Interest Payment Date to which interest has been paid or duly provided for, until such principal is paid or duly provided for on or after such Stated Maturity or any earlier Redemption Date, semiannually on February 15 and August 15 in each year commencing February 15, 2017, at the per annum Interest Rates specified above, computed on the basis of a 360-day year of twelve 30-day months. Principal installments of this Bond are payable at its Stated Maturity or on a prepayment date to the registered owner hereof by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent"), upon its presentation and surrender.

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ARTICLE FOUR
TAXES, REVENUES, AND FUNDS;
INVESTMENTS

SECTION 4.1. *Debt Service Fund.*

To pay interest on and to provide a sinking fund for the payment, redemption, and retirement of the Bonds, the Issuer hereby creates and shall maintain solely for such purposes (subject to the provisions of **Section 5.2**) a special fund designated as its “UNLIMITED GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016A, DEBT SERVICE FUND” (the “*Debt Service Fund*”). The Issuer authorizes and directs its authorized officials to withdraw from the Debt Service Fund and to transfer to the Paying Agent money on deposit in the Debt Service Fund sufficient to pay the amount of principal or interest falling due on the Bonds, such transfer of funds to the Paying Agent to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent on or before the last business day next preceding each interest and principal payment date for the Bonds.

SECTION 4.2. *Deposits to Debt Service Fund; Excess Bond Proceeds.*

The Issuer shall deposit accrued interest and premium, if any, received from the Purchaser and ad valorem taxes levied and collected to pay principal or Redemption Price of or interest on the Bonds to the Debt Service Fund. In addition, the Issuer shall deposit any surplus proceeds, including investment income therefrom, from the sale of the Bonds not expended for authorized purposes to the Debt Service Fund.

SECTION 4.3. *Tax Levy.*

To provide for the payment of the Debt Service Requirements, the Issuer levies and shall levy for the current year and each succeeding year thereafter while the Bonds or any interest thereon is Outstanding, a sufficient tax on each \$100 of taxable property in the Issuer, adequate to pay such amounts or a sinking fund of 2% (whichever amount is greater), full allowance being made for delinquencies and costs of collection. Such tax shall be assessed and collected each year, and the same may not be diverted to any other purpose. The Issuer shall pay the taxes so levied and collected into the Debt Service Fund. The Governing Body hereby declares its purpose and intent to provide and levy such tax, it having been determined that the existing and available taxing authority of the Issuer for such purpose is adequate to permit a legally sufficient tax in consideration of all other outstanding indebtedness.

The Issuer shall determine the amount of taxes to be provided annually for the Debt Service Requirements in the following manner:

- A. Prior to establishing the annual tax rate, the Governing Body shall determine:

(1) the amount of Debt Service Requirements to become due and payable on the Bonds between the Collection Date for the taxes then to be levied and the Collection Date for the taxes to be levied during the next succeeding calendar year; and

(2) the amount on deposit in the Debt Service Fund (including surplus Bond proceeds transferred to the Debt Service Fund under *Section 4.2*) after deducting therefrom the total amount of Debt Service Requirements to become due on Bonds prior to the Collection Date for the ad valorem taxes then to be levied.

B. The Issuer shall assess and levy annually each year a tax to pay the Debt Service Requirements sufficient to provide tax revenues in the amount established in paragraph (1) above less the sum total of the amount established in paragraph (2), after taking into consideration delinquencies and costs of collecting such annual taxes.

SECTION 4.4. *Investments and Security For Funds.*

The Issuer is required to keep all money in such funds and accounts at a depository of the Issuer except when invested pursuant to this Section. Subject to *Section 5.2*, money in any fund established by this Ordinance may, at the option of the Issuer, be invested in a manner permitted by the provisions of the Public Funds Investment Act of 1987, Texas Government Code chapter 2256, subchapter A, as then in effect, the Public Funds Collateral Act, Texas Government Code chapter 2257, as then in effect, or by any other law applicable to the Issuer; provided that all such investments must be made so that money required to be expended will be available at the proper time or times. The Issuer shall credit or debit all interest and income or losses from deposits and investments in any fund or account established pursuant to the provisions of this Ordinance shall be credited to such fund or account. The Issuer shall sell investments promptly as necessary to prevent any default in connection with the Bonds.

All money on deposit in the funds for which this Ordinance makes provision (except any portion thereof as may be at any time properly invested as provided herein) shall be secured in the manner and to the fullest extent required by the laws of Texas for the security of public funds, and money on deposit in such funds shall be used only for the purposes permitted by this Ordinance.

SECTION 4.5. *Escrow Agreement; Funding of Defeasance; Redemption of Refunded Bonds.*

A. *Authorization of Escrow Agreement.* The terms and provisions of the Escrow Agreement are hereby approved, and the Mayor and the Mayor Pro Tem of the Issuer, or either of them, and the Secretary and any Assistant or Acting Secretary of the Issuer, or any of them, are hereby authorized to execute and deliver the Escrow Agreement substantially in the form and to the effect presented to the Governing Body on the date of adoption of this Order, but with such changes therein as the Mayor or the Mayor Pro Tem may approve, such approval to be conclusively evidenced by the execution thereof by such officer, all as the act and deed of the Governing Body, and the Governing Body further approves the purchase of the securities to be held by the Escrow Agent pursuant to the Escrow Agreement and authorizes the Mayor and the

Mayor Pro Tem, or either of them, to take such action in furtherance of the purchase of such securities as may be necessary or advisable.

B. *Funding of Defeasance.* Promptly after the delivery of the Bonds, an amount as specified in the Escrow Agreement is to be deposited in immediately available funds to the escrow fund established with the Escrow Agent pursuant to the Escrow Agreement and used for the purposes of providing for the full and complete discharge and final payment of all the outstanding Refunded Obligations and appurtenant coupons. The Governing Body hereby finds and determines, after consultation with the engineer for the Issuer, that amounts held in any construction fund for the Refunded Obligations are necessary for the purposes for which the Refunded Obligations were issued and as a reasonable contingency, repair, and replacement fund for the facilities financed thereby. The Governing Body hereby further finds and determines that amounts held in the interest and sinking fund of the Issuer in excess of the amount specified in the Escrow Agreement are reasonably required to insure timely payment of debt service on tax-supported obligations of the Issuer and that all amounts held in the operating fund of the Issuer are reasonably required to pay costs of operating and maintaining the properties of the Issuer. The Governing Body therefore finds and determines that none of the amounts held in the Construction Fund or such interest and sinking fund or operating fund are surplus or should be applied to purchase the securities held by the Escrow Agent under the Escrow Agreement, except the amount specified in the Escrow Agreement.

Promptly after the delivery of the Bonds, sufficient proceeds received from the sale of the Bonds, together with other legally available funds from the Issuer's debt service funds held for payment of the Refunded Obligations, is to be deposited in immediately available funds to the escrow fund established with the Escrow Agent pursuant to the Escrow Agreement and used for the purposes of providing for the full and complete discharge and final payment of all the outstanding Refunded Obligations and appurtenant coupons.

C. *Redemption of Refunded Bonds.* The Issuer hereby irrevocably exercises its option to call for redemption, and hereby calls for redemption, on the earliest date on which each series of Refunded Obligations may be called for redemption, the Refunded Obligations as described in the Escrow Agreement. The Mayor and the Mayor pro-tem of the Issuer, or either of them, are authorized and instructed to give or effect notice of such redemption to the paying agent for the Refunded Bonds to be so redeemed by delivery of a certified copy of this Ordinance and to the holders of such Refunded Bonds and appurtenant coupons, by publication or mail in the manner described in such bonds, promptly on or after the Issue Date. The Governing Body hereby authorizes and instructs the officers of the Governing Body, the paying agent for the Refunded Obligations, and the Escrow Agent to take such steps as are necessary to accomplish the redemption and the discharge of the Refunded Obligations in accordance with the provisions hereof.

ARTICLE FIVE
COVENANTS

SECTION 5.1. *To Maintain Agency.*

The Issuer will at all times maintain an agency in the State of Texas meeting the qualifications herein described, for the performance of the duties of the Paying Agent hereunder. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, is hereby appointed Paying Agent for such purposes. The Paying Agent may be removed from its duties hereunder at any time upon not less than 30 days' notice with or without cause by action of the Governing Body entered in its minutes, but no such removal is effective until such successor has accepted the duties of the Paying Agent hereunder by written instrument.

Every Paying Agent appointed hereunder must at all times be a commercial bank or trust company organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$10,000,000, subject to supervision or examination by federal or state authority, and registered as a transfer agent with the Securities and Exchange Commission. If such corporation publishes reports of condition at least annually pursuant to law or to the requirements of such supervising or examining authority, then for the purposes of this Section the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Upon any change in the Paying Agent, the Issuer agrees to promptly cause a written notice thereof to be sent to each Registered Owner affected by the change, which notice shall also give the address of the new Paying Agent, which shall thereafter be the designated Place of Payment.

The terms of the Transfer and Paying Agency Agreement (the "*Paying Agency Agreement*") with the initial Paying Agent are hereby approved in substantially the form and to the effect presented to the Governing Body on this date, and the Mayor and the Mayor Pro Tem of the Issuer, or either of them, and the Secretary and any Assistant or Acting Secretary of the Issuer, or any of them, are hereby authorized to execute and deliver such Transfer and Paying Agency Agreement.

SECTION 5.2. *Covenants to Maintain Tax-Exempt Status.*

A. *Not to Cause Interest to Become Taxable.* The Issuer shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction, or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner which, if made or omitted, respectively, would cause the interest on any Bond to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Issuer shall have received a written opinion of counsel nationally recognized in the field of municipal bond law to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Bond, the Issuer shall comply with each of the specific covenants in this Section.

B. *No Private Use or Private Payments.* Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the Issuer shall at all times prior to the last Stated Maturity of Bonds:

(1) exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the Bonds (including property financed with Gross Proceeds of the Refunded Obligations), and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds (including property financed with Gross Proceeds of the Refunded Obligations), other than taxes of general application within the Issuer or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

C. *No Private Loan.* Except to the extent permitted by section 141 of the Code and the Regulations and rulings thereunder, the Issuer shall not use Gross Proceeds of the Bonds to make or finance loans to any Person other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if (1) property acquired, constructed, or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction which creates a debt for federal income tax purposes, (2) capacity in or service from such property is committed to such Person under a take-or-pay, output, or similar contract or arrangement, or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed, or improved with such Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

D. *Not to Invest at Higher Yield.* Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Issuer shall not, at any time prior to the final Stated Maturity of the Bonds, directly or indirectly invest Gross Proceeds of the Bonds in any Investment Property (or use such Gross Proceeds to replace money so invested), if as a result of such investment the Yield from the Issue Date of all Investment Property acquired with such Gross Proceeds (or with money replaced thereby) whether then held or previously disposed of, exceeds the Yield of the Bonds.

E. *Not Federally Guaranteed.* Except to the extent permitted by section 149(b) of the Code and the Regulations and rulings thereunder, the Issuer shall not take or omit to take any action which would cause the Bonds to be federally guaranteed within the meaning of section 149(b) of the Code and the Regulations and rulings thereunder.

F. *Information Report.* The Issuer shall timely file with the Secretary of the Treasury the information required by section 149(e) of the Code with respect to the Bonds on such form and in such place as such Secretary may prescribe.

G. *Payment of Rebutable Arbitrage.* Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder, the Issuer shall:

(1) account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of such accounting for at least six years after the final Computation Date. The Issuer may, however, to the extent permitted by law, commingle Gross Proceeds of the Bonds with other money of the Issuer, provided that the Issuer separately accounts for each receipt and expenditure of such Gross Proceeds and the obligations acquired therewith.

(2) calculate the Rebutable Arbitrage with respect to the Bonds, not less frequently than each Computation Date, in accordance with rules set forth in section 148(f) of the Code, Treas. Reg. § 1.148-3, and the rulings thereunder. The Issuer shall maintain a copy of such calculations for at least six years after the final Computation Date.

(3) as additional consideration for the purchase of the Bonds by the Purchasers thereof and the loan of the money represented thereby, and in order to induce such purchase by measures designed to ensure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, pay to the United States the amount described in paragraph (2) above at the times, in the installments, to the place, in the manner and accompanied by such forms or other information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and

(4) exercise reasonable diligence to assure that no errors are made in the calculations required by paragraph (2) and, if such error is made, to discover and promptly to correct such error within a reasonable amount of time thereafter, including payment to the United States of any intent and any penalty required by Treas. Reg. § 1.148-3(h).

To the extent authorized by law, when used herein the term “*interest*” includes all payments due to the United States of America pursuant to this Subsection. The Issuer shall not invest Gross Proceeds in amounts and for such period of time such that the amounts due to the United States of America pursuant to this Section, when aggregated with other interest payable on the Bonds, shall cause the “net effective interest rate” on the Bonds, to exceed 15% per annum.

H. *Not to Divert Arbitrage Profits.* Except to the extent permitted by section 148 of the Code and the Regulations and rulings thereunder, the Issuer shall not, at any time prior to the earlier of the final stated maturity or final payment of the Bonds enter into any transaction that

reduces the amount required to be paid to the United States pursuant to Subsection (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield of the Bonds not been relevant to either party.

I. *Elections.* The Issuer hereby directs and authorizes the Mayor, Mayor Pro Tem, Secretary, Manager, Attorney, or Director of Finance of the Issuer, either or any combination of the foregoing, to make such elections in the Bond as to Tax Exemption or similar or other appropriate certificate, form, or document permitted or required pursuant to the provisions of the Code or Regulations as they deem necessary or appropriate in connection with the Bonds. Such elections are deemed made on the Issue Date.

J. *Bonds Not Hedge Bonds.*

(1) At the time the original bonds refunded by the Bonds were issued, the Issuer reasonably expected to spend at least 85% of the spendable proceeds of such bonds within three years after such bonds were issued.

(2) Not more than 50% of the proceeds of the original bonds refunded by the Bonds were invested in Nonpurpose Investments having a substantially guaranteed Yield for a period of 4 years or more.

K. *Qualified Advance Refunding.* The Bonds are issued to refund the Refunded Obligations, and the Bonds will be issued more than 90 days before the redemption of certain of the Refunded Obligations (the "Advance Refunded Obligations"). The Issuer represents as follows:

(1) The Bonds are the first advance refunding of the Advance Refunded Obligations within the meaning of section 149(d)(3) of the Code.

(2) The Advance Refunded Obligations are being called for redemption, and will be redeemed, not later than the earliest date on which such bonds may be redeemed and on which the Issuer will realize present value debt service savings (determined without regard to administrative expenses) on the issue.

(3) The initial temporary period under section 148(c) of the Code will end: (i) with respect to the proceeds of the Bonds not later than 30 days after the date of issue of such Bonds; and (ii) with respect to proceeds of the Advance Refunded Obligations on the Issue Date if not ended prior thereto.

(4) On and after the date of issue of the Bonds, no proceeds of the Advance Refunded Obligations will be invested in Nonpurpose Investments having a Yield in excess of the Yield on such Advance Refunded Obligations.

(5) The Bonds are being issued for the purposes stated in the recitals of this Ordinance. There is a present value savings associated with the refunding. In the issuance of the Bonds the Issuer has neither: (i) overburdened the tax exempt bond

market by issuing more bonds, issuing bonds earlier or allowing bonds to remain outstanding longer than reasonably necessary to accomplish the governmental purposes for which the Bonds were issued; (ii) employed on "abusive arbitrage device" within the meaning of Section 1.148-10(a) of the Regulations; nor (iii) employed a "device" to obtain a material financial advantage based on arbitrage, within the meaning of section 149(d)(4) of the Code, apart from savings attributable to lower interest rates and reduced debt service payments in early years.

SECTION 5.3. *Remedies in Event of Default.*

In addition to all the rights and remedies provided by the laws of the State of Texas, the Issuer covenants and agrees particularly that in the event the Issuer (a) defaults in the payments to be made to the Debt Service Fund, or (b) defaults in the observance or performance of any other of the covenants, conditions, or obligations set forth in this Ordinance, the Registered Owners of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the Issuer and other officers of the Issuer to observe and perform any covenant, condition, or obligation prescribed in this Ordinance.

No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. The specific remedies herein provided shall be cumulative of all other existing remedies and the specification of such remedies shall not be deemed to be exclusive.

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ARTICLE SIX
DEFEASANCE

SECTION 6.1. *Discharge of Obligations.*

Any Bond is deemed paid and is no longer considered to be a Bond within the meaning of this Ordinance when payment of the principal of and interest on such Bond to the Stated Maturity thereof or (if notice of redemption has been duly given, irrevocably provided for, or waived as provided herein) to the Redemption Date has been made or has been provided for by deposit with the Paying Agent or an escrow agent for such payment (or with any other bank or trust company which has agreed to hold the same for such purpose) (1) money sufficient to make such payment, (2) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Governmental Obligations together so certified sufficient to make such payment, provided that all the expenses pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Paying Agent (and to such other bank or trust company).

If such deposit is made with respect to some but not all of the Bonds then Outstanding, the Issuer shall designate the Stated Maturities of Bonds with respect to which such deposit is made. If such deposit is sufficient so to provide for the payment of the principal of and interest on some but not all Outstanding Bonds of a particular Stated Maturity so designated, the Paying Agent shall select the Outstanding Bonds of such Stated Maturity with respect to which such deposit is made by such random method as the Paying Agent deems fair and appropriate and which may provide for the selection of portions (equal to and leaving unredeemed an authorized denomination) of Bonds a denomination larger than \$5,000.

Notwithstanding anything herein to the contrary, no such deposit has the effect described in this Section (a) if made during the subsistence of a default in the payment of any Bond unless made with respect to all of the Bonds then Outstanding or (b) unless accompanied by an opinion of counsel of recognized standing in the field of federal income taxation to the effect that neither such deposit nor the investment thereof adversely affects the excludability of interest on any Bond from the gross income of any owner thereof for federal income tax purposes.

The Paying Agent (or other bank or trust company) with which a deposit is made of money and Governmental Obligations for such purpose shall hold the deposit in a segregated account in trust or escrow for the Registered Owners of the Bonds with respect to which such deposit is made and, together with any investment income therefrom, the deposit may be disbursed solely to pay the principal of and interest on such Bonds when due, except that cash receipts may be withdrawn and paid to the Issuer provided the date and amount of such withdrawals are taken into account in the most recent verification of the accounting firm referred to in this Section. No money or Governmental Obligations so deposited may be invested or reinvested unless in Governmental Obligations and unless such money and Governmental Obligations not invested and such new investments are together certified by an independent

public accounting firm of national reputation to be of such amounts, maturities, and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment.

At such times as a Bond is deemed to be paid hereunder, as aforesaid, it is no longer entitled to the benefits of this Ordinance, except for the purposes of any such payment from such money or Governmental Obligations and for the provisions of **Sections 1.4** and **1.7** and for the continuing compliance of the Issuer with the provisions of **Section 5.2**.

Provided, however, the City has reserved the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm bank and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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ARTICLE SEVEN
SALE

SECTION 7.1. *Sale of the Bonds; Notice of Sale.*

The sale of the Bonds to the Purchasers specified in the Officers' Pricing Certificate (collectively, the "Purchaser", having all the rights, benefits, and obligations of a Registered Owner), at the price specified in the Officers' Pricing Certificate, is confirmed and determined to be in compliance with the terms of the Notice of Sale.

SECTION 7.2. *Payment of Costs of Issuance; Engagement of Bond Counsel.*

The Issuer has in consultation with its financial advisor, First Southwest Company, set aside an amount of the proceeds of the Bonds to pay Costs of Issuance of the Bonds. The amount of such proceeds will be designated in a closing letter prepared by the financial advisor, and in the absence of contrary written instructions included as part of such closing letter to deposit such proceeds with the Issuer, the Paying Agent will pay such costs of issuance on behalf of the Issuer in accordance with invoices which conform to the instructions in the closing letter.

The Issuer hereby confirms engagement of Noton Rose Fulbright US LLP as Bond Counsel ("*Bond Counsel*") for the Issuer in accordance with the terms of the Letter of Engagement between the Issuer and Bond Counsel.

SECTION 7.3. *Official Statement.*

The Governing Body hereby authorizes and approves, in connection with the sale of the Bonds, the preparation and distribution of a Preliminary Official Statement relating to the Bonds, and a final Official Statement containing such additional information and amendments as may be necessary to conform to the terms of the Bonds, the Officers' Pricing Certificate, and this Order.

The Issuer hereby ratifies and confirms that the Preliminary Official Statement approved by this Section constitutes an Official Statement of the Issuer with respect to the Bonds that was deemed "final" by the Issuer as of its date, except for the omission of no more than the information permitted by Subsection (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission.

The proper officials of the Issuer are hereby authorized to execute and deliver a certificate pertaining to such Official Statement as prescribed therein.

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ARTICLE EIGHT
CONTINUING DISCLOSURE UNDERTAKING

SECTION 8.1. *Definitions.*

As used in this Article, the following terms have the meanings ascribed to such terms below:

“EMMA” means the Electronic Municipal Marketing System.

“MSRB” means the Municipal Securities Rulemaking Board.

“Rule” means SEC Rule 15c2-12, as amended from time to time or officially interpreted by the SEC.

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

SECTION 8.2. *Annual Reports.*

The Issuer shall provide annually certain updated financial information and operating data to the MSRB through EMMA. The information to be updated includes all quantitative financial information and operating data of the general type included in the Official Statement, being the information described in Exhibit A hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles set forth in Appendix A to the Official Statement, or as may otherwise hereafter be established consistent with Texas law and Generally Accepted Accounting Principles, and (2) audited, if the Issuer commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the Issuer shall provide audited financial statements for the applicable fiscal year to the MSRB through EMMA, when and if audited financial statements become available but if such audited financial statements are unavailable the Issuer will provide such financial statements on an unaudited basis within the above-described six-month period.

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

SECTION 8.3. *Material Event Notices.*

The Issuer shall notify the MSRB via EMMA, in a timely manner not in excess of 10 business days, of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;

- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of holders of the Bonds, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the Issuer, which shall occur as described below;
- (13) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall notify the MSRB via EMMA, in a timely manner, of any failure by the Issuer to provide financial information or operating data in accordance with *Section 8.1* by the time required by such Section.

SECTION 8.4. *Limitations, Disclaimers, and Amendments.*

The Issuer shall be obligated to observe and perform the covenants specified in this Article for so long as, but only for so long as, the Issuer remains an “obligated person” with respect to the Bonds within the meaning of the Rule, except that the Issuer in any event will give

the notice required by *Section 8.3* of any Bond calls and defeasance that cause the Issuer to be no longer such an “obligated person.”

The provisions of this Article are for the sole benefit of the Holders 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 Issuer 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 Issuer’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 Issuer 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 ISSUER BE LIABLE TO THE HOLDER 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 ISSUER, 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.

No default by the Issuer in observing or performing its obligations under this Article shall constitute a breach of or default under this Order for purposes of any other provision of this Order.

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

The provisions of this Article may be amended by the Issuer 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 or businesses of the Issuer, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Bonds in a primary offering of the Bonds in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Holders of a majority in aggregate principal amount of the Outstanding Bonds consent to such amendment or (b) a Person that is unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Holders and beneficial owners of the Bonds. If the Issuer so amends the provisions of this Article, the Issuer shall include with any amended financial information or operating data next provided in accordance with *Section 8.1* 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. The Issuer may also repeal or amend the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are

invalid, and the Issuer also may amend the provisions of this Article in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in a primary offering of the Bonds.

* * *

IN WITNESS WHEREOF, signed as of _____.

CITY OF LEAGUE CITY, TEXAS

By: _____
Mayor

ATTEST:

City Secretary

Pursuant to Section 1201.028, Texas Government Code, this Ordinance shall be effective immediately upon adoption, notwithstanding the provisions of Section 12 of the City Charter of the City to the contrary

EXHIBIT A

ANNUAL FINANCIAL INFORMATION

Financial information and operating data with respect to the City of the general type included in the Official Statement under the Tables numbers 1 through 6 and 8 through 16, and in Appendix B of the Official Statement.

EXHIBIT B

OFFICERS' PRICING CERTIFICATE

Re: The City of League City, Texas
General Obligation Refunding Bonds, Series 2016A

I, the undersigned City Manager of the City of League City, Texas (the "Issuer") do hereby make and execute this Certificate pursuant to an Ordinance adopted by the Governing Body of the Issuer on August 23, 2016 (the "Bond Order"), authorizing the issuance of the referenced bonds. Capitalized terms used in this Certificate shall have the meaning given such terms in the Bond Order.

1. As authorized by Section 1.1 of the Bond Ordinance, I have acted on behalf of the Issuer in selling the Bonds to the Purchasers, _____, authorized and approved pursuant to the Bond Ordinance, for the sum of _____, with the Bonds having the following designations, terms, and provisions:

The Bonds shall be known and designated as the Issuer "GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016" and shall be issued in the original aggregate principal amount of _____.

Interest on the Bonds shall be payable commencing on _____, and each _____ thereafter.

2. The Bonds shall mature and become payable on the dates and in the respective principal amounts and interest rates set forth below, subject to prior redemption as set forth below:

<u>Maturity Date</u> <i>(Date)</i>	<u>Principal Amount</u>	<u>Interest Rate (%)</u>

The Bonds maturing on and after February 15, 2027 are subject to redemption prior to maturity, at the option of the Issuer on February 15, 2026, or any date thereafter, in whole or in part (but if less than all the Bonds of a single maturity are called for redemption, those bonds called shall be selected by lot or other customary random method by the Paying

Agent/Registrar), for a redemption price of the principal thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

3. Pursuant to Section 1.1 of the Bond Ordinance, I hereby find and determine that:

(a) the price to be paid for the Bonds is not be less than 90% of the aggregate original principal amount of the Bonds plus accrued interest, if any, thereon from their date to their delivery,

(b) none of the Bonds bear interest at an interest rate which results in an initial yield in excess of the maximum rate allowed by Chapter 1204, Texas Government Code,

(c) the aggregate principal amount of the Bonds equals an amount sufficient to provide for the refunding of the maximum principal amount of the Outstanding Bonds specified in paragraph 4 below and result in a minimum dollar reduction in aggregate debt service costs to the Issuer on a present value basis of not less than 4.0%. The present value savings achieved from issuance of the Bonds is \$ _____, and the gross savings achieved from issuance of the Bonds is \$ _____.

4. The Issuer shall contribute an amount equal to \$[* ____*] from its legally available funds which shall be used to refund a portion of the Refunded Obligations.

5. The Refunded Obligations are as follows:

WITNESS MY HAND, this _____.

City Manager, City of League City, Texas