

AN ORDINANCE AUTHORIZING THE CASH DEFEASANCE OF CERTAIN OUTSTANDING OBLIGATIONS OF THE CITY OF LOG CABIN, TEXAS, AND RESOLVING OTHER MATTERS RELATED THERETO ; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, pursuant to the provisions of Chapter 1271 of the Texas Government Code and an ordinance adopted by the City Council of the City of Log Cabin, Texas (the "City") on January 8, 2004, the City issued its City of Log Cabin, Texas Tax Notes, Series 2004 (the "Notes"), in the aggregate principal amount of \$73,000; and

WHEREAS, the City considers it appropriate and in the best interest of the City at this time to defease the Notes currently outstanding, as set forth on attached Schedule I which is hereby incorporated by reference (the "Defeased Notes"); and

WHEREAS, it has been determined that the Interest and Sinking Fund (as defined below) contains funds sufficient to redeem the Defeased Notes and still make payments on outstanding obligations of the City; and

WHEREAS, the City has found it to be in the best interests of the City to cause a portion of the money in the Interest and Sinking Funds to be irrevocably deposited with the paying agent for the Notes and thereby cause the defeasance of the Defeased Notes;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY OF LOG CABIN, TEXAS THAT:

ARTICLE I

DEFINITIONS AND INTERPRETATIONS

Section 1.01. Definitions. Throughout this Ordinance, in addition to the terms defined in the recitals of this Ordinance the following terms and expressions used herein shall have the meanings specified in this Section.

"*Authorized Representative*" means the Mayor, Mayor Pro-Tem, the City Secretary or authorized representative of the City.

"*Defeasance Securities*" means direct noncallable obligations of United States of America; and noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by agencies or instrumentalities, and that, on the date hereof, are rated as to investment quality by Fitch Ratings and Standard & Poor's Rating Services Inc. not less than AAA or its equivalent.

"*Interest and Sinking Fund*" means the "Interest and Sinking Fund" established by Section 7 of the Series 2004 Ordinance.

"Series 2004 Ordinance" means the ordinance adopted by the City Council of the City on January 8, 2004, authorizing the issuance of the Notes.

Section 1.02. Rules of Construction. (a) For all purposes of this Ordinance, unless the context requires otherwise, all references to designated Articles, Sections and other subdivisions are to the articles, sections and other subdivisions of this Ordinance.

(b) Except where the context otherwise requires, terms defined in this Ordinance to impart the singular number shall be considered to, include the plural number and vice versa. References to any named Person means that party and its successors and assigns. References to any constitutional, statutory or regulatory provision means such provision as it exists on the date this Ordinance is adopted by the City and any future amendments thereto or successor provisions thereof.

(c) The preambles to this Ordinance are incorporated by reference and are hereby adopted as though set forth in full at this place.

ARTICLE II

CASH DEFEASANCE

Section 2.01. Transfers. The City hereby authorizes the transfer of \$35,000 from the City's Interest and Sinking Fund to the paying agent for the Notes. Such funds are to be used to pay the principal of the Defeased Notes, and in addition, the City shall pay accrued interest to the date of redemption of the Defeased Notes. Any costs and expenses associated with such defeasance shall be paid separately by the City.

Section 2.02. Investment. At the direction of an Authorized Representative, the money deposited with the paying agent for the Notes for this redemption may be held uninvested, or invested in Defeasance Securities. Any such Defeasance Securities shall have maturities which coincide with the redemption date specified below. Any funds remaining after the defeasance of the Defeased Notes may be transferred by instruction of an Authorized Representative to other funds available for purposes authorized by the Order. Each Authorized Representative is authorized to execute any necessary instruction letter, certificate, notice, instrument or other document effecting such funds transfer, payment or defeasance.

Section 2.03. Redemption Date. The Defeased Notes shall be redeemed effective as of August 1, 2006. Each Authorized Representative is hereby authorized and instructed to provide written notice of redemption to the paying agent for the Notes in accordance with the requirements of the Order, and substantially in the form attached hereto as Exhibit A.

ARTICLE III

MISCELLANEOUS PROVISIONS

Section 3.01. Further Procedures. Each Authorized Representative is hereby authorized and directed to take all other actions that are necessary to provide for the defeasance of the Defeased Notes, including, without limitation, executing and delivering on behalf of the City all certificates, consents, receipts, requests, releases, notices, and other documents as may be necessary to satisfy the City's intent under this Ordinance and to direct the transfer and application of funds of the City consistent with the provisions of this Ordinance.


Section 3.02. Open Meeting; Notice. It is hereby officially found and determined that the meeting at which this Ordinance is adopted is open to the public as required by law at all times during which this Ordinance and the subject matter thereof are discussed, considered and formally acted upon; and reasonable notice of this meeting was posted in accordance with the Open Meetings Act, Chapter 551, Texas Government Code.

Section 3.03. Prior Actions. All actions taken by or on behalf of the City relating to the defeasance of the Defeased Notes are hereby authorized, ratified, confirmed and approved, except that to the extent of any conflict with any provision of this Ordinance, the terms and provisions of this Ordinance shall control and prevail.

[Execution Page Follows]

ADOPTED AND APPROVED this August 17, 2006.

CITY OF LOG CABIN, TEXAS



Gene Bearden, Mayor

ATTEST:



Karen Cox, City Secretary

(SEAL)

SCHEDULE I

DEFEASED NOTES

City of Log Cabin, Texas
Tax Notes, Series 2004

| <u>Maturity</u> | <u>Interest Rate</u> | <u>Principal Amount Outstanding</u> | <u>Principal Amount to be Defeased</u> |
|--------------------------------|----------------------|---|--|
| 8-15-2006 through 8-15-2011 | 5.000% | \$35,000 | \$35,000 |

