



40 ARTICLE I

41 DEFINITIONS AND INTERPRETATIONS

42 Section 1.1: Definitions. As used herein, the following terms shall have the meanings  
43 specified, unless the context clearly indicates otherwise:

44 “Act” shall mean Texas Local Government Code, Chapter 271, Subchapter C, as amended.

45 “Attorney General” shall mean the Attorney General of the State of Texas.

46 “Certificate” or “Certificates” shall mean any or all of the City of Seabrook, Texas  
47 Certificates of Obligation, Series 2016A, authorized by this Ordinance.

48 “City” shall mean the City of Seabrook, Texas and, where appropriate, its City Council.

49 “City Council” shall mean the governing body of the City.

50 “Code” shall mean the Internal Revenue Code of 1986, as amended.

51 “Comptroller” shall mean the Comptroller of Public Accounts of the State of Texas.

52 “Construction Fund” shall mean the Certificates of Obligation, Series 2016A Construction  
53 Fund established by the City and described in Section 4.3 of this Ordinance.

54 “DTC” shall mean The Depository Trust Company, New York, New York, or any  
55 successor securities depository.

56  
57 “DTC Participant” shall mean brokers and dealers, banks, trust companies, clearing  
58 corporations and certain other organizations on whose behalf DTC was created to hold securities  
59 to facilitate the clearance and settlement of securities transactions among DTC Participants.

60 “Debt Service Fund” shall mean the Certificates of Obligation, Series 2016A Debt Service  
61 Fund established by the City and described in Section 4.2 of this Ordinance.

62 “Fiscal Year” shall mean the City’s then designated fiscal year, which currently is the  
63 twelve month period beginning on the first day of October of a calendar year and ending on the  
64 last day of September of the next succeeding calendar year and each such period may be designated  
65 with the number of the calendar year in which such period ends.

66 “Interest Payment Date,” when used in connection with any Certificate, shall mean March  
67 1, 2017 and each September 1 and March 1 thereafter until maturity or earlier redemption of such  
68 Certificate.

69 “MSRB” means the Municipal Securities Rulemaking Board.

70 “Ordinance” shall mean this Ordinance and all amendments hereof and supplements  
71 hereto.

72 “Outstanding”, when used with reference to the Certificates, shall mean, as of a particular  
73 date, all Certificates theretofore and thereupon delivered pursuant to this Ordinance except:  
74 (a) any Certificates canceled by or on behalf of the City at or before such date; (b) any Certificates  
75 defeased pursuant to the defeasance provisions of this Ordinance or otherwise defeased as  
76 permitted by applicable law; and (c) any Certificates in lieu of or in substitution for which a  
77 replacement Certificate shall have been delivered pursuant to this Ordinance.

78 “Paying Agent/Registrar” shall mean The Bank of New York Mellon Trust Company,  
79 N.A., Dallas, Texas, and its successors in that capacity.

80 “Purchaser” shall mean the entity or entities specified in Section 6.1 hereof.

81 “Record Date” shall mean the close of business on the fifteenth calendar day of the calendar  
82 month immediately preceding the applicable Interest Payment Date.

83 “Register” shall mean the registration books for the Certificates kept by the Paying  
84 Agent/Registrar in which are maintained the names and addresses of, and the principal amounts  
85 registered to, each Registered Owner of Certificates.

86 “Registered Owner” shall mean the person or entity in whose name any Certificate is  
87 registered in the Register.

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

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

90 Section 1.2: Interpretations. All terms defined herein and all pronouns used in this  
91 Ordinance shall be deemed to apply equally to singular and plural and to all genders. The titles  
92 and headings of the articles and sections of this Ordinance have been inserted for convenience of  
93 reference only and are not to be considered a part hereof and shall not in any way modify or restrict  
94 any of the terms or provisions hereof. This Ordinance and all the terms and provisions hereof shall  
95 be liberally construed to effectuate the purposes set forth herein and to sustain the validity of the  
96 Certificates and the validity of the levy of ad valorem taxes to pay the principal of and interest on  
97 the Certificates.

98 Section 1.3: Recitals Incorporated. The recitals to this Ordinance are hereby approved  
99 by the City Council and incorporated into and made a part of this Ordinance.

100

## ARTICLE II

101

### TERMS OF THE CERTIFICATES

102 Section 2.1: Amount, Purpose and Authorization. The Certificates shall be issued in  
103 fully registered form, without coupons, under and pursuant to the authority of the Act in the total  
104 authorized aggregate principal amount of SIX MILLION NINE HUNDRED FIFTY THOUSAND  
105 AND NO/100 DOLLARS (\$6,950,000) for the purpose of providing all or part of the funds to pay  
106 contractual obligations to be incurred for the purchase of materials, supplies, equipment,  
107 machinery, buildings, land and rights-of-way for authorized needs and purposes and for the

108 payment of contractual obligations for professional services, to wit: (i) improvements and repairs  
 109 to the City’s water and sewer system, including sewer line replacement and construction,  
 110 improvement and upgrades to the City’s wastewater treatment plants, and (ii) professional services  
 111 rendered in connection with the above listed projects.

112 Section 2.2: Designation, Date and Interest Payment Dates. The Certificates shall be  
 113 designated as the “City of Seabrook, Texas Certificates of Obligation, Series 2016A,” and shall  
 114 be dated November 1, 2016. The Certificates shall bear interest at the rates set forth in Section  
 115 2.3 below, from the later of date of the delivery of the Certificates to the Purchaser or the most  
 116 recent Interest Payment Date to which interest has been paid or duly provided for, calculated on  
 117 the basis of a 360-day year of twelve 30-day months, payable on March 1, 2017, and each  
 118 September 1 and March 1 thereafter until maturity or earlier redemption.

119 If interest on any Certificate is not paid on any Interest Payment Date and continues unpaid  
 120 for thirty (30) days thereafter, the Paying Agent/Registrar shall establish a new record date for the  
 121 payment of such interest, to be known as a Special Record Date. The Paying Agent/Registrar shall  
 122 establish a Special Record Date when funds to make such interest payment are received from or  
 123 on behalf of the City. Such Special Record Date shall be fifteen (15) days prior to the date fixed  
 124 for payment of such past due interest, and notice of the date of payment and the Special Record  
 125 Date shall be sent by United States mail, first class, postage prepaid, not later than five (5) days  
 126 prior to the Special Record Date, to each affected Registered Owner as of the close of business on  
 127 the day prior to mailing of such notice.

128 Section 2.3: Numbers, Denomination, Interest Rates and Maturities. The Certificates  
 129 shall be issued bearing the numbers, in the principal amounts and bearing interest at the rates set  
 130 forth in the following schedule, and may be transferred and exchanged as set out in this  
 131 Ordinance. The Certificates shall mature on September 1 in each of the years and in the amounts  
 132 set out in such schedule. Certificates delivered in transfer of or in exchange for other Certificates  
 133 shall be numbered in order of their authentication by the Paying Agent/Registrar, shall be in the  
 134 denomination of \$5,000 or integral multiples thereof and shall mature on the same date and bear  
 135 interest at the same rate as the Certificate or Certificates in lieu of which they are delivered.

<u>Bond Number</u>	<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
R-1	2017	\$210,000	%
R-2	2018	170,000	
R-3	2019	180,000	
R-4	2020	185,000	
R-5	2021	195,000	
R-6	2022	200,000	
R-7	2023	210,000	
R-8	2024	220,000	
R-9	2025	225,000	
R-10	2026	235,000	
R-11	2027	245,000	
R-12	2028	255,000	
R-13	2029	265,000	

<u>Bond Number</u>	<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
R-14	2030	\$275,000	
R-15	2031	285,000	
R-16	2032	300,000	
R-17	2033	310,000	
R-18	2034	325,000	
R-19	2035	335,000	
R-20	2036	350,000	
R-21	2037	365,000	
R-22	2038	380,000	
R-23	2039	395,000	
R-24	2040	410,000	
R-25	2041	425,000	

136 Section 2.4: Redemption Prior to Maturity. (a) The City reserves the right, at its  
 137 option, to redeem prior to maturity the Certificates maturing on or after September 1, 2027 in  
 138 whole or in part, in principal installments of \$5,000 or any integral multiple thereof, on  
 139 September 1, 2026 or any date thereafter, at a price equal to the principal amount of the  
 140 Certificates or portions thereof called for redemption plus accrued interest to the date of  
 141 redemption.

142 (b) The Certificates maturing on September 1, \_\_\_\_ (the “Term Certificates”) are  
 143 subject to mandatory sinking fund redemption in the following amounts (subject to reduction as  
 144 hereinafter provided), on the following dates, in each case at a redemption price equal to the  
 145 principal amount of the Certificates or the portions thereof so called for redemption plus accrued  
 146 interest to the date fixed for redemption:

<u>Term Certificates Maturing</u>	<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
<b>September 1, _____</b>	September 1, ____	\$
	September 1, ____	
	September 1, ____ (maturity)	

147 The particular Term Certificates to be redeemed shall be selected by the Registrar by lot or  
 148 other customary random selection method, on or before July 15 of each year in which Term Bonds  
 149 are to be mandatorily redeemed. The principal amount of Term Bonds to be mandatorily redeemed  
 150 in each year shall be reduced by the principal amount of such Term Bonds that have been  
 151 optionally redeemed on or before July 15 of such year and which have not been made the basis for  
 152 a previous reduction.

153 (c) Certificates may be redeemed in part only in integral multiples of \$5,000. If a  
 154 Certificate subject to redemption is in a denomination larger than \$5,000, a portion of such  
 155 Certificate may be redeemed, but only in integral multiples of \$5,000. In selecting portions of  
 156 Certificates for redemption, each Certificate shall be treated as representing that number of  
 157 Certificates of \$5,000 denomination which is obtained by dividing the principal amount of such  
 158 Certificate by \$5,000. Upon presentation and surrender of any Certificate for redemption in part,  
 159 the Paying Agent/Registrar, in accordance with the provisions of this Ordinance, shall authenticate

160 and deliver in exchange therefor a Certificate or Certificates of like maturity and interest rate in an  
161 aggregate principal amount equal to the unredeemed portion of the Certificate so surrendered.

162 (d) Notice of any redemption, identifying the Certificates or portions thereof to be  
163 redeemed, shall be sent by United States mail, first class, postage prepaid, to the Registered  
164 Owners thereof at their addresses as shown on the Register, not less than thirty (30) days before  
165 the date fixed for such redemption. By the date fixed for redemption, due provision shall be made  
166 with the Paying Agent/Registrar for the payment of the redemption price of the Certificates  
167 called for redemption. If such notice of redemption is given, and if due provision for such  
168 payment is made, all as provided above, the Certificates which are to be so redeemed thereby  
169 automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest  
170 after the date fixed for redemption, and they shall not be regarded as being Outstanding except  
171 for the purpose of being paid with the funds so provided for such payment.

172 Section 2.5: Manner of Payment, Characteristics, Execution and Authentication. The  
173 Paying Agent/Registrar is hereby appointed the paying agent for the Certificates. The  
174 Certificates shall be payable, shall have the characteristics and shall be executed, sealed,  
175 registered and authenticated, all as provided and in the manner indicated in the FORM OF  
176 CERTIFICATES set forth in Article III of this Ordinance. If any officer of the City whose  
177 manual or facsimile signature shall appear on the Certificates shall cease to be such officer before  
178 the authentication of the Certificates or before the delivery of the Certificates, such manual or  
179 facsimile signature shall nevertheless be valid and sufficient for all purposes as if such officer  
180 had remained in such office.

181 The approving legal opinion of Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond  
182 Counsel, may be printed on the back of the Certificates over the certification of the City Secretary,  
183 which may be executed in facsimile, and the engagement of Bond Counsel in connection with the  
184 issuance of the Certificates is hereby authorized and approved. CUSIP numbers also may be  
185 printed on the Certificates, but errors or omissions in the printing of either the opinion or the  
186 numbers shall have no effect on the validity of the Certificates.

187 Section 2.6: Authentication. Except for the Certificates to be initially issued, which  
188 need not be authenticated by the Paying Agent/Registrar, only such Certificates as shall bear  
189 thereon a certificate of authentication, substantially in the form provided in Article III of this  
190 Ordinance, manually executed by an authorized representative of the Paying Agent/Registrar,  
191 shall be entitled to the benefits of this Ordinance or shall be valid or obligatory for any purpose.  
192 Such duly executed certificate of authentication shall be conclusive evidence that the Certificate  
193 so authenticated was delivered by the Paying Agent/Registrar hereunder.

194 Section 2.7: Ownership. The City, the Paying Agent/Registrar and any other person  
195 may treat the person in whose name any Certificate is registered as the absolute owner of such  
196 Certificate for the purpose of making and receiving payment of the principal or thereof and  
197 interest thereon and for all other purposes, whether or not such Certificate is overdue, and neither  
198 the City nor the Paying Agent/Registrar shall be bound by any notice or knowledge to the  
199 contrary. All payments made to the person deemed to be the Registered Owner of any Certificate  
200 in accordance with this Section shall be valid and effective and shall discharge the liability of  
201 the City and the Paying Agent/Registrar upon such Certificate to the extent of the sums paid.

202           Section 2.8: Registration, Transfer and Exchange. The Paying Agent/Registrar is  
203 hereby appointed the registrar for the Certificates. So long as any Certificate remains  
204 Outstanding, the Paying Agent/Registrar shall keep the Register at its principal corporate trust  
205 office in which, subject to such reasonable regulations as it may prescribe, the Paying  
206 Agent/Registrar shall provide for the registration and transfer of the Certificates in accordance  
207 with the terms of this Ordinance.

208           Each Certificate shall be transferable only upon the presentation and surrender thereof at  
209 the principal corporate trust office of the Paying Agent/Registrar, accompanied by an assignment  
210 duly executed by the Registered Owner or his authorized representative in form satisfactory to the  
211 Paying Agent/Registrar. Upon due presentation of any Certificate for transfer, the Paying  
212 Agent/Registrar shall authenticate and deliver in exchange therefor, within seventy-two (72) hours  
213 after such presentation, a new Certificate or Certificates, registered in the name of the transferee  
214 or transferees, in authorized denominations and of the same maturity and aggregate principal  
215 amount and bearing interest at the same rate as the Certificate or Certificates so presented and  
216 surrendered.

217           All Certificates shall be exchangeable upon the presentation and surrender thereof at the  
218 principal corporate trust office of the Paying Agent/Registrar for a Certificate or Certificates of the  
219 same maturity and interest rate and in any authorized denomination, in an aggregate principal  
220 amount equal to the unpaid principal amount of the Certificate or Certificates presented for  
221 exchange. The Paying Agent/Registrar shall be and is hereby authorized to authenticate and  
222 deliver exchange Certificates in accordance with the provisions of this Section. Each Certificate  
223 delivered by the Paying Agent/Registrar in accordance with this Section shall be entitled to the  
224 benefits and security of this Ordinance to the same extent as the Certificate or Certificates in lieu  
225 of which such Certificate is delivered.

226           All Certificates issued in transfer or exchange shall be delivered to the Registered Owners  
227 thereof at the principal corporate trust office of the Paying Agent/Registrar or sent by United States  
228 mail, first class, postage prepaid.

229           The City or the Paying Agent/Registrar may require the Registered Owner of any  
230 Certificate to pay a sum sufficient to cover any tax or other governmental charge that may be  
231 imposed in connection with the transfer or exchange of such Certificate. Any fee or charge of the  
232 Paying Agent/Registrar for such transfer or exchange shall be paid by the City.

233           The Paying Agent/Registrar shall not be required to transfer or exchange any Certificate  
234 called for redemption in whole or in part during the forty-five (45) day period immediately prior  
235 to the date fixed for redemption; provided, however, that this restriction shall not apply to the  
236 transfer or exchange by the Registered Owner of the unredeemed portion of a Certificate called  
237 for redemption in part.

238           Section 2.9: Book-Entry Only System. The definitive Certificates shall be initially  
239 issued in the form of a separate single fully registered Certificate for each of the maturities  
240 thereof. Upon initial issuance, the ownership of each such Certificate shall be registered in the  
241 name of Cede & Co., as nominee of DTC, and except as provided in Section 2.11 hereof, all of  
242 the Outstanding Certificates shall be registered in the name of Cede & Co., as nominee of DTC.

243 Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC  
244 has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions  
245 in this Ordinance with respect to interest checks being mailed to the Owner at the close of  
246 business on the Record Date, the word "Cede & Co." in this Ordinance shall refer to such new  
247 nominee of DTC.

248 With respect to Certificates registered in the name of Cede & Co., as nominee of DTC, the  
249 City and the Paying Agent/Registrar shall have no responsibility or obligation to any DTC  
250 Participant or to any person on behalf of whom such a DTC Participant holds an interest in the  
251 Certificates. Without limiting the immediately preceding sentence, the City and the Paying  
252 Agent/Registrar shall have no responsibility or obligation with respect to (a) the accuracy of the  
253 records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the  
254 Certificates, (b) the delivery to any DTC Participant or any other person, other than a Certificate  
255 holder, as shown on the Register, of any notice with respect to the Certificates, including any notice  
256 of redemption or (c) the payment to any DTC Participant or any other person, other than a  
257 Certificate holder as shown in the Register, of any amount with respect to principal of Certificates,  
258 premium, if any, or interest on the Certificates.

259 Except as provided in Section 2.10 of this Ordinance, the City and the Paying  
260 Agent/Registrar shall be entitled to treat and consider the person in whose name each Certificate  
261 is registered in the Register as the absolute owner of such Certificate for the purpose of payment  
262 of principal of, premium, if any, and interest on Certificates, for the purpose of giving notices of  
263 redemption and other matters with respect to such Certificate, for the purpose of registering  
264 transfer with respect to such Certificate, and for all other purposes whatsoever. The Paying  
265 Agent/Registrar shall pay all principal of Certificates, premium, if any, and interest on the  
266 Certificates only to or upon the order of the respective owners, as shown in the Register as provided  
267 in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments  
268 shall be valid and effective to fully satisfy and discharge the City's obligations with respect to  
269 payment of principal of, premium, if any, and interest on the Certificates to the extent of the sum  
270 or sums so paid. No person other than an owner shall receive a Certificate evidencing the  
271 obligation of the City to make payments of amounts due pursuant to this Ordinance.

272 Section 2.10: Payments and Notices to Cede & Co. Notwithstanding any other  
273 provision of this Ordinance to the contrary, as long as any Certificates are registered in the name  
274 of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any,  
275 and interest on the Certificates, and all notices with respect to such Certificates shall be made  
276 and given, respectively, in the manner provided in the representation letter of the City to DTC.

277 Section 2.11: Successor Securities Depository; Transfer Outside Book-Entry Only  
278 System. In the event that the City or the Paying Agent/Registrar determines that DTC is  
279 incapable of discharging its responsibilities described herein and in the representation letter of  
280 the City to DTC, and that it is in the best interest of the beneficial owners of the Certificates that  
281 they be able to obtain certificated Certificates, the City or the Paying Agent/Registrar shall (a)  
282 appoint a successor securities depository, qualified to act as such under Section 17(a) of the  
283 Securities and Exchange Act of 1934, as amended, notify DTC of the appointment of such  
284 successor securities depository and transfer one or more separate Certificates to such successor  
285 securities depository or (b) notify DTC of the availability through DTC of Certificates and

286 transfer one or more separate Certificates to DTC Participants having Certificates credited to  
287 their DTC accounts. In such event, the Certificates shall no longer be restricted to being  
288 registered in the Register in the name of Cede & Co., as nominee of DTC, but may be registered  
289 in the name of the successor securities depository, or its nominee, or in whatever name or names  
290 Certificate holders transferring or exchanging Certificates shall designate, in accordance with  
291 the provisions of this Ordinance.

292 Section 2.12: Replacement Certificates. Upon the presentation and surrender to the  
293 Paying Agent/Registrar of a damaged or mutilated Certificate, the Paying Agent/Registrar shall  
294 authenticate and deliver in exchange therefor a replacement Certificate, of the same maturity,  
295 interest rate and principal amount, bearing a number not contemporaneously outstanding. The  
296 City or the Paying Agent/Registrar may require the Registered Owner of such Certificate to pay  
297 a sum sufficient to cover any tax or other governmental charge that may be imposed in  
298 connection therewith and any other expenses connected therewith, including the fees and  
299 expenses of the Paying Agent/Registrar and the City.

300 If any Certificate is lost, apparently destroyed or wrongfully taken, the City, pursuant to  
301 the applicable laws of the State of Texas and ordinances of the City, and in the absence of notice  
302 or knowledge that such Certificate has been acquired by a bona fide purchaser, shall execute, and  
303 the Paying Agent/Registrar shall authenticate and deliver, a replacement Certificate of the same  
304 maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding,  
305 provided that the Registered Owner thereof shall have:

- 306 (a) furnished to the City and the Paying Agent/Registrar satisfactory evidence of the  
307 ownership of and the circumstances of the loss, destruction or theft of such  
308 Certificate;
- 309 (b) furnished such security or indemnity as may be required by the Paying  
310 Agent/Registrar and the City to save and hold them harmless;
- 311 (c) paid all expenses and charges in connection therewith, including, but not limited  
312 to, printing costs, legal fees, fees of the Paying Agent/Registrar and any tax or other  
313 governmental charge that may be imposed; and
- 314 (d) met any other reasonable requirements of the City and the Paying Agent/Registrar.

315 If, after the delivery of such replacement Certificate, a bona fide purchaser of the original  
316 Certificate in lieu of which such replacement Certificate was issued presents for payment such  
317 original Certificate, the City and the Paying Agent/Registrar shall be entitled to recover such  
318 replacement Certificate from the person to whom it was delivered or any person taking therefrom,  
319 except a bona fide purchaser, and shall be entitled to recover upon the security or indemnity  
320 provided therefor to the extent of any loss, damage, cost or expense incurred by the City or the  
321 Paying Agent/Registrar in connection therewith.

322 If any such mutilated, lost, apparently destroyed or wrongfully taken Certificate has  
323 become or is about to become due and payable, the City in its discretion may, instead of issuing a  
324 replacement Certificate, authorize the Paying Agent/Registrar to pay such Certificate.

325 Each replacement Certificate delivered in accordance with this Section shall be entitled to  
326 the benefits and security of this Ordinance to the same extent as the Certificate or Certificates in  
327 lieu of which such replacement Certificate is delivered.

328 Section 2.13: Cancellation. All Certificates paid or redeemed in accordance with this  
329 Ordinance, and all Certificates in lieu of which exchange Certificates or replacement Certificates  
330 are authenticated and delivered in accordance herewith, shall be canceled and destroyed upon  
331 the making of proper records regarding such payment or redemption. The Paying  
332 Agent/Registrar shall periodically furnish the City with certificates of destruction of such  
333 Certificates.

### 334 ARTICLE III

#### 335 FORM OF CERTIFICATES

336 The form of the Certificates, including the Form of Comptroller's Registration Certificate,  
337 Form of Paying Agent/Registrar's Authentication Certificate, and Form of Assignment shall be,  
338 respectively, substantially as shown in Exhibit A hereto, with such additions, deletions and  
339 variations, including an insurance legend or statement, if any, as may be necessary or desirable  
340 and not prohibited by this Ordinance.

### 341 ARTICLE IV

#### 342 SECURITY FOR THE CERTIFICATES

343 Section 4.1: Pledge and Levy of Taxes and Revenues. (a) To provide for the payment  
344 of principal of and interest on the Certificates, there is hereby levied, within the limits prescribed  
345 by law, for the current year and each succeeding year thereafter, while the Certificates or any  
346 part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad  
347 valorem tax upon all taxable property within the City sufficient to pay the interest on the  
348 Certificates and to create and provide a sinking fund of not less than 2% of the principal amount  
349 of the Certificates or not less than the principal payable out of such tax, whichever is greater,  
350 with full allowance being made for tax delinquencies and the costs of tax collection, and such  
351 taxes, when collected, shall be applied to the payment of principal of and interest on the  
352 Certificates by deposit to the Debt Service Fund (hereinafter defined) and to no other purpose.

353 (b) The City hereby declares its purpose and intent to provide and levy a tax legally  
354 sufficient to pay the principal of and interest on the Certificates, it having been determined that the  
355 existing and available taxing authority of the City for such purpose is adequate to permit a legally  
356 sufficient tax. As long as any Certificates remain outstanding, all moneys on deposit in, or credited  
357 to, the Debt Service Fund shall be secured by a pledge of security, as provided by law for cities in  
358 the State of Texas.

359 (c) In addition, the City also hereby pledges the revenues to be derived from the City's  
360 waterworks and sewer system, after the payment of all operation and maintenance expenses thereof  
361 (the "Net Revenues"), in an amount not to exceed \$1,000, to the payment of the principal of and  
362 interest on the Certificates, provided that the pledge of Net Revenues is and shall be junior and

363 subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the  
364 City, whether authorized heretofore or hereafter, which the City designates as having a pledge  
365 senior to the pledge of the Net Revenues to the payment of the Certificates. The City also reserves  
366 the right to issue, for any lawful purpose at any time, in one or more installments, bonds,  
367 certificates of obligation and other obligations of any kind, secured in whole or in part by a pledge  
368 of Net Revenues, that may be prior and superior in right to, on a parity with, or junior and  
369 subordinate to the pledge of Net Revenues securing the Certificates.

370 (d) To pay the interest coming due on the Certificates prior to receipt of the taxes levied  
371 to pay such interest, there is hereby appropriated from current funds on hand, which are hereby  
372 certified to be on hand and available for such purpose, an amount sufficient to pay such interest,  
373 and such amount shall be used for no other purpose.

374 Section 4.2: Debt Service Fund. The Certificates of Obligation, Series 2016A Debt  
375 Service Fund (the “Debt Service Fund”) is hereby created as a special fund solely for the benefit  
376 of the Certificates. The City shall establish and maintain such fund at an official City depository  
377 and shall keep such fund separate and apart from all other funds and accounts of the City. Any  
378 amount on deposit in the Debt Service Fund shall be maintained by the City in trust for the  
379 Registered Owners of the Certificates. Such amount, plus any other amounts deposited by the  
380 City into such fund and any and all investment earnings on amounts on deposit in such fund,  
381 shall be used only to pay the principal of, premium, if any, and interest on the Certificates.

382 Section 4.3: Construction Fund. The Certificates of Obligation, Series 2016A  
383 Construction Fund (the “Construction Fund”) is hereby created as a special fund of the City.  
384 Money on deposit in the Construction Fund shall be used only for the purposes set forth in  
385 Section 2.1 of this Ordinance. Money on deposit in the Construction Fund may, at the option of  
386 the City, be invested as permitted by Texas law, provided that all such deposits and investments  
387 shall be made in such manner that the money required to be expended from the Construction  
388 Fund will be available at the proper time or times.

389 All interest and income derived from such deposits and investments shall remain in the  
390 Construction Fund, except that, to the extent required by law, such interest and income may be  
391 applied to make such payments to the United States of America as shall be required to assure that  
392 interest on the Certificates is exempt from federal income taxation. Upon the completion of the  
393 purposes set forth in Section 2.1 of this Ordinance, any surplus funds on deposit in the Construction  
394 Fund shall be transferred into the Debt Service Fund.

395 Section 4.4: Further Proceedings. After the Certificates to be initially issued have been  
396 executed, it shall be the duty of the Mayor to deliver the Certificates to be initially issued and all  
397 pertinent records and proceedings to the Attorney General for examination and approval. After  
398 the Certificates to be initially issued shall have been approved by the Attorney General, they  
399 shall be delivered to the Comptroller for registration. Upon registration of the Certificates to be  
400 initially issued, the Comptroller (or a deputy lawfully designated in writing to act for the  
401 Comptroller) shall manually sign the Comptroller’s registration certificate prescribed herein to  
402 be affixed or attached to the Certificates to be initially issued, and the seal of said Comptroller  
403 shall be impressed, or placed in facsimile, thereon.

404

ARTICLE V

405

CONCERNING THE PAYING AGENT/REGISTRAR

406

Section 5.1: Acceptance. The Bank of New York Mellon Trust Company, N.A., Dallas, Texas is hereby appointed as the initial Paying Agent/Registrar for the Certificates pursuant to the terms and provisions of the Paying Agent/Registrar Agreement by and between the City and the Paying Agent/Registrar. The Paying Agent/Registrar Agreement shall be substantially in the form attached hereto as Exhibit B, the terms and provisions of which are hereby approved, and the Mayor is hereby authorized to execute and deliver such Paying Agent/Registrar Agreement on behalf of the City in multiple counterparts and the City Secretary is hereby authorized to attest thereto and affix the City's seal. Such initial Paying Agent/Registrar and any successor Paying Agent/Registrar, by undertaking the performance of the duties of the Paying Agent/Registrar hereunder, and in consideration of the payment of any fees pursuant to the terms of any contract between the Paying Agent/Registrar and the City and/or the deposits of money pursuant to this Ordinance, shall be deemed to accept and agree to abide by the terms of this Ordinance.

419

Section 5.2: Trust Funds. All money transferred to the Paying Agent/Registrar in its capacity as Paying Agent/Registrar for the Certificates under this Ordinance (except any sums representing Paying Agent/Registrar's fees) shall be held in trust for the benefit of the Registered Owners of the Certificates, and shall be disbursed in accordance with this Ordinance.

423

Section 5.3: Certificates Presented. Subject to the provisions of Section 5.4, all matured Certificates presented to the Paying Agent/Registrar for payment shall be paid without the necessity of further instructions from the City. Such Certificates shall be canceled as provided herein.

427

Section 5.4: Unclaimed Funds Held by the Paying Agent/Registrar. Funds held by the Paying Agent/Registrar that represent principal of and interest on the Certificates remaining unclaimed by the Registered Owner thereof after the expiration of three years from the date such funds have become due and payable (a) shall be reported and disposed of by the Paying Agent/Registrar in accordance with the provisions of Title 6 of the Texas Property Code, as amended, to the extent such provisions are applicable to such funds, or (b) to the extent such provisions do not apply to the funds, such funds shall be paid by the Paying Agent/Registrar to the City upon receipt by the Paying Agent/Registrar of a written request therefor from the City.

435

The Paying Agent/Registrar shall have no liability to the Registered Owners of the Certificates by virtue of actions taken in compliance with this Section.

437

Section 5.5: Paying Agent/Registrar May Own Certificates. The Paying Agent/Registrar in its individual or any other capacity, may become the owner or pledgee of Certificates with the same rights it would have if it were not the Paying Agent/Registrar.

440

Section 5.6: Successor Paying Agents/Registrars. The City covenants that at all times while any Certificates are Outstanding it will provide a legally qualified bank, trust company, financial institution or other agency to act as Paying Agent/Registrar for the Certificates. The

443 City reserves the right to change the Paying Agent/Registrar for the Certificates on not less than  
444 sixty (60) days' written notice to the Paying Agent/Registrar, as long as any such notice is  
445 effective not less than 60 days prior to the next succeeding principal or interest payment date on  
446 the Certificates. Promptly upon the appointment of any successor Paying Agent/Registrar, the  
447 previous Paying Agent/Registrar shall deliver the Register or a copy thereof to the new Paying  
448 Agent/Registrar, and the new Paying Agent/Registrar shall notify each Registered Owner, by  
449 United States mail, first class, postage prepaid, of such change and of the address of the new  
450 Paying Agent/Registrar. Each Paying Agent/Registrar hereunder, by acting in that capacity,  
451 shall be deemed to have agreed to the provisions of this Ordinance.

## 452 ARTICLE VI

### 453 PROVISIONS CONCERNING SALE AND

#### 454 APPLICATION OF PROCEEDS OF CERTIFICATES

455 Section 6.1: Sale of Certificates. The sale of the Certificates to \_\_\_\_\_ (the  
456 "Purchaser") at a price of \$\_\_\_\_\_ (representing the par amount of the Certificates of \$\_\_\_\_\_,  
457 plus a net re-offering premium of \$\_\_\_\_\_, less an underwriter's discount of \$\_\_\_\_\_), is hereby  
458 approved, and delivery of the Certificates to the Purchaser shall be made upon payment therefor  
459 in accordance with the terms of sale and the terms and conditions in the Purchase Agreement.  
460 The Purchase Agreement, substantially in the form attached hereto as Exhibit C, is hereby  
461 approved. The Mayor and other appropriate officials of the City are hereby authorized and  
462 directed to execute the Purchase Agreement on behalf of the City, and the Mayor and all other  
463 appropriate officials, agents and representatives of the City are hereby authorized to do any and  
464 all things necessary or desirable to satisfy the conditions set out therein and to provide for the  
465 issuance and delivery of the Certificates. It is hereby found and determined that the terms of the  
466 sale of the Certificates contained in the Purchase Agreement are the most advantageous terms  
467 reasonably obtainable by the City at this time. It is further officially found, determined and  
468 declared that the Certificates have been sold by means of a negotiated sale at the lowest net  
469 interest cost, which is hereby determined to be a net effective interest rate of \_\_\_\_\_%. The  
470 Initial Certificates shall be registered in the name of the Purchaser.

471 Section 6.2: Approval, Registration and Delivery. The Mayor is hereby authorized to  
472 have control and custody of the Certificates and all necessary records and proceedings pertaining  
473 thereto pending their delivery, and the Mayor and other officers and employees of the City are  
474 hereby authorized and directed to make such certifications and to execute such instruments as  
475 may be necessary to accomplish the delivery of the Certificates and to assure the investigation,  
476 examination and approval thereof by the Attorney General and the registration of the initial  
477 Certificates by the Comptroller. Upon registration of the Certificates, the Comptroller (or the  
478 Comptroller's certificates clerk or an assistant certificates clerk lawfully designated in writing  
479 to act for the Comptroller) shall manually sign the Comptroller's Registration Certificates  
480 prescribed herein to be attached or affixed to each Certificates initially delivered and the seal of  
481 the Comptroller shall be impressed or printed or lithographed thereon.

482 Section 6.3: Offering Documents; Ratings. The City hereby approves the form and  
483 contents of the Preliminary Official Statement, attached hereto as Exhibit D and the final Official  
484 Statement, attached hereto as Exhibit E, dated as of the date hereof, relating to the Certificates,  
485 and any addenda, supplement or amendment thereto, and ratifies and approves the distribution

486 of such Preliminary Official Statement and Official Statement in the offer and sale of the  
487 Certificates and in the reoffering of the Certificates by the Purchaser, with such changes therein  
488 or additions thereto as the officials executing same may deem advisable, such determination to  
489 be conclusively evidenced by their execution thereof. The Mayor is hereby authorized and  
490 directed to execute, and the City Secretary is hereby authorized and directed to attest, the final  
491 Official Statement. It is further hereby officially found, determined and declared that the  
492 statements and representations contained in the Preliminary Official Statement and final Official  
493 Statement are true and correct in all material respects, to the best knowledge and belief of the  
494 City Council, and that, as of the date thereof, the Preliminary Official Statement was an official  
495 statement of the City with respect to the Certificates that was deemed “final” by an authorized  
496 official of the City except for the omission of no more than the information permitted by  
497 subsection (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission.

498 Further, the City Council hereby ratifies, authorizes and approves the actions of the Mayor,  
499 the City’s financial advisor and other consultants in seeking ratings on the Certificates from  
500 Moody’s Investors Service, Inc. and such actions are hereby ratified and confirmed.

501  
502 Section 6.4: Application of Proceeds of Certificates. Proceeds from the sale of the  
503 Certificates shall, promptly upon receipt by the City, be applied as follows:

- 504 (a) A portion of the proceeds in the amount of \$\_\_\_\_\_ shall be applied to pay expenses  
505 arising in connection with the issuance of the Certificates, including the  
506 Underwriter’s Discount;
- 507 (b) The remaining proceeds in the amount of \$\_\_\_\_\_ shall be deposited into the  
508 Construction Fund created in Section 4.3 of this Ordinance.

509 Section 6.5: Tax Exemption. The City intends that the interest on the Certificates shall  
510 be excludable from gross income of the owners thereof for federal income tax purposes pursuant  
511 to Sections 103 and 141 through 150 of the Internal Revenue Code of 1986, as amended (the  
512 “Code”), and all applicable temporary, proposed and final regulations (the “Regulations”) and  
513 procedures promulgated thereunder and applicable to the Certificates. For this purpose, the City  
514 covenants that it will monitor and control the receipt, investment, expenditure and use of all gross  
515 proceeds of the Certificates (including all property the acquisition, construction or improvement  
516 of which is to be financed directly or indirectly with the proceeds of the Certificates) and take or  
517 omit to take such other and further actions as may be required by Sections 103 and 141 through  
518 150 of the Code and the Regulations to cause interest on the Certificates to be and remain  
519 excludable from the gross income, as defined in Section 61 of the Code, of the owners of the  
520 Certificates for federal income tax purposes. Without limiting the generality of the foregoing, the  
521 City shall comply with each of the following covenants:

- 522 (a) The City will use all of the proceeds of the Certificates to (i) provide funds for the  
523 purposes described in Section 2.1 of this Ordinance, which will be owned and  
524 operated by the City and (ii) to pay the costs of issuing the Certificates. The City  
525 will not use any portion of the proceeds of the Certificates to pay the principal of  
526 or interest or redemption premium on, any other obligation of the City or a related  
527 person.

- 528 (b) The City will not directly or indirectly take any action, or omit to take any action,  
529 which action or omission would cause the Certificates to constitute “private activity  
530 bonds” within the meaning of Section 141(a) of the Code.
- 531 (c) Principal of and interest on the Certificates will be paid solely from ad valorem taxes  
532 collected by the City, investment earnings on such collections, and as available,  
533 proceeds of the Certificates.
- 534 (d) Based upon all facts and estimates now known or reasonably expected to be in  
535 existence on the date the Certificates are delivered, the City reasonably expects that  
536 the proceeds of the Certificates will not be used in a manner that would cause the  
537 Certificates or any portion thereof to be an “arbitrage bond” within the meaning of  
538 Section 148 of the Code.
- 539 (e) At all times while the Certificates are outstanding, the City will identify and properly  
540 account for all amounts constituting gross proceeds of the Certificates in accordance  
541 with the Regulations. The City will monitor the yield on the investments of the  
542 proceeds of the Certificates and, to the extent required by the Code and the  
543 Regulations, will restrict the yield on such investments to a yield which is not  
544 materially higher than the yield on the Certificates. To the extent necessary to  
545 prevent the Certificates from constituting “arbitrage bonds,” the City will make such  
546 payments as are necessary to cause the yield on all yield restricted nonpurpose  
547 investments allocable to the Certificates to be less than the yield that is materially  
548 higher than the yield on the Certificates.
- 549 (f) The City will not take any action or knowingly omit to take any action that, if taken  
550 or omitted, would cause the Certificates to be treated as “federally guaranteed”  
551 obligations for purposes of Section 149(b) of the Code.
- 552 (g) The City represents that not more than fifty percent (50%) of the proceeds of the  
553 Certificates will be invested in nonpurpose investments (as defined in Section  
554 148(f)(6)(A) of the Code) having a substantially guaranteed yield for four years or  
555 more within the meaning of Section 149(g)(3)(A)(ii) of the Code, and the City  
556 reasonably expects that at least eighty-five percent (85%) of the spendable proceeds  
557 of the Certificates will be used to carry out the governmental purpose of the  
558 Certificates within the three-year period beginning on the date of issue of the  
559 Certificates.
- 560 (h) The City will take all necessary steps to comply with the requirement that certain  
561 amounts earned by the City on the investment of the gross proceeds of the  
562 Certificates, if any, be rebated to the federal government. Specifically, the City will  
563 (i) maintain records regarding the receipt, investment, and expenditure of the gross  
564 proceeds of the Certificates as may be required to calculate such excess arbitrage  
565 profits separately from records of amounts on deposit in the funds and accounts of  
566 the City allocable to other obligations of the City or moneys which do not represent  
567 gross proceeds of any obligations of the City and retain such records for at least six  
568 years after the day on which the last outstanding Certificate is discharged, (ii)

569 account for all gross proceeds under a reasonable, consistently applied method of  
570 accounting, not employed as an artifice or device to avoid in whole or in part, the  
571 requirements of Section 148 of the Code, including any specified method of  
572 accounting required by applicable Regulations to be used for all or a portion of any  
573 gross proceeds, (iii) calculate, at such times as are required by applicable  
574 Regulations, the amount of excess arbitrage profits, if any, earned from the  
575 investment of the gross proceeds of the Certificates and (iv) timely pay, as required  
576 by applicable Regulations, all amounts required to be rebated to the federal  
577 government. In addition, the City will exercise reasonable diligence to assure that  
578 no errors are made in the calculations required by the preceding sentence and, if  
579 such an error is made, to discover and promptly correct such error within a  
580 reasonable amount of time thereafter, including payment to the federal government  
581 of any delinquent amounts owed to it, interest thereon and any penalty.

582 (i) The City will not directly or indirectly pay any amount otherwise payable to the  
583 federal government pursuant to the foregoing requirements to any person other than  
584 the federal government by entering into any investment arrangement with respect to  
585 the gross proceeds of the Certificates that might result in a reduction in the amount  
586 required to be paid to the federal government because such arrangement results in a  
587 smaller profit or a larger loss than would have resulted if such arrangement had been  
588 at arm's length and had the yield on the Certificates not been relevant to either party.

589 (j) The City will timely file or cause to be filed with the Secretary of the Treasury of  
590 the United States the information required by Section 149(e) of the Code with  
591 respect to the Certificates on such form and in such place as the Secretary may  
592 prescribe.

593 (k) The City will not issue or use the Certificates as part of an "abusive arbitrage device"  
594 (as defined in Section 1.148-10(a) of the Regulations). Without limiting the  
595 foregoing, the Certificates are not and will not be a part of a transaction or series of  
596 transactions that attempts to circumvent the provisions of Section 148 of the Code  
597 and the Regulations, by (i) enabling the City to exploit the difference between tax-  
598 exempt and taxable interest rates to gain a material financial advantage, or (ii)  
599 increasing the burden on the market for tax-exempt obligations.

600 (l) Proper officers of the City charged with the responsibility for issuing the Certificates  
601 are hereby directed to make, execute and deliver certifications as to facts, estimates  
602 or circumstances in existence as of the date of issuance of the Certificates and stating  
603 whether there are facts, estimates or circumstances that would materially change the  
604 City's expectations. On or after the date of issuance of the Certificates, the City will  
605 take such actions as are necessary and appropriate to assure the continuous accuracy  
606 of the representations contained in such certificates.

607 (m) The covenants and representations made or required by this Section are for the  
608 benefit of the Certificate holders and any subsequent Certificate holder, and may be  
609 relied upon by the Certificate holders and any subsequent Certificate holder and  
610 bond counsel to the City.

611 In complying with the foregoing covenants, the City may rely upon an unqualified opinion  
612 issued to the City by nationally recognized bond counsel that any action by the City or reliance  
613 upon any interpretation of the Code or Regulations contained in such opinion will not cause interest  
614 on the Certificates to be includable in gross income for federal income tax purposes under existing  
615 law.

616 Notwithstanding any other provision of this Ordinance, the City's representations and  
617 obligations under the covenants and provisions of this Section 6.5 shall survive the defeasance and  
618 discharge of the Certificates for as long as such matters are relevant to the exclusion of interest on  
619 the Certificates from the gross income of the owners for federal income tax purposes.

620 Section 6.6: Qualified Tax-Exempt Obligations. In accordance with the provisions of  
621 paragraph (3) of subsection (b) of Section 265 of the Code, the City will designate the Certificates  
622 to be "qualified tax exempt obligations" in that the Certificates are not "private activity bonds" as  
623 defined in the Code and the reasonably anticipated amount of "tax exempt obligations" to be issued  
624 by the City (including all subordinate entities of the City) for the calendar year 2016 will not  
625 exceed \$10,000,000.

626 Section 6.7: Related Matters. In order that the City shall satisfy in a timely manner all  
627 of its obligations under this Ordinance, the Mayor, City Secretary and all other appropriate  
628 officers, agents, representatives and employees of the City are hereby authorized and directed to  
629 take all other actions that are reasonably necessary to provide for the issuance and delivery of  
630 the Certificates, including, without limitation, executing and delivering on behalf of the City all  
631 certificates, consents, receipts, requests, notices, and other documents as may be reasonably  
632 necessary to satisfy the City's obligations under this Ordinance and to direct the transfer and  
633 application of funds of the City consistent with the provisions of this Ordinance.

## 634 ARTICLE VII

635

636

### CONTINUING DISCLOSURE UNDERTAKING

637

638 Section 7.1: Continuing Disclosure Undertaking. The City shall provide annually to the  
639 MSRB, within six (6) months after the end of each fiscal year and in an electronic format  
640 prescribed by the MSRB, financial information and operating data with respect to the City of the  
641 general type described in the Official Statement, being the information described in Exhibit F  
642 attached hereto. Any financial statements so to be provided shall be (a) prepared in accordance  
643 with generally accepted accounting principles for governmental units as prescribed by the  
644 Government Accounting Standards Board from time to time, as such principles may be changed  
645 from time to time to comply with state or federal law or regulation and (b) audited, if the City  
646 commissions an audit of such statements and the audit is completed within the period during which  
647 they must be provided. If audited financial statements are not available at the time the financial  
648 information and operating data must be provided, then the City shall provide unaudited financial  
649 statements for the applicable fiscal year to the MSRB and shall provide to the MSRB audited  
650 financial statements, when and if the same become available.

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

654 The financial information and operating data to be provided pursuant to this Article may  
655 be set forth in full in one or more documents or may be included by specific reference to documents  
656 (i) available to the public on the MSRB's internet web site or (ii) filed with the SEC.

657 Section 7.2: Material Event Notices. The City shall file notice of any of the following  
658 events with respect to the Certificates to the MSRB in a timely manner and not more than 10  
659 business days after occurrence of the event:

- 660 (1) Principal and interest payment delinquencies;
- 661 (2) Non-payment related defaults, if material;
- 662 (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- 663 (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- 664 (5) Substitution of credit or liquidity providers, or their failure to perform;
- 665 (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or  
666 final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB),  
667 or other material notices or determinations with respect to the tax exempt status of  
668 the Certificates, or other material events affecting the tax status of the Certificates;
- 669 (7) Modifications to rights of holders of the Certificates, if material;
- 670 (8) Certificate calls, if material, and tender offers;
- 671 (9) Defeasances;
- 672 (10) Release, substitution, or sale of property securing repayment of the Certificates, if  
673 material;
- 674 (11) Rating changes;
- 675 (12) Bankruptcy, insolvency, receivership, or similar event of the City, which shall occur  
676 as described below;
- 677 (13) The consummation of a merger, consolidation, or acquisition involving the City or  
678 the sale of all or substantially all of its assets, other than in the ordinary course of  
679 business, the entry into of a definitive agreement to undertake such an action or the  
680 termination of a definitive agreement relating to any such actions, other than  
681 pursuant to its terms, if material; and
- 682 (14) Appointment of a successor or additional Paying Agent/Registrar or the change of  
683 name of a Paying Agent/Registrar, if material.

684 For these purposes, any event described in the immediately preceding paragraph (12) is  
685 considered to occur when any of the following occur: the appointment of a receiver, fiscal agent,  
686 or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any  
687 other proceeding under state or federal law in which a court or governmental authority has assumed  
688 jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has  
689 been assumed by leaving the existing governing body and officials or officers in possession but  
690 subject to the supervision and orders of a court or governmental authority, or the entry of an order  
691 confirming a plan of reorganization, arrangement, or liquidation by a court or governmental  
692 authority having supervision or jurisdiction over substantially all of the assets or business of the  
693 City.

694 The City shall notify the MSRB through EMMA, in a timely manner, of any failure by the  
695 City to provide financial information or operating data in accordance with this Section or Section  
696 7.1 by the time required in such Section.

697 Section 7.3: Limitations, Disclaimers and Amendments. The City shall be obligated to  
698 observe and perform the covenants specified in this Article for so long as, but only for so long as,  
699 the City remains an “obligated person” with respect to the Certificates within the meaning of the  
700 Rule, except that the City in any event will give the notice required by Section 7.2 of any Certificate  
701 calls and defeasance that cause the City to be no longer such an “obligated person.”

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

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

720 No default by the City in observing or performing its obligations under this Article shall  
721 constitute a breach of or default under the Ordinance for purposes of any other provision of this  
722 Ordinance.

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

725 The provisions of this Article may be amended by the City from time to time to adapt to  
726 changed circumstances that arise from a change, legal requirements, a change in law, or a change  
727 in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this  
728 Article, as so amended, would have permitted an underwriter to purchase or sell Certificates in the  
729 primary offering of the Certificates in compliance with the Rule, taking into account any  
730 amendments or interpretations of the Rule to the date of such amendment, as well as such changed  
731 circumstances and (2) either (a) the Certificate holders of a majority in aggregate principal amount  
732 (or any greater amount required by any other provision of this Ordinance that authorizes such an  
733 amendment) of the Outstanding Certificates consent to such amendment or (b) a person that is  
734 unaffiliated with the City (such as nationally recognized bond counsel) determines that such  
735 amendment will not materially impair the interest of the Certificate holders and beneficial owners  
736 of the Certificates. If the City so amends the provisions of this Article it shall include with any  
737 amended financial information or operating data next provided in accordance with Section 7.1 an  
738 explanation in narrative form of the reasons for the amendment and of the impact of any change  
739 in the type of financial information or operating data so provided. The City may also amend or  
740 repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the  
741 applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions  
742 of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not  
743 prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of  
744 the Certificates.

745 Section 7.4: Information Format. The City information required under this Article shall  
746 be filed with the MSRB through EMMA in such format and accompanied by such identifying  
747 information as may be specified from time to time thereby. Under the current rules of the MSRB,  
748 continuing disclosure documents submitted to EMMA must be in word-searchable portable  
749 document format (PDF) files that permit the document to be saved, viewed, printed, and  
750 retransmitted by electronic means and the series of obligations to which such continuing disclosure  
751 documents relate must be identified by CUSIP number or numbers.

752  
753 Financial information and operating data to be provided pursuant to this Article may be set  
754 forth in full in one or more documents or may be included by specific reference to any document  
755 (including an official statement or other offering document) available to the public through EMMA  
756 or filed with the SEC.

## 757 758 ARTICLE VIII

### 759 760 MISCELLANEOUS

761  
762 Section 8.1: Defeasance. The City may defease the provisions of this Ordinance and  
763 discharge its obligations to the Registered Owners of any or all of the Certificates to pay the  
764 principal of and interest thereon in any manner now or hereafter permitted by law, including by  
765 depositing with the Paying Agent/Registrar or with the State Treasurer of the State of Texas either:

766  
767 (a) cash in an amount equal to the principal amount of such Certificates plus interest  
768 thereon to the date of maturity or redemption; or

769 (b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable  
770 obligations of United States of America, including obligations that are  
771 unconditionally guaranteed by the United States of America; (ii) noncallable  
772 obligations of an agency or instrumentality of the United States, including  
773 obligations that are unconditionally guaranteed or insured by the agency or  
774 instrumentality and that, on the date the governing body of the issuer adopts or  
775 approves the proceedings authorizing the issuance of refunding bonds, are rated as  
776 to investment quality by a nationally recognized investment rating firm not less  
777 than AAA or its equivalent; or (iii) noncallable obligations of a state or an agency  
778 or a City, municipality, or other political subdivision of a state that have been  
779 refunded and that, on the date the governing body of the issuer adopts or approves  
780 the proceedings authorizing the issuance of refunding bonds, are rated as to  
781 investment quality by a nationally recognized investment rating firm not less than  
782 AAA or its equivalent, which, in the case of (i), (ii) or (iii), may be in book-entry  
783 form, and the principal of and interest on which will, when due or redeemable at  
784 the option of the holder, without further investment or reinvestment of either the  
785 principal amount thereof or the interest earnings thereon, provide money in an  
786 amount which, together with other moneys, if any, held in such escrow at the same  
787 time and available for such purpose, shall be sufficient to provide for the timely  
788 payment of the principal of and interest thereon to the date of maturity or earlier  
789 redemption;

790 provided, however, that if any of the Certificates are to be redeemed prior to their respective  
791 dates of maturity, provision shall have been made for giving notice of redemption as provided  
792 in this Ordinance. Upon such deposit, such Certificates shall no longer be regarded to be  
793 Outstanding or unpaid. Any surplus amounts not required to accomplish such defeasance shall  
794 be returned to the City.

795 Section 8.2: Ordinance a Contract - Amendments. This Ordinance shall constitute a  
796 contract with the Registered Owners from time to time, be binding on the City, and shall not be  
797 amended or repealed by the City so long as any Certificate remains Outstanding except as  
798 permitted in this Section. The City may, without the consent of or notice to any Registered  
799 Owners, from time to time and at any time, amend this Ordinance in any manner not detrimental  
800 to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency,  
801 or formal defect or omission herein. In addition, the City may, with the consent of Registered  
802 Owners who own in the aggregate 51% of the principal amount of the Certificates then  
803 Outstanding, amend, add to, or rescind any of the provisions of this Ordinance; provided that,  
804 without the consent of all Registered Owners of Outstanding Certificates, no such amendment,  
805 addition, or rescission shall (1) extend the time or times of payment of the principal of and  
806 interest on the Certificates, reduce the principal amount thereof, the redemption price, or the rate  
807 of interest thereon, or in any other way modify the terms of payment of the principal of or interest  
808 on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3)  
809 reduce the aggregate principal amount of Certificates required to be held by Registered Owners  
810 for consent to any such amendment, addition, or rescission.

811 Section 8.3: Legal Holidays. In any case where the date interest accrues and becomes  
812 payable on the Certificates or principal of the Certificates matures or the date fixed for

813 redemption of any Certificates or a Record Date shall be in the City a Saturday, Sunday, legal  
814 holiday or a day on which banking institutions are authorized by law to close, then payment of  
815 interest or principal need not be made on such date, or the Record Date shall not occur on such  
816 date, but payment may be made or the Record Date shall occur on the next succeeding day which  
817 is not in the City a Saturday, Sunday, legal holiday or a day on which banking institutions are  
818 authorized by law to close with the same force and effect as if (i) made on the date of maturity  
819 or the date fixed for redemption and no interest shall accrue for the period from the date of  
820 maturity or redemption to the date of actual payment or (ii) the Record Date had occurred on the  
821 fifteenth day of that calendar month.

822 Section 8.4: No Recourse Against City Officials. No recourse shall be had for the  
823 payment of principal of or interest on any Certificates or for any claim based thereon or on this  
824 Ordinance against any official of the City or any person executing any Certificates.

825 Section 8.5: Further Proceedings. The Mayor, City Secretary and other appropriate  
826 officials of the City are hereby authorized and directed to do any and all things necessary and/or  
827 convenient to carry out the terms of this Ordinance.

828 Section 8.6: Severability. If any Section, paragraph, clause or provision of this  
829 Ordinance shall for any reason be held to be invalid or unenforceable, the invalidity or  
830 unenforceability of such Section, paragraph, clause or provision shall not affect any of the  
831 remaining provisions of this Ordinance.

832 Section 8.7: Open Meeting. It is hereby found, determined and declared that a  
833 sufficient written notice of the date, hour, place and subject of the meeting of the City Council  
834 at which this Ordinance was adopted was posted at a place convenient and readily accessible at  
835 all times to the general public at City Hall for the time required by law preceding this meeting,  
836 as required by the Open Meetings Law, Chapter 551, Texas Government Code, and that this  
837 meeting has been open to the public as required by law at all times during which this Ordinance  
838 and the subject matter thereof has been discussed, considered and formally acted upon. The City  
839 Council further ratifies, approves and confirms such written notice and the contents and posting  
840 thereof.

841 Section 8.8: Repealer. All orders, resolutions and ordinances, or parts thereof,  
842 inconsistent herewith are hereby repealed to the extent of such inconsistency.

843 Section 8.9: Effective Date. This Ordinance shall be in force and effect from and after  
844 its passage on the date shown below.

845 Section 8.10: Preamble. The facts and recitations set forth in the preamble of this  
846 Ordinance are hereby found to be true and correct.

847  
848  
849

*[signature page follows]*

PASSED AND APPROVED on this October 4, 2016.

CITY OF SEABROOK, TEXAS

---

Glenn Royal  
Mayor

ATTEST

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Robin Hicks, TRMC  
City Secretary

(SEAL)

Exhibits:

- Exhibit A – Form of Certificate
- Exhibit B – Paying Agent/Registrar Agreement
- Exhibit C – Purchase Agreement
- Exhibit D – Preliminary Official Statement
- Exhibit E – Official Statement
- Exhibit F – Description of Annual Financial Information

**EXHIBIT A**

**FORM OF CERTIFICATE**

UNITED STATES OF AMERICA  
STATE OF TEXAS

CITY OF SEABROOK, TEXAS  
CERTIFICATE OF OBLIGATION, SERIES 2016A

NUMBER	DENOMINATION
<sup>1</sup> R-	\$ _____
REGISTERED	REGISTERED

<sup>2</sup> INTEREST	DATED	<sup>2</sup> MATURITY	<sup>2</sup> CUSIP:
RATE:	DATE:	DATE:	
_____ %	November 1, 2016	September 1, _____	

REGISTERED OWNER:

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

<sup>3</sup>THE CITY OF SEABROOK, TEXAS, a municipal corporation of the State of Texas (the “City”), for value received, hereby promises to pay to the Registered Owner identified above or its registered assigns, on the maturity date specified above, upon presentation and surrender of this Certificate at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or its successor (the “Paying Agent/Registrar”), the principal amount identified above payable in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due to the United States of America, and to pay interest thereon at the rate shown above, calculated on a basis of a 360-day year composed of twelve 30-day months, from the later of the Dated Date or the most recent

\_\_\_\_\_  
<sup>1</sup> Initial Certificate shall be numbered T-1.  
<sup>2</sup> Omitted from the Initial Certificate.  
<sup>3</sup> The first sentence of the Initial Certificate shall read as follows:

“THE CITY OF SEABROOK, TEXAS, a municipal corporation of the State of Texas (the “City”), for value received, hereby promises to pay to the Registered Owner identified above or its registered assigns, on September 1 of each of the years and in the principal amounts set forth in the following schedule: [Insert information regarding years of maturity, principal amounts and interest rates from Section 2.3 of the Ordinance], upon presentation and surrender of this Certificate at the principal corporate trust office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, or its successor (the “Paying Agent/Registrar”), payable in any coin or currency of the United States of America which on the date of payment of such principal is legal tender for the payment of debts due to the United States of America, and to pay interest thereon at the rate shown above, calculated on a basis of a 360-day year composed of twelve 30-day months, from the later of the Dated Date or the most recent interest payment date to which interest has been paid or duly provided for.”

interest payment date to which interest has been paid or duly provided for. Interest on this Certificate is payable on March 1, 2017, and each September 1 and March 1 thereafter until maturity of this Certificate, by check sent by United States mail, first class, postage prepaid, by the Paying Agent/Registrar to the Registered Owner of record as of the close of business on the fifteenth calendar day of the calendar month immediately preceding the applicable interest payment date, as shown on the registration books kept by the Paying Agent/Registrar. Any accrued interest payable at maturity shall be paid upon presentation and surrender of this Certificate at the principal corporate trust office of the Paying Agent/Registrar.

THIS CERTIFICATE IS ONE OF A DULY AUTHORIZED SERIES OF CERTIFICATES (the "Certificates") in the aggregate principal amount of \$\_\_\_\_\_ issued pursuant to an ordinance adopted by the City Council of the City on October 4, 2016 (the "Ordinance") for the purpose of providing all or part of the funds to pay contractual obligations to be incurred for the purchase of materials, supplies, equipment, machinery, buildings, land and rights-of-way for authorized needs and purposes and for the payment of contractual obligations for professional services, to wit: (i) improvements and repairs to the City's water and sewer system, including sewer line replacement and construction, improvement and upgrades to the City's wastewater treatment plants, and (ii) professional services rendered in connection with the above listed projects.

<sup>4</sup>THIS CERTIFICATE shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Certificate is authenticated by the Registrar by due execution of the authentication certificate endorsed hereon.

THE CITY RESERVES THE RIGHT, at its option, to redeem prior to maturity the Certificates maturing on or after September 1, 2027, in whole or in part, in principal installments of \$5,000 or any integral multiple thereof, on September 1, 2026, or any date thereafter, at a price equal to the principal amount of the Certificates or portions thereof called for redemption plus accrued interest to the date of redemption.

THE CERTIFICATES MATURING ON SEPTEMBER 1, \_\_\_\_ (the "Term Certificates") are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as hereinafter provided), on the following dates, in each case at a redemption price equal to the principal amount of the Certificates or the portions thereof so called for redemption plus accrued interest to the date fixed for redemption:

	<u>Mandatory Redemption Dates</u>	<u>Principal Amounts</u>
<b>Term Certificates Maturing September 1, ____</b>	September 1, ____ September 1, ____ (maturity)	\$

The particular Term Certificates to be redeemed shall be selected by the Registrar by lot or other customary random selection method, on or before July 1 of each year in which Term Certificates are to be mandatorily redeemed. The principal amount of Term Certificates to be mandatorily

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<sup>4</sup> In the Initial Certificate, this paragraph shall read: "THIS CERTIFICATE shall not be valid or obligatory for any purpose or be entitled to any benefit under the Ordinance unless this Certificate is registered by the Comptroller of Public Accounts of the State of Texas by registration certificate attached or affixed hereto."

redeemed in each year shall be reduced by the principal amount of such Term Certificates that have been optionally redeemed on or before July 1 of such year and which have not been made the basis for a previous reduction.

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

NOTICE OF ANY SUCH REDEMPTION, identifying the Certificates or portions thereof to be redeemed, shall be sent by United States mail, first class, postage prepaid, to the Registered Owners thereof at their addresses as shown on the books of registration kept by the Paying Agent/Registrar, not less than thirty (30) days before the date fixed for such redemption. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the redemption price of the Certificates called for redemption. If such notice of redemption is given, and if due provision for such payment is made, all as provided above, the Certificates which are to be so redeemed thereby automatically shall be redeemed prior to their scheduled maturities, they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the purpose of being paid with the funds so provided for such payment.

THIS CERTIFICATE IS TRANSFERABLE only upon presentation and surrender at the principal corporate trust office of the Paying Agent/Registrar, accompanied by an assignment duly executed by the Registered Owner or its authorized representative, subject to the terms and conditions of the Ordinance.

THIS CERTIFICATE IS EXCHANGEABLE at the principal corporate trust office of the Paying Agent/Registrar for a Certificate or Certificates of the same maturity and interest rate and in the principal amount of \$5,000 or any integral multiple thereof, subject to the terms and conditions of the Ordinance.

THE PAYING AGENT/REGISTRAR is not required to accept for transfer or exchange any Certificate called for redemption, in whole or in part, during the forty-five (45) day period immediately prior to the date fixed for redemption; provided, however, that such limitation shall not apply to the transfer or exchange by the Registered Owner of an unredeemed portion of a Certificate called for redemption in part.

THE CITY OR PAYING AGENT/REGISTRAR may require the Registered Owner of any Certificate to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of a Certificate. Any fee or charge of the Paying Agent/Registrar for a transfer or exchange shall be paid by the City.

THE REGISTERED OWNER of this Certificate by acceptance hereof, acknowledges and agrees to be bound by all the terms and conditions of the Ordinance.

IT IS HEREBY DECLARED AND REPRESENTED that this Certificate has been duly and validly issued and delivered; that all acts, conditions and things required or proper to be performed, exist and to be done precedent to or in the issuance and delivery of this Certificate have been performed, exist and have been done in accordance with law; that the Certificates do not exceed any constitutional or statutory limitation; and that annual ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Certificate, as such interest comes due and such principal matures, have been levied and ordered to be levied, within the limits prescribed by law, against all taxable property in the City and have been irrevocably pledged for such payment.

IT IS FURTHER DECLARED AND REPRESENTED that the revenues to be derived from the City's waterworks and sewer system, after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), in an amount not to exceed \$1,000, are pledged to the payment of the principal of and interest on the Certificates provided that the pledge of Net Revenues is and shall be junior and subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the City, whether authorized heretofore or hereafter, which the City designates as having a pledge senior to the pledge of the Net Revenues to the payment of the Certificates. The City also reserves the right to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation and other obligations of any kind, secured in whole or in part by a pledge of Net Revenues, that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Net Revenues securing the Certificates.

REFERENCE IS HEREBY MADE TO THE ORDINANCE, a copy of which is filed with the Paying Agent/Registrar, for the full provisions thereof, to all of which the Registered Owners of the Certificates assent by acceptance of the Certificates.

IN WITNESS WHEREOF, the City has caused its corporate seal to be impressed or placed in facsimile hereon and this Certificate to be signed by the Mayor and countersigned by the City Secretary by their manual, lithographed or printed facsimile signatures.

CITY OF SEABROOK, TEXAS

\_\_\_\_\_  
Mayor

(SEAL)

COUNTERSIGNED:

\_\_\_\_\_  
City Secretary

\* \* \*

FORM OF COMPTROLLER’S REGISTRATION CERTIFICATE

The following form of Comptroller’s Registration Certificate shall be attached or affixed to each of the Certificates initially delivered:

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 that this certificate has been registered by the Comptroller of Public Accounts of the State of Texas.

WITNESS MY SIGNATURE AND SEAL OF OFFICE this \_\_\_\_\_.

\_\_\_\_\_

Comptroller of Public Accounts  
of the State of Texas

(SEAL)

\* \* \*

FORM OF PAYING AGENT/REGISTRAR’S AUTHENTICATION CERTIFICATE

The following form of authentication certificate shall be printed on the face of each of the Certificates other than those initially delivered:

AUTHENTICATION CERTIFICATE

This Certificate is one of the Certificates described in and delivered pursuant to the within mentioned Ordinance; and, except for the Certificates initially delivered, this Certificate has been issued in exchange for or replacement of a Certificate, Certificates, or a portion of a Certificate or Certificates of an issue which originally was approved by the Attorney General of the State of Texas and registered by the Comptroller of Public Accounts of the State of Texas.

THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A.,  
as Paying Agent/Registrar

By \_\_\_\_\_

Authorized Signature

Date of Authentication: \_\_\_\_\_

\* \* \*

FORM OF ASSIGNMENT

The following form of assignment shall be printed on the back of each of the Certificates:

ASSIGNMENT

For value received, the undersigned hereby sells, assigns, and transfers unto

\_\_\_\_\_  
(Please print or type name, address, and zip code of Transferee)

\_\_\_\_\_  
(Please insert Social Security or Taxpayer Identification Number of Transferee)

the within certificate and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer such certificate on the books kept for registration thereof, with full power of substitution in the premises.

DATED: \_\_\_\_\_

Signature Guaranteed:

\_\_\_\_\_

\_\_\_\_\_  
NOTICE: Signature must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

\_\_\_\_\_  
Registered Owner

NOTICE: The signature above must correspond to the name of the Registered Owner as shown on the face of this certificate in every particular, without any alteration, enlargement or change whatsoever.

\* \* \*

**EXHIBIT B**

**PAYING AGENT/REGISTRAR AGREEMENT**

SEE TAB 7

**EXHIBIT C**  
**PURCHASE AGREEMENT**

SEE TAB 4

**EXHIBIT D**

**PRELIMINARY OFFICIAL STATEMENT**

SEE TAB 5

**EXHIBIT E**  
**OFFICIAL STATEMENT**

SEE TAB 6

**EXHIBIT F**

**DESCRIPTION OF ANNUAL FINANCIAL INFORMATION**

The following information is referred to in Section 7.1 of this Ordinance.

**Annual Financial Statements and Operating Data**

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

1. The audited financial statements of the City, but for the most recently concluded fiscal year, and, to the extent that such statements are not completed and available, unaudited financial statements for such fiscal year.
2. The all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 14 and in Appendix B.

**Accounting Principles**

The accounting principles referred to in such Section are the accounting principles described in the notes to the financial statements referred to in paragraph 1 above.