

PAYING AGENCY AGREEMENT

THIS AGREEMENT entered into as of July 1, 2017 (this “*Agreement*”), by and between the City of League City, Texas (the “*Issuer*”), and The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, a national bank association, organized and existing under the laws of the United States (the “*Paying Agent*”).

RECITALS

WHEREAS, the Issuer has duly authorized and provided for the issuance of its Tax and Revenue Certificates of Obligation, Series 2017 (the “*Securities*”) in the aggregate principal amount of \$17,025,000, such Securities to be issued in fully registered form only as to the payment of principal and interest thereon;

WHEREAS, the Issuer has selected the Paying Agent to serve in connection with the payment of the principal of, premium, if any, and interest on said Securities and with respect to the registration, transfer, and exchange thereof by the registered owners thereof; and

WHEREAS, the Paying Agent has agreed to serve in such capacities for and on behalf of the Issuer and has full power and authority to perform and serve as Paying Agent for the Securities;

NOW, THEREFORE, it is mutually agreed as follows:

ARTICLE ONE APPOINTMENT OF PAYING AGENT

Section 1.01. Appointment.

The Issuer hereby appoints the Paying Agent to serve as paying agent and registrar with respect to the Securities, and, as paying agent for the Securities, the Paying Agent shall be responsible for paying on behalf of the Issuer the principal, premium (if any), and interest on the Securities as the same become due and payable to the registered owners thereof; all in accordance with this Agreement and the “Bond Resolution” (hereinafter defined). The Issuer hereby appoints the Paying Agent as registrar with respect to the Securities and, as registrar for the Securities, the Paying Agent shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of said Securities and with respect to the transfer and exchange thereof as provided herein and in the “Bond Resolution”.

The Paying Agent hereby accepts its appointment, and agrees to serve as the paying agent and registrar for the Securities.

Section 1.02. Compensation.

As compensation for the Paying Agent’s services hereunder, the Issuer hereby agrees to pay the Paying Agent the fees and amounts set forth in Annex A attached hereto for the first year of this Agreement and thereafter the fees and amounts set forth in the Paying Agent’s

current fee schedule then in effect for services as Paying Agent for municipalities, which shall be supplied to the Issuer on or before 90 days prior to the close of the fiscal year of the Issuer, and shall be effective upon the first day of the following fiscal year.

In addition, the Issuer agrees to reimburse the Paying Agent upon its request for all reasonable expenses, disbursements and advances incurred or made by the Paying Agent in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

ARTICLE TWO DEFINITIONS

Section 2.01. Definitions.

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

“Acceleration Date” on any Security means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Security which has become accelerated pursuant to the terms of the Security.

“Bank Office” means the principal offices of the Paying Agent in Dallas, Texas, as indicated on the signature page hereof. The Paying Agent will notify the Issuer in writing of any change in location of the Bank Office.

“Bond Resolution” means the resolution, order, or ordinance of the governing body of the Issuer pursuant to which the Securities are issued, certified by the Secretary or any other officer of the Issuer and delivered to the Paying Agent.

“Holder” and “Security Holder” each means the Person in whose name a Security is registered in the Security Register.

“Issuer Request” and “Issuer Order” means a written request or order signed in the name of the Issuer by the Mayor or City Secretary, or any one or more of said officials, and delivered to the Paying Agent.

“Legal Holiday” means a day on which the Paying Agent is required or authorized to be closed.

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

“Predecessor Securities” of any particular Security means every previous Security evidencing all or a portion of the same obligation as that evidenced by such particular Security (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Security for which a replacement Security has been registered and delivered in lieu thereof pursuant to Section 3.06 hereof and the Bond Resolution).

“Redemption Date” when used with respect to any Security to be redeemed means the date fixed for such redemption pursuant to the terms of the Bond Resolution.

“Responsible Officer” when used with respect to the Paying Agent means the Chairman or Vice-Chairman of the Board of Directors, the Chairman or Vice-Chairman of the Executive Committee of the Board of Directors, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer, any Assistant Treasurer, the Cashier, any Assistant Cashier, any Trust Officer or Assistant Trust Officer, or any other officer of the Paying Agent customarily performing functions similar to those performed by any of the above designated officers and also means, with respect to a particular corporate trust matter, any other officer to whom such matter is referred because of his knowledge of and familiarity with the particular subject.

“Security Register” means a register maintained by the Paying Agent on behalf of the Issuer providing for the registration and transfers of Securities.

“Stated Maturity” means the date specified in the Bond Resolution the principal of a Security is scheduled to be due and payable.

Section 2.02. Other Definitions.

The terms “Paying Agent,” “Issuer,” and “Securities (Security)” have the meanings assigned to them in the recital paragraphs of this Agreement.

The term “Paying Agent” refers to the Paying Agent in the performance of the duties and functions of this Agreement.

ARTICLE THREE REGISTRAR

Section 3.01. Security Register - Transfers and Exchanges.

The Paying Agent agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the “*Security Register*”) for recording the names and addresses of the Holders of the Securities, the transfer, exchange and replacement of the Securities and the payment of the principal of and interest on the Securities to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and Paying Agent may prescribe. All transfers, exchanges and replacement of Securities shall be noted in the Security Register.

Every Security surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Securities Dealers, in form satisfactory to the Paying Agent, duly executed by the Holder thereof or his agent duly authorized in writing.

The Paying Agent may request any supporting documentation it feels necessary to effect a re-registration, transfer or exchange of the Securities.

To the extent possible and under reasonable circumstances, the Paying Agent agrees that, in relation to an exchange or transfer of Securities, the exchange or transfer by the Holders thereof will be completed and new Securities delivered to the Holder or the assignee of the Holder in not more than three (3) business days after the receipt of the Securities to be cancelled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent.

Section 3.02. Securities.

The Issuer shall provide an adequate inventory of printed Securities to facilitate transfers or exchanges thereof. The Paying Agent covenants that the inventory of printed Securities will be kept in safekeeping pending their use and reasonable care will be exercised by the Paying Agent in maintaining such Securities in safekeeping, which shall be not less than the care maintained by the Paying Agent for debt securities of other governments or corporations for which it serves as registrar, or that is maintained for its own securities.

Section 3.03. Form of Security Register.

The Paying Agent, as Registrar, will maintain the Security Register relating to the registration, payment, transfer and exchange of the Securities in accordance with the Paying Agent's general practices and procedures in effect from time to time. The Paying Agent shall not be obligated to maintain such Security Register in any form other than those which the Paying Agent has currently available and currently utilizes at the time.

The Security Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 3.04. List of Security Holders.

The Paying Agent will provide the Issuer at any time requested by the Issuer, upon payment of the required fee, a copy of the information contained in the Security Register. The Issuer may also inspect the information contained in the Security Register at any time the Paying Agent is customarily open for business, provided that reasonable time is allowed the Paying Agent to provide an up-to-date listing or to convert the information into written form.

The Paying Agent will not release or disclose the contents of the Security Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a court order or as otherwise required by law. Upon receipt of a court order and prior to release or disclosure of the contents of the Security Register, the Paying Agent will notify the Issuer so that the Issuer may contest the court order or such release or disclosure of the Security Register, provided that such subpoena, court order, or lawful request does not prevent Bank from providing such notice.

Section 3.05. Cancellation or Return of Cancelled Securities.

The Paying Agent shall cancel Securities in lieu of which or in exchange for which other Securities have been issued, or which have been paid. The Paying Agent will, at

such reasonable intervals as it determines, destroy cancelled Securities and provide to the Issuer a certificate of cancellation, or surrender to the Issuer cancelled Securities.

Section 3.06. Mutilated, Destroyed, Lost or Stolen Securities.

The Issuer hereby instructs the Paying Agent, subject to the provisions of the Bond Resolution, to deliver and issue Securities in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities as long as the same does not result in an overissuance.

In case any Security is mutilated, destroyed, lost, or stolen, the Paying Agent, in its discretion, may execute and deliver a replacement Security of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and substitution for such mutilated Security, or in lieu of and in substitution for such destroyed, lost, or stolen Security, only upon the approval of the Issuer and after (i) the filing by the Holder thereof with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss, or theft of such Security, and of the authenticity of the ownership thereof and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the Issuer and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution, and delivery of a replacement Security shall be borne by the Holder of the Security mutilated, destroyed, lost, or stolen.

Section 3.07. Transaction Information to Issuer.

The Paying Agent will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Securities it has paid pursuant to Section 4.02, Securities it has delivered upon the transfer or exchange of any Securities pursuant to Section 3.01, and Securities it has delivered in exchange for or in lieu of mutilated, destroyed, lost, or stolen Securities pursuant to Section 3.06.

ARTICLE FOUR
THE PAYING AGENT

Section 4.01. Duties of Paying Agent.

(a) The Paying Agent undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

(b) The Paying Agent shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of each Security at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Security to the Paying Agent at the Bank Office.

(c) The Paying Agent shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Security when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States Mail, first class postage prepaid, on each payment date, to the Holders of the Securities (or their Predecessor Securities) on the Record

Date, to the address appearing on the Security Register or by such other method, acceptable to the Paying Agent, requested in writing by the Holder at the Holder's risk and expense.

Section 4.02. Payment Dates.

The Issuer hereby instructs the Paying Agent to pay the principal of and interest on the Securities at the dates specified in the Bond Resolution.

Section 4.03. Reliance on Documents, Etc.

(a) The Paying Agent may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Paying Agent.

(b) The Paying Agent is not be liable for any error of judgment made in good faith by a Responsible Officer, unless it shall be proved that the Paying Agent was negligent in ascertaining the pertinent facts.

(c) No provisions of this Agreement requires the Paying Agent to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Paying Agent may rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without limiting the generality of the foregoing statement, the Paying Agent need not examine the ownership of any Securities, but is protected in acting upon receipt of Securities containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the Holder or an agent of the Holder. The Paying Agent is not bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, security, or other paper or document supplied by Issuer.

(e) The Paying Agent may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(f) The Paying Agent may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Paying Agent.

Section 4.04. Recitals of Issuer.

The recitals contained herein with respect to the Issuer and in the Securities shall be taken as the statements of the Issuer, and the Paying Agent assumes no responsibility for their correctness.

The Paying Agent shall in no event be liable to the Issuer, any Holder or Holders of any Security, or any other Person for any amount due on any Security from its own funds.

Section 4.05. May Hold Securities.

The Paying Agent, in its individual or any other capacity, may become the owner or pledgee of Securities and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent, or any other agent.

Section 4.06. Moneys Held by Paying Agent - Fiduciary Account/
Collateralization.

A fiduciary account shall at all times be kept and maintained by Paying Agent for the receipt, safekeeping, and disbursement of moneys received from the Issuer hereunder for the payment of the Securities, and money deposited to the credit of such account until paid to the Holders of the Securities shall be continuously collateralized by securities or obligations which qualify and are eligible under the laws of the State of Texas to secure and be pledged as collateral for fiduciary accounts to the extent such money is not insured by the Federal Deposit Insurance Corporation. Payments made from such fiduciary account shall be made by check drawn on such fiduciary account unless the owner of such Securities shall, at its own expense or risk, request such other medium of payment.

The Paying Agent shall be under no liability for interest on any money received by it hereunder.

Subject to the applicable unclaimed property laws of the State of Texas, any money deposited with the Paying Agent for the payment of the principal, premium (if any), or interest on any Security and remaining unclaimed for three years after final maturity of the Security has become due and payable will be paid by the Paying Agent to the Issuer, and the Holder of such Security shall thereafter look only to the Issuer for payment thereof, and all liability of the Paying Agent with respect to such moneys shall thereupon cease.

Section 4.07. Indemnification.

To the extent permitted by law, the Issuer agrees to indemnify the Paying Agent for, and hold harmless against, any loss, liability, or expense incurred without negligence or bad faith, arising out of or in connection with the acceptance or administration of the duties hereunder by the Paying Agent, including the cost and expense against any claim or liability in connection with the exercise or performance of any of its powers or duties by Paying Agent as Paying Agent under this Agreement.

Section 4.08. Interpleader.

The Issuer and the Paying Agent agree that the Paying Agent may seek adjudication of any adverse claim, demand, or controversy over its person as well as funds on deposit, in either a Federal or Texas district court located in the State of Texas and County where either the Bank Office or the administrative offices of the Issuer is located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 5.03 of this Agreement shall constitute adequate service. The Issuer and the Paying Agent further agree that the Paying Agent has the right to file a Bill of Interpleader in any federal or Texas district court of competent jurisdiction in the State of Texas to determine the rights of any Person claiming any interest herein.

Section 4.09. DTC Services.

It is hereby represented and warranted that, in the event the Securities are otherwise qualified and accepted for “Depository Trust Company” services or equivalent depository trust services by other organizations, the Paying Agent has the capability and, to the extent within its control, will comply with the DTC “Operational Arrangements” in effect as of the date hereof, which established requirements for securities to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

Section 4.10. Distribution of Payment Amount at Closing.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the securities in the manner disclosed in the closing memorandum approved by the Issuer as prepared by the Issuer’s financial advisor or other agent. The Bank may act on a facsimile transmission of the closing memorandum to be followed by an original of the closing memorandum signed by the financial advisor or the Issuer.

ARTICLE FIVE
MISCELLANEOUS PROVISIONS

Section 5.01. Amendment.

This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

Section 5.02. Assignment.

This Agreement may not be assigned by either party without the prior written consent of the other.

Section 5.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver, or other document provided or permitted hereby to be given or furnished to the Issuer or the Paying

Agent shall be mailed or delivered to the Issuer or the Paying Agent, respectively, at the addresses shown on page 11.

Section 5.04. Effect of Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 5.05. Successors and Assigns.

All covenants and agreements herein by the Issuer shall bind its successors and assigns, whether so expressed or not.

Section 5.06. Severability.

In case any provision herein 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.

Section 5.07. Benefits of Agreement.

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy, or claim hereunder.

Section 5.08. Entire Agreement.

This Agreement and the Bond Resolution constitute the entire agreement between the parties hereto relative to the Paying Agent acting as Paying Agent and if any conflict exists between this Agreement and the Bond Resolution, the Bond Resolution shall govern.

Section 5.09. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 5.10. Termination.

This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Securities to the Holders thereof or (ii) may be earlier terminated by either party upon 60 days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent has been appointed by the Issuer and such appointment accepted and (b) notice given to the Holders of the Securities of the appointment of a successor Paying Agent. Furthermore, the Paying Agent and Issuer mutually agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Securities.

Upon an early termination of this Agreement, the Paying Agent agrees to promptly transfer and deliver the Security Register (or a copy thereof), together with other pertinent books and records relating to the Securities, to the successor Paying Agent designated and appointed by the Issuer.

The provisions of Section 1.02 and of Article Five shall survive and remain in full force and effect following the termination of this Agreement.

Section 5.11. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

[The remainder of this page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A.

BY _____
TITLE _____

Address:
2001 Bryan St., 11th Floor
Dallas, Texas 75201

CITY OF LEAGUE CITY, TEXAS

BY _____
Mayor

Address: 300 West Walker
League City, Texas 77573

Attest:

City Secretary

ANNEX A