
Ordinance Number _____

AN ORDINANCE

AUTHORIZING THE ISSUANCE OF

CITY OF LEAGUE CITY, TEXAS,

COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,

SERIES 2018;

AND LEVYING AN AD VALOREM TAX;

PLEDGING CERTAIN NET REVENUES; APPROVING AN

OFFICIAL STATEMENT, AUTHORIZING

THE EXECUTION OF A TRANSFER AND PAYING AGENCY AGREEMENT;

AND OTHER MATTERS IN CONNECTION THEREWITH

CITY OF LEAGUE CITY, TEXAS

ADOPTED AUGUST 14, 2018

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AN ORDINANCE
AUTHORIZING THE ISSUANCE OF
CITY OF LEAGUE CITY, TEXAS,
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2018;
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OFFICIAL STATEMENT, AUTHORIZING
THE EXECUTION OF A TRANSFER AND PAYING AGENCY AGREEMENT;
AND OTHER MATTERS IN CONNECTION THEREWITH

RECITALS

1. The City Council (the “*Governing Body*”) of the City of League City, Texas (the “*Issuer*”), a home rule city, has given notice of its intent to issue certificates of obligation (the “*Certificates*”) in the maximum principal amount of \$11,340,000 for the purpose to fund acquisition, design, construction, equipping, and improvement of (1) streets, roadways, and traffic improvements and related drainage improvements, and for the purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way related thereto; (2) a new animal shelter; (3) public safety facilities including specifically Fire Station #6; and (4) certain other costs related and incidental thereto and the issuance costs of the Certificates. The notice was published once a week for two consecutive weeks in a newspaper of general circulation in the Issuer, the first publication being not less than 30 days prior to the tentative date stated in the notice for the passage of this ordinance.

2. No petition signed by at least 5% of the qualified electors of the Issuer protesting the issuance of the Certificates has been presented to or filed with the Secretary of the Issuer prior to the date set in such notice for passage of this Ordinance, nor has any such petition been filed as of this date.

3. The Governing Body has found and determined that \$11,340,000 in aggregate principal amount of the Certificates described in such notice should now be issued and sold, and has adopted this ordinance authorizing issuance of such Certificates.

4. It is in the Issuer’s best interest to issue the certificate of obligations described herein.

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

ARTICLE ONE
THE CERTIFICATES

SECTION 1.1 *Authorization and Terms; Purpose.*

A. *Authorization, Title, Principal Amount, and Purpose.* The Certificates are hereby authorized to be issued in the aggregate principal amount of \$11,340,000, to be designated and

entitled “CITY OF LEAGUE CITY, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2018”, to fund acquisition, design, construction, equipping, and improvement of (1) streets, roadways, and traffic improvements and related drainage improvements, and for the purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way related thereto; (2) a new animal shelter; (3) public safety facilities including specifically Fire Station #6; and (4) certain other costs related and incidental thereto and the issuance costs of the Certificates, pursuant to the authority conferred by and in conformity with the laws of the State of Texas, particularly Texas Government Code section 1502.052, and the Certificate of Obligation Act of 1971, Texas Local Government Code sections 271.041 through 271.065, each as now in effect. The Certificates shall have a Dated Date of August 1, 2018 (which is the “*Dated Date*” of the Certificates and to be inserted below “*Dated Date*” immediately below the title thereof).

B. *Denominations, Maturities, Rates of Interest.* *Denominations, Maturities, Rates of Interest.* The Stated Maturities of the Certificates are February 15 of the years and the aggregate principal amounts set forth below in this Subsection, and interest on the Certificates of each Stated Maturity accrues from the Dated Date or the most recent Interest Payment Date to which interest has been paid or duly provided for, until such Certificates are paid or due provision therefor is made at or after the Maturity thereof, at the per annum rates set forth opposite such Stated Maturity below, calculated on the basis of a 360-day year of twelve 30-day months and payable semiannually on each February 15 and August 15 commencing February 15, 2019:

<u>Year of Stated Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2019	\$585,000	%
2020	590,000	
2021	590,000	
2022	590,000	
2023	590,000	
2024	590,000	
2025	590,000	
2026	590,000	
2027	590,000	
2028	590,000	
2029	590,000	
2030	590,000	
2031	590,000	
2032	590,000	
2033	590,000	
2034	590,000	
2035	590,000	
2036	590,000	
2037	585,000	
2038	585,000	

C. *Payment.* The principal and Redemption Price of the Certificates is payable upon surrender, and the interest on the Certificates is payable, at the corporate trust office of the Paying Agent in Dallas, Texas or at such other city as designated by the Issuer upon Notice to the Registered Owners. Such place is herein referred to as the “*Place of Payment*”.

The Issuer shall transfer the principal and Redemption Price of the Certificates to the Paying Agent on or prior to the date it is due.

If the specified date for any payment of principal (or Redemption Price) of or interest on the Certificates is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city of the Place of Payment, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

D. *Payment of Interest; Interest Rights Preserved.* Interest on any Certificate is payable to the Registered Owner thereof as of the Record Date and is payable (i) by check sent by United States Mail, first-class postage prepaid, by the Paying Agent, to the address of the Registered Owner appearing in the Security Register, or (ii) by such other method acceptable to the Paying Agent requested in writing by the Registered Owner at the Registered Owner’s risk and expense.

If interest is not paid on a scheduled payment date, and for 10 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 Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Certificate 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. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest must be paid to the Persons in whose names the Certificates (or their respective Predecessor Certificates) are registered on such Special Record Date.

E. *Legal Tender.* The principal or Redemption Price of and interest on the Certificates is payable 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, without exchange or collection charges to the Registered Owner.

SECTION 1.2 *Redemption.*

A. *Optional and Mandatory Redemption.* The Certificates 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 Certificate in **Section 3.2**.

B. *Exercise of Redemption Option.* At least 45 days prior to a date of redemption (the “*Redemption Date*”) (unless a shorter notification period shall be satisfactory to the Paying Agent), the Issuer shall notify the Paying Agent of its decision to exercise the right to optionally redeem Certificates, the principal amount of each Stated Maturity to be redeemed, and the Redemption Date. The decision of the Issuer to exercise the right to redeem Certificate shall be entered in the minutes of the Governing Body.

C. *Selection of Certificates for Redemption.* If less than all Outstanding Certificates of the same Stated Maturity are to be redeemed on a Redemption Date, the Paying Agent shall select at random and by lot the Certificates to be redeemed, provided that if less than the entire principal amount of a Certificate is to be redeemed, the Paying Agent shall treat such Certificate then subject to redemption as representing the number of Certificates Outstanding which is obtained by dividing the principal amount of such Certificate by \$5,000.

D. *Notice of Redemption.* Not less than 30 days prior to a Redemption Date, the Paying Agent shall cause a notice of redemption to be sent by United States Mail, first-class postage prepaid, in the name of the Issuer and at the Issuer’s expense, by the Paying Agent to each Holder of a Certificate to be redeemed in whole or in part at the address of the Holder appearing on the Security Register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Holder. All notices of redemption shall state:

- (1) the Redemption Date,
- (2) the redemption price (the “*Redemption Price*”),
- (3) the principal amount and identification (by Issuer and Certificate name, CUSIP number, Stated Maturity, interest rate, Dated Date, and, in the case of partial redemption, the Certificate numbers and respective principal amounts) of Certificates to be redeemed,
- (4) that on the Redemption Date the Redemption Price of each of the Certificates to be redeemed will become due and payable and that interest thereon shall cease to accrue from and after said date, and
- (5) that the Certificates 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.

E. *Limitation on Transfer/Exchange of Certificates.* Neither the Issuer nor the Paying Agent is required to transfer or exchange any Certificates selected for redemption within 45 days of the Redemption Date, provided however, such limitation shall not be applicable to an exchange by the Holder of the unredeemed balance of a Certificate which is subject to partial redemption.

F. *Payment of the Redemption Price.* If a Certificate is subject by its terms to redemption and has been called for redemption and notice of redemption thereof has been duly

given as hereinabove provided, such Certificate (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable, and if money sufficient for the payment of such Certificates (or of the principal amount thereof to be redeemed) at the then applicable Redemption Price is held for the purpose of such payment by the Paying Agent, then on the Redemption Date, interest on the Certificate (or the principal amount thereof to be redeemed) called for redemption shall cease to accrue and such Certificates shall no longer be deemed Outstanding hereunder.

If any Certificate called for redemption shall not be so paid upon surrender thereof for redemption, the same shall continue to bear interest from the Redemption Date therefore at the rate borne by such Certificates.

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

The Mayor of the Issuer shall execute the Certificates 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 Certificates may be manual or facsimile. Certificates 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 Certificates. 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 Certificates. The Mayor of the Issuer is further authorized and directed to submit the Initial Certificates, 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 Certificates, the Mayor of the Issuer shall cause such Certificates 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 Certificates, the Comptroller is authorized and directed to deliver the Certificates in accordance with instructions of the Mayor of the Issuer. At any time thereafter the Issuer may deliver such Certificates to the Paying Agent together with definitive Certificates 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 Certificates are to be transferred, register and deliver such definitive Certificates 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 Certificates to and payment therefor by the Purchasers.

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

No Certificate is entitled to any right or benefit under this Ordinance, or is valid or obligatory for any purpose, unless there appears on such Certificate 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 Certificate is conclusive evidence, and the only evidence, that such Certificate has been duly certified or registered and delivered.

Notwithstanding anything herein, the Initial Certificates authorized for delivery to the initial purchasers shall have printed thereon both the Registration Certificates of Comptroller of Public Accounts appearing in Section 3.3 and the Certificate of Paying Agent appearing in Section 3.4, and both such certifications shall be required to be manually executed in connection with the initial delivery of the Initial Certificates to the initial purchasers, and both such certificates appearing on the Initial Certificates, duly signed, shall be conclusive evidence that such Initial Certificates have been duly certified, 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 Certificates and of transfers of the Certificates as herein provided.

Upon surrender for transfer of any Certificate 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 Certificates of the same Stated Maturity, of any authorized denominations, and of a like aggregate principal amount. New Certificates 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 Registered Owner’s written request, risk, and expense.

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

All Certificates issued in any transfer or exchange of Certificates shall be delivered to the Registered Owners at the principal corporate trust office of the Paying Agent or sent by United States Mail, first class, postage prepaid to the Registered Owners, and, upon the registration and delivery thereof, the same shall be the valid obligations of the Issuer, evidencing the same obligation to pay, and entitled to the same benefits under this Ordinance, as the Certificates surrendered in such transfer or exchange.

Every Certificate 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 Registered Owner thereof or his attorney duly authorized in writing.

No service charge may be made to the Registered Owner for any registration, transfer, or exchange of Certificates, 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 Certificates.

Neither the Issuer nor the Paying Agent is required (1) to transfer or exchange any Certificate 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 Certificate so selected for redemption.

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

If (1) any mutilated Certificate 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 Certificate, 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 Certificate 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 Certificate, a new Certificate 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 Certificate has become or is about to become due and payable, the Issuer in its discretion may pay such Certificate instead of issuing a new Certificate.

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

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 Certificates.

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 Certificate for purposes of receiving payment of principal and Redemption Price of and (*subject* to **Section 1.1**) interest on the Certificate and for all other purposes whatsoever, whether or not the Certificate is due or overdue, and neither the Issuer nor the Paying Agent, or any agent of either, is affected by notice to the contrary. All payments made to or duly provided for the Registered Owner in accordance with this Ordinance will be valid and effectual and will discharge the liability of the Issuer to the extent of the sums paid in or duly provided for.

SECTION 1.7 *Cancellation.*

All Certificates 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 Certificates previously certified and delivered which the Issuer acquires in any manner whatsoever, and all Certificates so delivered are to be promptly canceled by the Paying Agent. No Certificate may be certified in lieu of or in exchange for any Certificate canceled as provided in this Section, except as expressly provided by this Ordinance. All canceled Certificates 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** and **1.5** relating to the payment, redemption and transfer/exchange of the Certificates, 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 Certificates with DTC and to deliver the Certificates through DTC.

Pursuant to the rules and procedures of DTC now in effect, the Certificates shall be deposited with DTC (or with the Paying Agent on behalf of DTC) who shall hold said Certificates for its participants (the “DTC Participants”). While the Certificates are so held, the Registered Owner of the Certificates 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 Certificate (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 Certificates 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 Certificates, the Issuer covenants and agrees with the

Registered Owners of the Certificates to cause Certificates 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 Certificates in definitive form shall be assigned, transferred and exchanged on the Security Register maintained by the Paying Agent and payment of such Certificates shall be made in accordance with the provisions of **Sections 1.3, 1.4 and 1.5.**

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.

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

“*Certificates*” 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 Certificate.

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

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

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

“*Debt Service Requirement*” has the meaning stated in **Section 4.6**.

“*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 obligations of, or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America, or (2) obligations authorized under Texas law at the time of deposit for discharge and final payment of governmental obligations which, at the time of deposit, have been assigned ratings in the highest rating category by nationally – recognized investment rating firm, *but* in the case of both *Clauses* (1) and (2) only if such obligations may not be called for redemption prior to maturity.

“*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 Certificates.

“*Gross Revenues*” for any period means all revenue during such period in respect or on account of the operation or ownership of the System, *excluding* refundable deposits, restricted gifts, refunds for amounts advanced in aid of construction, and grants in aid of construction, but including earnings and income derived from the investment or deposit of money in any special fund or account (other than earnings on the Certificate Fund) created and established for the payment or security of the Certificates.

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

“*Investment*” has the meaning set forth in Section 1.148-1(b) of the Regulations.

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

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

“*Maintenance and Operating Expenses*” means all current expenses of operating and maintaining the System not paid from the proceeds of the Certificates, including the cost of all salaries, labor, materials, interest, repairs, and extensions necessary to provide efficient service, and each proper item of expense, but only if, in the case of repairs and extensions, they are, in the judgment of the Governing Body, necessary to keep the System in operation and render adequate service to the Issuer and its residents, or respond to a physical accident or condition that would otherwise impair the Certificates or Prior Obligations or Parity Obligations.

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

“*Net Revenues*” for any period means the Gross Revenues less the Maintenance and Operating Expenses but in an amount not to exceed total Net Revenues of \$10,000 during the period that the Certificates are Outstanding.

“Nonpurpose Investment” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Certificates are invested and which is not acquired to carry out the governmental purposes of the Certificates.

“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 Certificates means, as of the date of determination, all Certificates theretofore issued and delivered under this Ordinance, except, without duplication:

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

(2) *Gross Cash Defeasance*: Certificates 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 Certificates, provided that, if such Certificates 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 Certificates*: Certificates in exchange for or in lieu of which other Certificates have been registered and delivered pursuant to this Ordinance;

(4) *Paid Missing Certificates*: Certificates alleged to have been destroyed, lost, or stolen which have been paid as provided in **Section 1.5**; and

(5) *Net Cash Defeasance* : Certificates 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 Certificates Outstanding have given any request, demand, authorization, direction, notice, consent, or waiver hereunder, Certificates owned by the Issuer or any other obligor upon the Certificates 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 Certificates which the Paying Agent knows to be so owned are required to be so disregarded.

“Parity Obligations” means the obligations of the Issuer now or hereafter issued with a lien on Net Revenues on a parity with the lien on Net Revenues granted the Certificates.

“Paying Agent” means the Person 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*” means a corporate trust office of the Paying Agent in the State of Texas, as established in **Section 1.1**.

“*Predecessor Certificates*” of any particular Certificate means every previous Certificate evidencing all or a portion of the same debt as that evidenced by such particular Certificate, and, for purposes of this definition, any Certificate registered and delivered under **Section 1.5** in lieu of a mutilated, lost, destroyed, or stolen Certificate is deemed to evidence the same debt as the mutilated, lost, destroyed, or stolen Certificate.

“*Prior Obligations*” means the obligations of the Issuer so defined in **Section 4.7**.

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

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Regulations.

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

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

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

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

“*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 Certificates. 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 Certificate means the date specified in such Certificate as the fixed date on which the principal of such Certificate is due and payable.

“*Subordinate Lien Obligations*” means any bonds, notes, warrants, certificates of obligation, or any similar obligations hereafter issued by the Issuer that are payable, in whole or in part, from and equally and ratably secured by a lien on and pledge of the Net Revenues, such

pledge being subordinate and inferior to the lien on and pledge of Net Revenues to payment of the Certificates.

“*System*” means all of the Issuer’s waterworks and sewer system, together with all future extensions, improvements, and additions thereto and replacements thereof, *excluding* from the foregoing, however, to the extent now or hereafter authorized or permitted by law, facilities of any kind which are declared by the Governing Body, prior to the acquisition or construction thereof by the Issuer, not to be a part of the System and which are acquired or constructed by or on behalf of the Issuer with the proceeds from the issuance of “*Special Facilities Obligations*”, which are hereby defined as being special revenue obligations of the Issuer which are not payable from Net Revenues but which are payable from and secured by other liens on and pledges of any revenues, sources, or payments, not pledged to the payment of the Certificates.

“*Yield*” of

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

(2) the Certificates 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. 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. Any notice so mailed shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. 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 Certificates, 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 Certificate 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 Certificates 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 Certificates, no such amendment, addition, or rescission may (1) change the Stated Maturity of the Certificates 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 Certificate 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 Certificates, (2) give any preference to any Certificate over any other Certificate, (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 Certificate affected thereby.

Any consent to any amendment hereof by the Registered Owner of any Certificate binds every future Registered Owner of the same Certificate and the Registered Owner of every Certificate 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 Certificate.

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 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, 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.

ARTICLE THREE FORMS

SECTION 3.1 *Forms Generally.*

The Certificates, the Registration Certificate of the Comptroller of Public Accounts of the State of Texas to be reproduced on the initial Certificates, the Registration Certificate of the Paying Agent to be reproduced on subsequently delivered Certificates, and the form of Assignment to be reproduced on each of the Certificates are to be substantially in the forms set forth in this Article with such appropriate insertions, omissions, substitutions, and other variations as may be necessary or desirable in order to carry out the terms and provisions of this Ordinance, and which are not otherwise prohibited by this Ordinance. Any portion of the text of any Certificates may be set forth on the reverse thereof, with an appropriate reference thereto on the face of the Certificate.

The Certificates 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 Certificates as evidenced by their execution thereof. The initial Certificates to be delivered to the Attorney General may be issued either (i) as a single fully registered certificate in the total principal amount of the Certificates with principal installments to become due and payable as provided in **Section 1.1** hereof and numbered consecutively T-1 and upward, or (ii) as fully registered certificates, being one note for each stated maturity in the applicable principal amount and denomination and to be numbered consecutively from T-1 and upward (hereinafter called the "Initial Certificate(s)").

[The remainder of this page intentionally left blank.]

SECTION 3.2 *Form of Definitive Certificate.*

Unless this certificate 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 certificate 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

COMBINATION TAX AND REVENUE

CERTIFICATE OF OBLIGATION,

SERIES 2018

Interest Rate:

.....

Dated Date:

August 1, 2018

Stated Maturity:

.....

CUSIP NO:

.....

REGISTERED OWNER:.....

PRINCIPAL AMOUNT:.....DOLLARS

The City of League City, Texas (hereinafter together with its successors referred to as the “*Issuer*”), a body politic and municipal corporation duly organized and existing under and by virtue of the laws of the State of Texas, for value received, hereby promises to pay, but solely to and from the extent of the sources described herein, to the Registered Owner specified above or registered assigns, on the Stated Maturity specified above, the Principal Amount specified above, and to pay interest thereon 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, 2019, at the per annum Interest Rate specified above, computed on the basis of a 360-day year of twelve 30-day months 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 date therein described when due. Principal of this Certificate 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., or its successor in its designated place of payment, initially Dallas, Texas (the “*Place of Payment*”).

The interest so payable on, and paid or duly provided for on or within 10 days after, any Interest Payment Date will be paid to the Person in whose name this Certificate (or one or more Predecessor Certificates evidencing the same debt) is registered at the close of business on the Regular Record Date for such interest, which is the last business day of the calendar month next preceding such Interest Payment Date. Any such interest not so paid or duly provided for ceases to be payable to the Person in whose name such Certificate is registered on such Regular Record Date, and shall be paid to the Person in whose name this Certificate (or one or more Predecessor Certificates) is registered at the close of business on a Special Record Date for the payment of such Defaulted Interest to be fixed by the Paying Agent, notice whereof being sent to the Registered Owners of the Certificates not less than five business days prior to the Special Record Date. All such interest is payable at the Place of Payment. Such interest is payable (1) by check or draft mailed to the address of the Registered Owner as the same appears on the Security Register of the Issuer kept by the Paying Agent, as Registrar, or (2) in accordance with other customary arrangements acceptable to the Paying Agent made by the Registered Owner. The principal or Redemption Price of this Certificate is payable at the Place of Payment upon presentation and surrender of this Certificate. All such payments must be made in such coin or currency of the United States of America as at the time of payment is legal tender for payment of public and private debts.

If the specified date for any such payment is a Saturday, Sunday, or legal holiday or equivalent (other than a moratorium) for banking institutions generally in the city in which the Place of Payment is located, such payment may be made on the next succeeding day which is not one of the foregoing days without additional interest and with the same force and effect as if made on the specified date for such payment.

This Certificate is one of the series specified in its title issued in the aggregate principal amount of \$11,340,000 (the "*Certificates*") pursuant to an Ordinance adopted by the governing body of the Issuer (the "*Ordinance*"), to fund acquisition, design, construction, equipping, and improvement of (1) streets, roadways, and traffic improvements and related drainage improvements, and for the purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way related thereto; (2) stormwater drainage and retention facilities, and for the purchase of materials, supplies, equipment, machinery, buildings, land, and rights-of-way related thereto; (3) the water and sanitary sewer system, including the extension of water lines and distribution lines, and (4) certain other costs related and incidental thereto and the issuance costs of the certificates, under and in strict conformity with the laws of the State of Texas, particularly Texas 1502.052 section and the Certificate of Obligation, Act of 1971, as amended, Texas Local Government Code sections 271.041 through 271.063, as amended.

The Certificates with a Stated Maturity on or after February 15, 2028, may be redeemed at the option of the Issuer, on notice mailed to the Registered Owners thereof not less than 30 days prior to the Redemption Date as provided in the Ordinance, as a whole or from time to time in part in integral multiples of \$5,000 principal on any date prior to their Stated Maturity, but not before February 15, 2027, upon payment of the Redemption Price, which is the principal amount thereof together with interest, if any, accrued from the most recent Interest Payment Date to the Redemption Date.

[Certificates maturing on the dates specified below 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:

Certificates maturing [Stated Maturity]

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

Certificates maturing [Stated Maturity]

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

Certificates maturing [Stated Maturity]

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

Certificates maturing [Stated Maturity]

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

Certificates maturing [Stated Maturity]

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

Such Certificates to be redeemed shall be selected by lot from and among the Certificates of such maturity then subject to redemption. The Issuer, at its option, may credit against any mandatory sinking fund redemption requirement Certificates 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.]

Certificates of a denomination larger than \$5,000 may be redeemed in part (in, and leaving unredeemed, an authorized denomination) and upon any partial redemption of any such Certificate the same must be surrendered in exchange for one or more new Certificates of the same Stated Maturity in authorized denominations for the unredeemed portion of principal. Certificates (or portions thereof) for whose redemption and payment provision is made in accordance with the Ordinance cease to bear interest from and after the Redemption Date.

If this Certificate (or any portion of the principal sum hereof) has been duly called for redemption and notice of such redemption duly given, then upon such redemption date this Certificate (or the portion of the principal sum hereof to be redeemed) is due and payable, and, if money for the payment of the redemption price and the interest accrued on the principal amount to be redeemed to the date of redemption is held for the purpose of such payment by the Paying Agent, interest ceases to accrue and to be payable hereon from and after the redemption date on the principal amount hereof to be redeemed.

The Certificates of this series are payable from the proceeds of an ad valorem tax levied upon all taxable property within the Issuer, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Net Revenues derived from the operation of the Issuer's waterworks and sanitary sewer system (the "*System*") as identified and defined in the Ordinance. In the Ordinance, the Issuer reserves and retains the right to issue additional obligations prior and superior in right to, on a parity with, or subordinate to the Certificates with respect to the lien on Net Revenues, and the Certificates are issued with the pledge of Net Revenues subordinate to the pledge of Net Revenues to the Issuer's other outstanding obligations, and any other obligations of the Issuer hereafter issued which are issued with a pledge of Net Revenues prior and senior to or on a parity with the pledge of Net Revenues to the Certificates.

Reference is hereby made to the Ordinance, copies of which are on file in the principal corporate trust office of the Paying Agent, and to all of the provisions of which the Registered Owner by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the tax levied and the revenues pledged for the payment of the Certificates; the terms and conditions relating to the transfer or exchange of the Certificates; the conditions upon which the Ordinance may be amended or supplemented with or without the consent of the Registered Owner; the rights, duties, and obligations of the Issuer and the Paying Agent; the terms and provisions upon which this Certificate may be redeemed or discharged at or prior to the Stated Maturity thereof, and deemed to be no longer Outstanding thereunder; and for the other terms and provisions specified in the Ordinance. Capitalized terms used herein have the same meanings assigned 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 Certificates 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 Certificates at the time outstanding affected by such modification. Any such consent by the Registered Owners of this Certificate or any Predecessor Certificate herefor evidencing the same debt is conclusive and binding upon such Registered Owner and all future Registered Owners of

this Certificate and of any Certificate issued upon the transfer or in lieu hereof or in exchange herefor, whether or not notation of such consent is made upon this Certificate.

As provided in the Ordinance and subject to certain limitations therein set forth, this Certificate is transferable on the Security Register of the Issuer, upon surrender of this Certificate for transfer to the Paying Agent at the Place of Payment, 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 its attorney duly authorized in writing, and thereupon one or more new fully registered Certificates of the same Stated Maturity, of authorized denominations, and for the same aggregate principal amount will be issued to the designated transferee or transferees.

The Certificates are issuable as fully registered Certificates in denominations of principal, equal to \$5,000 and any integral multiple thereof. Upon surrender of this Certificate for exchange to the Paying Agent at the Place of Payment, and subject to certain limitations set forth in the Ordinance, one or more new fully registered Certificates of the same Stated Maturity, of designated authorized denominations, and for the same aggregate principal amount will be issued to the Registered Owner of this Certificate.

No service charge may be made for any transfer or exchange hereinabove referred to, 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 Certificate 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 Certificate 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, covenanted, and represented that all acts, conditions, and things required to be performed, exist, and be done precedent to the issuance of this Certificate in order to render the same a legal, valid, and binding obligation of the Issuer have been performed, exist, and have been done, in regular and due time, form, and manner, as required by law, and that issuance of the Certificates does not exceed any constitutional or statutory limitation. In case any provision in this Certificate or any application thereof is deemed invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions and applications is not in any way affected or impaired thereby. The terms and provisions of this Certificate and the Ordinance are to be construed in accordance with and 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 Certificate 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 Certificate to be duly executed.

CITY OF LEAGUE CITY, TEXAS

By.....
Mayor

ATTEST:

.....
City Secretary

Dated Date: August 1, 2018

[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 §
 § REGISTER NO.....
THE STATE OF TEXAS §

I HEREBY CERTIFY that this Certificate 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

(SEAL)

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

*** Note to Printer: Not to appear on printed Certificates**

SECTION 3.4 *Form of Certificate of Paying Agent.*

CERTIFICATE OF PAYING AGENT*

This Certificate has been duly issued under the provisions of the within-mentioned Ordinance; the Certificate or Certificates 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.

Registration

Date:.....

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

By.....
Authorized Officer

*** Note to Printer: Not to appear on initial Certificates**

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 Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints ...
.....
attorney to transfer the within Certificate 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
registered owner as it appears on the face of
the within Certificate in every particular.

SECTION 3.6 *Form of Initial Certificate.*

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

- (i) the DTC legend will be omitted;
- (ii) immediately under the name of the Certificate the headings “Interest Rate
 _____”, “Stated Maturity _____”, and “CUSIP No. _____” will be
 omitted;
- (iii) Paragraph one will read as follows:

The City of League City, Texas (hereinafter together with its successors referred to as the
“*Issuer*”), a body politic and municipal corporation duly organized and existing under and by
virtue of the laws of the State of Texas, for value received, hereby promises to pay, but solely to
and from the extent of the sources described herein, to the Registered Owner specified above or
registered assigns, the hereinabove stated the 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:

Year of
Stated Maturity

Principal
Amount

Interest
Rate (%)

(Information to be inserted from schedule in Section 1.1 hereof).

(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, 2019, 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 Certificate 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. (the “*Paying Agent*”), upon its presentation and surrender, at its designated offices in Dallas, Texas (the “*Place of Payment*”).

SECTION 3.7 *Insurance Legend.*

If bond insurance is obtained by the Issuer or the Purchaser for the Certificates, the Definitive Certificates and the Initial Certificate(s) shall bear an appropriate legend as provided by the insurer.

ARTICLE FOUR
TAXES, REVENUES, AND FUNDS;
INVESTMENTS

SECTION 4.1 *Certificate Fund.*

To pay interest on and to provide a sinking fund for the payment, redemption, and retirement of the Certificates, the Issuer hereby creates and shall maintain solely for such purposes (subject to the provisions of **Section 5.5**) a special fund designated as its “CERTIFICATES OF OBLIGATION, SERIES 2018 INTEREST AND SINKING FUND” (the “*Certificate Fund*”). The Issuer authorizes and directs its authorized officials to withdraw from the Certificate Fund and to transfer to the Paying Agent money on deposit in the Certificate Fund sufficient to pay the amount of principal or interest falling due on the Certificates, 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 Maturity or Interest Payment Date for the Certificates.

SECTION 4.2 *Deposits to Certificate Fund; Excess Certificate Proceeds.*

The Issuer, prior to a Maturity or Interest Payment Date for the Certificates, may deposit any of the Net Revenues to the Certificate Fund in accordance with **Section 4.3**. The Net Revenues, if deposited, shall be expended annually to pay principal of and interest on the Certificates as the same become due and payable. The Net Revenues so deposited shall be accounted for and transferred to the Paying Agent in accordance with the provisions of **Section 4.1** governing other money in the Certificate Fund.

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 Certificates to the Certificate Fund. In addition, the Issuer shall deposit any surplus proceeds, including investment income therefrom, from the sale of the Certificates not expended for authorized purposes to the Certificate Fund.

SECTION 4.3 *System Account.*

The Issuer shall keep all Gross Revenues derived from operation of the System separate and apart from all other funds, accounts, and money of the Issuer and shall deposit amounts collected into the Issuer’s “WATERWORKS AND SEWER SYSTEM ACCOUNT” (the “*System Account*”). The Issuer shall pledge and appropriate money in the System Account as required for the following purposes and in the order of priority shown:

First: as a first charge on and claim against the Gross Revenues, to pay reasonable and proper Maintenance and Operating Expenses required by statute or ordinances authorizing the issuance of any indebtedness of the Issuer;

Second: to deposit amounts required in the special funds and accounts established for payment of any obligations of the Issuer with a lien on Gross Revenues or Net Revenues prior or superior to the lien granted to secure payment of the Certificates;

Third: to deposit amounts required in the special funds and accounts established for the payment of the Certificates or any additional obligations of the Issuer secured by the Net Revenues on a parity with the Certificates; and

Fourth: any Net Revenues remaining in the System Account after satisfying the foregoing payments, or making adequate and sufficient provision for the payment, security and benefit thereof, to be appropriated and used for any other Issuer purpose now or hereafter permitted by law.

SECTION 4.4 *Construction Accounts.*

Except as provided in **Section 4.2**, the Issuer will deposit proceeds derived from the sale of the Certificates (after paying costs of issuance) into special construction account or accounts created for the projects to be constructed with such proceeds. Pending completion of construction of the projects financed with such proceeds interest earned on the such proceeds must be accounted for, maintained, deposited, and expended as permitted by the provisions of Texas Government Code section 1201.043, as from time to time in effect, or as otherwise required by applicable law. Thereafter, such interest must be accounted for, maintained, deposited, and expended in accordance with **Section 4.5**.

SECTION 4.5 *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 5.6**, 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, or be secured in the manner and to the fullest extent required for the security of public funds under 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 to such fund or account. The Issuer shall sell investments promptly as necessary to prevent any default in connection with the Certificates.

SECTION 4.6 *Tax Levy.*

To provide for the payment of the Debt Service Requirements, which are defined to be (i) the interest on the Certificates and (ii) a sinking fund for payment of principal of the Certificates at Stated Maturity or earlier redemption or a sinking fund of 2% (whichever amount is greater), the Issuer levies and shall levy for the current year and each succeeding year thereafter while the Certificates or any interest thereon is Outstanding, a sufficient tax on each \$100 of taxable property in the Issuer, within the limitations prescribed by law, adequate to pay such amounts, 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 Certificate 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 Requirement 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 Certificates 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;

(2) the amount on deposit in the Certificate Fund (including surplus Certificate proceeds transferred to the Certificate Fund under **Section 4.2**) after (a) deducting therefrom the total amount of Debt Service Requirements to become due on Certificates prior to the Collection Date for the ad valorem taxes then to be levied and (b) adding thereto the amount of the Net Revenues, if any, to be appropriated and allocated to pay such Debt Service Requirements, if any, prior to the Collection Date for the ad valorem taxes then to be levied; and

(3) the amount of Net Revenues, if any, to be appropriated and to be set aside for the payment of the Debt Service Requirements on the Certificates 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 Fiscal Year.

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 amounts established in paragraphs (2) and (3), after taking into consideration delinquencies and costs of collecting such annual taxes.

SECTION 4.7 *Net Revenues.*

The Issuer covenants and agrees that the Net Revenues are hereby irrevocably pledged to the payment of the principal of and interest on the Certificates, and the pledge of Net Revenues herein made for the payment of the Certificates constitutes a lien on the Net Revenues in accordance with the terms and provisions hereof and is valid and binding without any physical delivery thereof or further act by the Issuer. The pledge of Net Revenues hereunder is subordinate to the prior pledge of Net Revenues to secure the Issuer's outstanding obligations secured by a pledge of Net Revenues to the extent of such pledge (together with prior obligations hereafter issued pursuant to **Section 4.8** (the "*Prior Obligations*").

Section 1208, Texas Government Code, applies to the issuance of the Certificates and the pledge of the Net Revenues of the System granted by the Issuer under this Section, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Certificates are Outstanding such that the pledge of the Net Revenues of the System granted by the Issuer under this Section is subject to the filing requirements of chapter 9, Business &

Commerce Code, then to preserve to the Registered Owners the perfection of the security interest in said pledge, the Issuer agrees to take such measures and file such instruments as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of chapter 9, Business & Commerce Code, to perfect the security interest in said pledge.

SECTION 4.8 *Issuance of Additional Obligations.*

The Issuer expressly reserves the right to hereafter issue bonds, notes, warrants, certificates of obligation, or similar obligations, payable, wholly or in part, as appropriate, from and secured by a pledge of and lien on the Net Revenues of the System prior and superior in right to the Certificates, on a parity with the Certificates as Parity Obligations, or subordinate to the pledge of and lien on the Net Revenues in favor of the Certificates, without limitation as to principal amount, but subject to any terms, conditions, or restrictions applicable thereto under existing ordinances, laws, or otherwise.

ARTICLE FIVE COVENANTS

SECTION 5.1 *To Maintain Agency.*

The Issuer will at all times until the Certificates are duly paid maintain an agency 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 Issuer retains the right to replace the Paying Agent, and 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 a 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 City 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 be the designated Place of Payment.

This Section is subject to the provisions of **Section 8.2**.

The terms of the Transfer and 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 *To Maintain and Operate the System and Insure Property.*

The Issuer covenants and agrees that while the Certificates remain Outstanding it will maintain and operate the System with all possible efficiency and maintain casualty and other insurance on the properties of the System and its operations of a kind and in such amounts customarily carried by cities in the State of Texas engaged in a similar type of business and that it will faithfully and punctually perform all duties with reference to the System required by the laws of the State of Texas. All money received from losses under such insurance policies, other than public liability policies, are hereby pledged as security for the Certificates until and unless the proceeds are paid out in making good the loss or damage in respect of which such proceeds are received, either by replacing the property destroyed or repairing the property damaged, and

adequate provision for making good such loss or damage must be made within 90 days after the date of loss. The payment of premiums for all insurance policies required under the provisions hereof shall be considered Maintenance and Operating Expenses. Nothing in this Ordinance may be construed as requiring the Issuer to expend any funds which are derived from sources other than the operation of the System but nothing herein may be construed as preventing the Issuer from doing so.

SECTION 5.3 *Rates and Charges.*

The Issuer hereby covenants and agrees that rates and charges for services afforded by the System will be established and maintained to provide Gross Revenues sufficient at all times:

- A. to pay all Maintenance and Operating Expenses;
- B. to produce Net Revenues sufficient (but subject to the maximum amount of Net Revenues pledged hereunder), together with any other lawfully available funds, to produce an amount of Net Revenues sufficient to pay the interest on and principal of the Certificates and any additional obligations of the Issuer hereafter issued on a parity therewith; and
- C. to pay other legally incurred indebtedness payable from the Net Revenues or secured by a lien on the System or the Net Revenues thereof.

SECTION 5.4 *Records and Accounts, Annual Audit.*

The Issuer covenants and agrees that so long as any of the Certificates remain Outstanding it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto, as provided by Texas Government Code section 1502.067, as amended, or other applicable law. The Registered Owners or any duly authorized agent or agents of the Registered Owners may inspect the System and all properties comprising the same. The Issuer agrees that, following the close of each Fiscal Year, it will cause an audit of its books and accounts to be made by an independent firm of Certified Public Accountants. Copies of each annual audit shall be furnished to the Executive Director of the Municipal Advisory Council of Texas at his office in Austin, Texas, and, upon written request, to the original purchaser of the Certificates and any subsequent Registered Owner thereof. Expenses incurred in making the annual audit of the operations of the System are Maintenance and Operating Expenses.

The Issuer authorizes bond counsel to provide a transcript of proceedings for the issuance of the Certificates to the Municipal Advisory Council of Texas.

SECTION 5.5 *Special Covenants.*

The Issuer covenants that:

- A. *Lawful Authority:* it has the lawful power to pledge the Net Revenues supporting the Certificates and has lawfully exercised said powers under the laws of the State of Texas;

B. *No Encumbrance:* as long as any Certificates or any interest thereon remain Outstanding, the Issuer will not sell, lease or encumber (except in the manner provided in **Section 4.8**) the System or any substantial part thereof, provided that this covenant shall not be construed to prohibit the sale of such machinery, or other properties or equipment which has become obsolete or otherwise unsuited to the efficient operation of the System; and

C. *No Franchise:* to the extent that it legally may, the Issuer further covenants and agrees that, so long as any of the Certificates, or any interest thereon, are Outstanding, no franchise shall be granted for the installation or operation of any competing systems other than those owned by the Issuer, and the operation of any such systems by anyone other than the Issuer is hereby prohibited.

SECTION 5.6 *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 Certificate 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 receives 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 Certificate, 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 final Maturity,

(1) exclusively own, operate, and possess all property the acquisition, construction, or improvement of which is to be financed directly or indirectly with Gross Proceeds and not use or permit the use of Gross Proceeds (including contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed, or improved with 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, or

(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 or any property the acquisition, construction, or improvement of which is to be financed directly or indirectly with Gross Proceeds, other than a charge or other payment merely as a member of the general public or interest earned on investments acquired with Gross Proceeds pending application for their intended purposes.

The proceeds of the Certificate of Obligations and the facilities financed with the proceeds will not be used in a manner that will cause the obligations to be “private activity bonds.”

C. *No Private Loan.* Except as permitted by section 141 of the Code and the Regulations and rulings thereunder, the Issuer shall not use Gross Proceeds to make or finance loans to any Person other than a state or local government. For purposes of the foregoing covenant, Gross Proceeds are considered to be “loaned” to a Person if (1) property acquired, constructed, or improved with Gross Proceeds is sold or leased to such Person 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 Gross Proceeds or any property acquired, constructed, or improved with Gross Proceeds are otherwise transferred in a transaction which is the economic equivalent of a loan.

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

E. *Not Federally Guaranteed.* Except as 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 Certificates 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 the information required by section 149(e) of the Code with the Secretary of the Treasury on Form 8038-G or such other form and in such place as such Secretary may prescribe.

G. *Rebate of Arbitrage Profits.* Except to the extent otherwise provided in section 148(f) of the Code and the Regulations and rulings thereunder:

(1) The Issuer shall 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 accounting for at least six years after the day on which the last outstanding Certificate is discharged. However, to the extent permitted by law, the Issuer may commingle Gross Proceeds of the Certificates with other money of the Issuer, provided that the Issuer separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the Issuer shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Regulations and rulings thereunder. The Issuer shall maintain such calculations with

its official transcript of proceedings relating to the issuance of the Certificates until six years after the final Computation Date.

(3) As additional consideration for the purchase of the Certificates by the Purchasers and the loan of the money represented thereby and in order to induce such purchase by measures designed to insure the excludability of the interest thereon from the gross income of the owners thereof for federal income tax purposes, the Issuer shall pay to the United States out of the Certificate Fund or its general fund, as permitted by applicable Texas statute, regulation or opinion of the Attorney General of the State of Texas, the amount that when added to the future value of previous rebate payments made for the Certificates equals (i) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, the rebate payments shall be made at the times, in the installments, to the place and in the manner as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Regulations and rulings thereunder. “*Interest*” as used herein includes payments to the United States of America which are made on behalf of the Registered Owners, but which together with other payments comprising interest may not exceed lawful rates of interest authorized under applicable law.

(4) The Issuer shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3), and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) of the Regulations.

H. *Elections.* The Issuer hereby directs and authorizes the Mayor, Mayor Pro Tem, Secretary, City Manager, Attorney, or Director of Finance of the Issuer, either or any combination of the foregoing, to make such elections in the Certificate 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 Certificates. Such elections are deemed made on the Issue Date.

SECTION 5.7 *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 Certificate 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 Certificates 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.

Payments to the Certificate Fund or of the Certificates and compliance with the covenants, conditions, and obligations of this Ordinance by the officers and employees of the Issuer are ministerial and not discretionary.

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.

ARTICLE SIX DEFEASANCE

SECTION 6.1 *Discharge of Obligations.*

Any Certificate is deemed paid and is no longer considered to be Outstanding within the meaning of this Ordinance when payment of the principal of and interest on such Certificate 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 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 Certificates 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 Certificates then Outstanding, the Issuer shall designate the Stated Maturities of Certificates 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 Certificates of a particular Stated Maturity so designated, the Paying Agent shall select the Outstanding Certificates 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 Certificates 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 Certificate unless made with respect to all of the Certificates 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 Certificate 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 Certificates 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 Certificates 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 Certificate 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 1.5** and for the continuing compliance of the Issuer with the provisions of **Section 5.6**.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. Provided, however, the Issuer has reserved the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the Issuer (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates 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.

ARTICLE SEVEN SALE

SECTION 7.1 *Sale of the Certificates.*

The sale of the Certificates to [_____] (the “*Purchaser*”), plus accrued interest thereon from the Dated Date to the date of initial delivery, is hereby confirmed and determined to be in compliance with the terms of the Notice of Sale.

Delivery of the Certificates shall be made to the Purchaser as soon as practicable after the adoption of this Ordinance, upon payment therefor in accordance with the terms of sale.

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

The Issuer has in consultation with its financial advisor, Hilltop Securities Inc., set aside an amount of the proceeds of the Certificates to pay costs of issuance of the Certificates. 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.

The Issuer hereby confirms engagement of Norton Rose Fulbright US LLP, Houston, Texas, as Bond Counsel (“*Bond Counsel*”) for the City in accordance with the terms of the prior Letter of Engagement between the Issuer and Bond Counsel.

SECTION 7.3 *Official Statement.*

The Issuer hereby authorizes and approves, in connection with the sale of the Certificates, the preparation and distribution of a Preliminary Official Statement relating to the Certificates, and a final Official Statement containing such additional information and amendments as may be necessary to conform to the terms of the Certificates, and this Ordinance.

The Issuer hereby ratifies and confirms that the Preliminary Official Statement approved by this **Section 7.3** constitutes an Official Statement of the Issuer with respect to the Certificates 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.

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 Market Access 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 *Updated Information and Data.*

The Issuer shall provide annually to the MSRB via EMMA, within six months after the end of each fiscal year ending in or after September 30, 2018, financial information and operating data with respect to the Issuer of the general type included in the Preliminary Official Statement provided to the Purchaser in connection with its initial approval of its purchase of the Certificate of Obligations, 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 B 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 via 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 via 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.

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

SECTION 8.3 *Material Event Notices.*

The Issuer shall notify the MSRB via EMMA of any of the following events with respect to the Certificates in a timely manner, and not more than 10 business days after occurrence of the event:

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 Certificates, or other material events affecting the tax status of the Certificates;
7. Modifications to rights of holders of the Certificates, if material;
8. Certificate calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Certificates, 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.

For these purposes, any event described in the immediately preceding paragraph (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Issuer in a proceeding under the United States Bankruptcy Code or in

any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

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 8.2** 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 Section with respect to the Issuer and the Certificates while, but only while, the Issuer remains an “*obligated person*” with respect to the Certificates within the meaning of the Rule, except that the Issuer in any event will give the notice required by **Section 8.3** of any Certificate 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 Registered Owners and beneficial owners of the Certificates, 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 financial results, condition, or prospects of the Issuer or the State of Texas 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 Certificates at any future date.

UNDER NO CIRCUMSTANCES SHALL THE ISSUER BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY CERTIFICATE 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 Ordinance for purposes of any other provision of this Ordinance.

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 resulting from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, but only if (1) the provisions of this Article, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the Registered Owners of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the Outstanding Certificates 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 Registered Owners and beneficial owners of the Certificates. The Issuer may also amend or repeal the provisions of this Article if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Purchaser from lawfully purchasing the Certificates in the offering described herein. If the Issuer so amends the provisions of this Article, it shall include with any amended financial information or operating data next provided in accordance with **Section 8.2** 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.

This Ordinance is in force and effect from and after its final passage, and it is so ordained.

[The remainder of this page intentionally left blank.]

IN WITNESS THEREOF, signed as of _____.

CITY OF LEAGUE CITY, TEXAS

PAT HALLISEY, Mayor

ATTEST:

DIANA M. STAPP, City Secretary

Pursuant to Section 1201.028, Texas Government Code, this Ordinance shall be effective immediately upon adoption, notwithstanding the provisions of Article II, Section 22 of the City Charter of the City to the contrary.

EXHIBIT A

ANNUAL FINANCIAL INFORMATION

In the Preliminary Official Statement for the Certificates dated August [___], 2018, the quantitative financial information and operating data with respect to the Issuer of general type contained in Tables 1 through 6 and 5 through 19 and certain information in the annual financial statements in Appendix B of the Official Statement.