

ORDINANCE NO. 12-07

ORDINANCE AUTHORIZING THE ISSUANCE OF UP TO \$3,300,000 IN PRINCIPAL AMOUNT OF *CITY OF SOUTH PADRE ISLAND, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012*, AUTHORIZING THE EXECUTION OF AN ESCROW AGREEMENT, A PAYING AGENT/REGISTRAR AGREEMENT, A PURCHASE CONTRACT AND OTHER INSTRUMENTS AND PROCEDURES RELATED THERETO, DELEGATING AUTHORITY TO CERTAIN CITY OFFICIALS TO SELECT OUTSTANDING OBLIGATIONS TO BE REFUNDED AND APPROVE ALL FINAL TERMS OF THE BONDS, APPROVING AN OFFICIAL STATEMENT, AND CALLING CERTAIN OBLIGATIONS FOR REDEMPTION

DATE OF APPROVAL: JUNE 20, 2012

CERTIFICATE FOR ORDINANCE

**THE STATE OF TEXAS
COUNTY OF CAMERON
CITY OF SOUTH PADRE ISLAND**

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I, the undersigned Deputy City Secretary of the **CITY OF SOUTH PADRE ISLAND, TEXAS** (the "**City**"), hereby certify as follows:

1. The City Council of said City convened in **REGULAR MEETING ON THE 20TH DAY OF JUNE, 2012** at the posted meeting place in the City, and the roll was called of the duly constituted officers and members of said City Council, to wit:

Robert N. Pinkerton, Jr., Mayor
Jo Ann Evans, Mayor Pro-Tem
Alita Bagley

Robert A. Fudge
Courtney Hayden
Sam A. Listi

and all of said officers and members of said City Council were present, except the following absentees: Alita Bagley and Sam A. Listi

Whereupon, among other business, the following was transacted at said Meeting: a written

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was duly introduced for the consideration of said City Council. It was then duly moved and seconded that said Ordinance be passed on second and final reading and, after due discussion, said motion carrying with it the adoption of said Ordinance, prevailed and carried by the following vote:

AYES: 4 NOES: 0 ABSTENTIONS: 0

2. A true, full and correct copy of the aforesaid Ordinance adopted at the Meeting described in the above and foregoing paragraph is attached to and follows this Certificate; the Ordinance has been duly recorded in said City Council's minutes of said Meeting; the above and foregoing paragraph is a true, full and correct excerpt from said City Council's minutes of said Meeting pertaining to the passage of said Ordinance; the persons named in the above and foregoing paragraph are the duly chosen, qualified and acting officers and members of said City Council as indicated therein; each of the officers and members of said City Council was duly and sufficiently notified officially and personally, in advance, of the time, place and purpose of the aforesaid Meeting, and that said Ordinance would be introduced and considered for passage at said Meeting, and each of said officers and members consented, in advance, to the holding of said Meeting for such purpose, and that said Meeting was open to the public and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code.

SIGNED AND SEALED the 20TH day of June, 2012.

(SEAL)



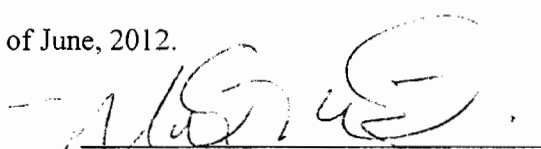

Deputy City Secretary

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**THE STATE OF TEXAS §
COUNTY OF CAMERON §
CITY OF SOUTH PADRE ISLAND §**

WHEREAS, the **CITY OF SOUTH PADRE ISLAND, TEXAS** (the "**City**") in Cameron County, Texas, is a political subdivision of the State of Texas operating as a home-rule city pursuant to the Texas Local Government Code and its City Charter which was initially approved by the qualified voters of the City on November 3, 2009; and

WHEREAS, among numerous series of bonds of the City which are secured by the full faith and credit of the City and a pledge by the City to levy ad valorem taxes sufficient to pay principal of and interest on such bonds as they become due, within the limits permitted by law, there are specifically outstanding the following series of obligations:

*Town of South Padre Island, Texas General Obligation Bonds, Series 2005, dated April 15, 2005, maturing on March 1 in the years 2013 through 2025, currently outstanding in the aggregate principal amount of \$3,660,000 (the "**Series 2005 Bonds**")*; and

WHEREAS, pursuant to the ordinance which authorized the Series 2005 Bonds, all Series 2005 Bonds maturing on and after March 1, 2016 are subject to redemption at the option of the City on March 1, 2015, and on any date thereafter at the redemption price of par; and

WHEREAS, the City now desires to authorize the refunding of a portion of the Series 2005 Bonds, which are more fully described as follows:

SERIES 2005 BONDS ELIGIBLE TO BE REFUNDED

MATURITY (MARCH 1)	PRINCIPAL AMOUNT MATURING IN YEAR (\$)	PRINCIPAL AMOUNT ELIGIBLE TO BE REFUNDED (\$)	STATED INTEREST RATE (%)	CUSIP No. (839152)
2016	245,000	245,000	4.000	CN3
2017	255,000	255,000	4.000	CP8
2018	265,000	265,000	4.000	CQ6
2019	280,000	280,000	4.100	CR4
2020	290,000	290,000	4.125	CS2
2021	300,000	300,000	4.200	CT0
2022	315,000	315,000	4.500	CU7
2023	330,000	330,000	4.500	CV5
2024	345,000	345,000	4.625	CW3
2025	<u>360,000</u>	<u>360,000</u>	4.625	CX1
Totals	<u>2,985,000</u>	<u>2,985,000</u>	***	***

WHEREAS, pursuant to the provisions of Section 1207.007(a)(4), Texas Government Code, the City now desires to delegate to a "Designated Officer" (as defined in Section 1(a) below) the authority, individually or collectively, to select the specific maturities and principal amounts of the Series 2005 Bonds described in the preceding recital to be refunded with proceeds of the bonds authorized pursuant to this Ordinance and effect the sale of such bonds; and

WHEREAS, the Series 2005 Bonds selected by a Designated Officer to be refunded as authorized by Section 1(c) of this Ordinance are hereafter referred to as the "**Refunded Obligations**"; and

WHEREAS, Chapter 1207, Texas Government Code, as amended ("**Chapter 1207**"), authorizes the City to issue refunding bonds and to deposit the proceeds from the sale thereof, and any other available funds or resources, directly with a place of payment (paying agent) for the Refunded Obligations, or with another trust company or commercial bank that does not act as a depository for the City, in an amount sufficient to provide for the payment and/or redemption of the Refunded Obligations, and such deposit, if made before such payment dates, shall constitute the making of firm banking and financial arrangements for the discharge and final payment or redemption of the Refunded Obligations; and

WHEREAS, Chapter 1207 (specifically Section 1207.062, Texas Government Code) further authorizes the City to enter into an escrow agreement with any paying agent for the Refunded Obligations, or with another trust company or commercial bank that does not act as a depository for the City, with respect to the safekeeping, investment, reinvestment, administration and disposition

of any such deposit, upon such terms and conditions as the City and such paying agent may agree; provided that such deposits may be invested and reinvested in:

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

(ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council of the City adopts or approves this Ordinance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and

(iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City Council of the City adopts or approves this Ordinance, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent,

and all of which must mature and bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment or redemption of the Refunded Obligations; and

WHEREAS, THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., currently serves as the paying agent for the Series 2005 Bonds, and the Escrow Agreement hereinafter authorized between the City and The Bank of New York Mellon Trust Company, N.A., shall constitute an escrow agreement of the kind authorized and permitted by Chapter 1207; and

WHEREAS, the City Council of the City hereby finds and declares a public purpose and deems it advisable and in the best interests of the City to issue a series of bonds (defined in Section 2 hereof as the "**Bonds**"), the proceeds of which will be used to pay costs of issuance and refund the Refunded Obligations in order to achieve a gross debt service savings and a net present value debt service savings for the benefit of the taxpayers of the City; provided, however, in no event shall Bonds be issued unless the City is able to achieve a net present value debt service savings of at least 3% of the principal of the Refunded Obligations; and

WHEREAS, the Bonds hereinafter authorized and designated are to be issued and delivered pursuant to Chapter 1207; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Ordinance was passed was open to the public, and public notice of the time, place, and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code;

THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF SOUTH PADRE ISLAND:

SECTION 1. AMOUNT AND PURPOSE OF THE BONDS; DELEGATION OF AUTHORITY TO CERTAIN CITY OFFICIALS.

(a) Authorization to Issue General Obligation Refunding Bonds. General obligation bonds of the City are hereby authorized to be issued and delivered in the aggregate principal amount as designated by the Mayor, the City Manager and/or the Chief Financial Officer of the City (each a "**Designated Officer**") pursuant to the provisions of Section 1(b) of this Ordinance **FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND A PORTION OF THE ISSUER'S OUTSTANDING GENERAL OBLIGATION INDEBTEDNESS, AND TO PAY FOR COSTS OF ISSUANCE.**

(b) Delegation of Final Terms. As authorized by Section 1207.007, Texas Government Code, each Designated Officer, acting individually or in combination with another Designated Officer, is hereby authorized, appointed, and designated as an officer of the City authorized to act on behalf of the City to effect the sale of the Bonds and to establish the terms and details related to the issuance and sale of the Bonds including the total aggregate principal amount of Bonds to be issued (but in no event to exceed \$3,300,000 in aggregate principal amount), the price at which the Bonds will be sold (but in no event shall the Bonds be sold at a price which would result in a net present value savings of less than 3% of the principal amount of the Refunded Obligations), the date of the Bonds, the aggregate principal amount of each maturity thereof, the due date of each maturity (but in no event later than *March 1, 2025*, the rate of interest to be borne on the principal amount of each such maturity (but in no event to exceed a net effective interest rate for all of the Bonds of 4.00% per annum), the interest payment periods, the dates, price and terms upon and at which the Bonds shall be subject to any mandatory sinking fund redemption provisions for any maturity, and all other matters relating to the issuance, sale and delivery of the Bonds. Each Designated Officer, acting individually or in combination with another Designated Officer for and on behalf of the Issuer, is further authorized to (i) complete and attach *Exhibit A* of this Ordinance, and (ii) revise and complete the FORM OF BOND set forth in Section 5 of this Ordinance, with the final terms of the Bonds approved pursuant to the authority granted herein and to enter into, execute and carry out an agreement to purchase the Bonds (the "**Purchase Contract**") with the underwriter or underwriters for the Bonds selected to serve in such capacity by the Designated Officer that executes *Exhibit A* of this Ordinance.

(c) Delegation of Authority to Select Series 2005 Bonds for Refunding. As authorized by Section 1207.007(a)(4), Texas Government Code, each Designated Officer, acting individually or in combination with another Designated Officer for and on behalf of the Issuer, is hereby authorized to select all or any portion of the Series 2005 Bonds maturing on and after March 1, 2016, to be refunded with proceeds of the Bonds and to evidence the selection of such Series 2005 Bonds by executing and attaching to this Ordinance as *Exhibit B* a certificate describing the maturities and the principal amount of such maturities of the Series 2005 Bonds to be refunded with the proceeds of the Bonds.

(d) Determination Required by Section 1201.022(a)(3), Texas Government Code. In satisfaction of Section 1201.022(a)(3), Texas Government Code, the City Council hereby determines that the delegation of the authority to each Designated Officer to approve the final terms of the

Bonds set forth in this Ordinance is, and the decisions made by a Designated Officer pursuant to such delegated authority and incorporated in *Exhibit A* will be, in the City's best interests, and each Designated Officer is hereby authorized to make and include in *Exhibit A* an appropriate finding to that effect.

(e) Expiration of Delegation Authority. The authority delegated to a Designated Officer pursuant to Sections 1(b) and (c) above shall expire on December 20, 2012.

SECTION 2. DESIGNATION, DATE, DENOMINATIONS, NUMBERS AND MATURITIES OF BONDS. Each Bond issued pursuant to this Ordinance shall be designated: **CITY OF SOUTH PADRE ISLAND, TEXAS GENERAL OBLIGATION REFUNDING BOND, SERIES 2012**, and initially there shall be issued, sold and delivered hereunder one fully registered bond, numbered T-1 (the "**Initial Bond**"), without interest coupons, dated as of the date determined by a Designated Officer and set forth in *Exhibit A*, and payable on the dates and in the principal amounts determined by a Designated Officer and set forth in *Exhibit A*, with Bonds issued and delivered in substitution for the Initial Bond being in the denomination of \$5,000 or any integral multiple thereof, being numbered consecutively from R-1 upward, and being payable to the initial registered owner designated in Section 13 hereof, or to the registered assignee or assignees of said Bonds or any portion or portions thereof (the "**Registered Owner**").

SECTION 3. INTEREST. The Bonds shall bear interest calculated on the basis of a 360-day year composed of twelve 30-day months from the dates specified in the FORM OF BONDS set forth in this Ordinance to their respective dates of maturity at the rates per annum determined by a Designated Officer as set forth in *Exhibit A* attached hereto. Said interest shall be payable in the manner provided and on the dates stated in the FORM OF BONDS set forth in this Ordinance.

SECTION 4. CHARACTERISTICS OF THE BONDS.

(a) Registration, Transfer, and Exchange; Authentication. The City shall keep or cause to be kept at the designated corporate trust or commercial banking office of **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (currently located in Dallas, Texas) (the "**Paying Agent/Registrar**"), books or records for the registration of the transfer and exchange of the Bonds (the "**Registration Books**"), and the City hereby appoints the Paying Agent/Registrar as its registrar and transfer agent to keep such books or records and make such registrations of transfers and exchanges under such reasonable regulations as the City and Paying Agent/Registrar may prescribe; and the Paying Agent/Registrar shall make such registrations, transfers and exchanges as herein provided. Attached hereto as *Exhibit C* is a copy of the Paying Agent/Registrar Agreement between the City and the Paying Agent/Registrar which is hereby approved in substantially final form, and the Mayor and City Secretary or Deputy City Secretary of the City are hereby authorized to execute the Paying Agent/Registrar Agreement and approve any changes in the final form thereof.

The Paying Agent/Registrar shall obtain and record in the Registration Books the address of the registered owner of each Bond to which payments with respect to the Bonds shall be mailed, as herein provided; but it shall be the duty of each registered owner to notify the Paying Agent/Registrar in writing of the address to which payments shall be mailed, and such interest payments shall not be mailed unless such notice has been given. To the extent possible and under

reasonable circumstances, all transfers of Bonds shall be made within three business days after request and presentation thereof. The City shall have the right to inspect the Registration Books during regular business hours of the Paying Agent/Registrar, but otherwise the Paying Agent/Registrar shall keep the Registration Books confidential and, unless otherwise required by law, shall not permit their inspection by any other entity. The Paying Agent/Registrar's standard or customary fees and charges for making such registration, transfer, exchange and delivery of a substitute Bond or Bonds shall be paid as provided in the FORM OF BONDS set forth in this Ordinance. Registration of assignments, transfers and exchanges of Bonds shall be made in the manner provided and with the effect stated in the FORM OF BONDS set forth in this Ordinance. Each substitute Bond shall bear a letter and/or number to distinguish it from each other Bond.

Except as provided in (c) below, an authorized representative of the Paying Agent/Registrar shall, before the delivery of any such Bond, date and manually sign the Paying Agent/Registrar's Authentication Certificate, and no such Bond shall be deemed to be issued or outstanding unless such Certificate is so executed. The Paying Agent/Registrar promptly shall cancel all paid Bonds and Bonds surrendered for transfer and exchange. No additional ordinances, orders, or resolutions need be passed or adopted by the governing body of the City or any other body or person so as to accomplish the foregoing transfer and exchange of any Bond or portion thereof, and the Paying Agent/Registrar shall provide for the printing, execution, and delivery of the substitute Bonds in the manner prescribed herein, and said Bonds shall be of type composition printed on paper with lithographed or steel engraved borders of customary weight and strength. Pursuant to Sections 1201.061 through 1201.067 of the Public Securities Code, Chapter 1201, Texas Government Code, the duty of transfer and exchange of Bonds as aforesaid is hereby imposed upon the Paying Agent/Registrar, and, upon the execution of said Certificate, the transferred and exchanged Bond shall be valid, incontestable, and enforceable in the same manner and with the same effect as the Bonds which initially were issued and delivered pursuant to this Ordinance, approved by the Attorney General, and registered by the Comptroller of Public Accounts.

(b) Payment of Bonds and Interest. The City hereby further appoints the Paying Agent/Registrar to act as the paying agent for paying the principal of and interest on the Bonds, all as provided in this Ordinance. The Paying Agent/ Registrar shall keep proper records of all payments made by the City and the Paying Agent/Registrar with respect to the Bonds.

(c) In General. The Bonds (i) shall be issued in fully registered form, without interest coupons, with the principal of and interest on such Bonds to be payable only to the registered owners thereof, (ii) may be transferred and assigned, (iii) may be exchanged for other Bonds, (iv) shall have the characteristics, (v) shall be signed, sealed, executed and authenticated, (vi) the principal of and interest on the Bonds shall be payable, and (vii) shall be administered and the Paying Agent/Registrar and the City shall have certain duties and responsibilities with respect to the Bonds, all as provided, and in the manner and to the effect as required or indicated, in the FORM OF BONDS set forth in this Ordinance. The Initial Bond is not required to be, and shall not be, authenticated by the Paying Agent/ Registrar, but on each substitute Bond issued in exchange for the Initial Bond issued under this Ordinance the Paying Agent/Registrar shall execute the PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE, in the form set forth in the FORM

OF BONDS. In lieu of the executed Paying Agent/Registrar's Authentication Certificate described above, the Initial Bond delivered on the closing date (as further described in subparagraph (i) below) shall have attached thereto the Comptroller's Registration Certificate substantially in the form set forth in the FORM OF BONDS below, manually executed by the Comptroller of Public Accounts of the State of Texas or by his duly authorized agent, which certificate shall be evidence that the Initial Bond has been duly approved by the Attorney General of the State of Texas and that it is a valid and binding obligation of the City, and has been registered by the Comptroller.

(d) Substitute Paying Agent/Registrar. The City covenants with the registered owners of the Bonds that at all times while the Bonds are outstanding the City will provide a competent and legally qualified bank, trust company, financial institution, or other entity to act as and perform the services of Paying Agent/Registrar for the Bonds under this Ordinance, and that the Paying Agent/Registrar will be one entity and shall be an entity registered with the Securities and Exchange Commission. The City reserves the right to, and may, at its option, change the Paying Agent/Registrar upon not less than 120 days written notice to the Paying Agent/Registrar, to be effective not later than 60 days prior to the next principal or interest payment date after such notice. In the event that the entity at any time acting as Paying Agent/Registrar (or its successor by merger, acquisition, or other method) should resign or otherwise cease to act as such, the City covenants that promptly it will appoint a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar under this Ordinance. Upon any change in the Paying Agent/Registrar, the previous Paying Agent/Registrar promptly shall transfer and deliver the Registration Books (or a copy thereof), along with all other pertinent books and records relating to the Bonds, to the new Paying Agent/Registrar designated and appointed by the City. Upon any change in the Paying Agent/Registrar, the City promptly will cause a written notice thereof to be sent by the new Paying Agent/Registrar to each registered owner of the Bonds, by United States mail, first-class postage prepaid, which notice also shall give the address of the new Paying Agent/Registrar. By accepting the position and performing as such, each Paying Agent/Registrar shall be deemed to have agreed to the provisions of this Ordinance, and a certified copy of this Ordinance shall be delivered to each Paying Agent/Registrar.

(e) Book-Entry Only System for Bonds. The Bonds issued in exchange for the Bonds initially issued to the purchaser specified in Section 13 herein shall be initially issued in the form of a separate single fully registered Bond for each of the maturities thereof. Upon initial issuance, the ownership of each such Bond shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company of New York ("**DTC**"), and except as provided in subsection (i) hereof, all of the outstanding Bonds shall be registered in the name of Cede & Co., as nominee of DTC.

With respect to Bonds registered in the name of Cede & Co., as nominee of DTC, the City and the Paying Agent/Registrar shall have no responsibility or obligation to any securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created ("**DTC Participant**") to hold securities to facilitate the clearance and settlement of securities transaction among DTC Participants or to any person on behalf of whom such a DTC Participant holds an interest in the Bonds. Without limiting the immediately preceding sentence, the City and the Paying Agent/Registrar shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect

to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than a registered owner of the Bonds, as shown on the Registration Books, of any notice with respect to the Bonds, or (iii) the payment to any DTC Participant or any other person, other than a registered owner of Bonds, as shown in the Registration Books of any amount with respect to principal of or interest on the Bonds. Notwithstanding any other provision of this Ordinance to the contrary, the City and the Paying Agent/Registrar shall be entitled to treat and consider the person in whose name each Bond is registered in the Registration Books as the absolute owner of such Bond for the purpose of payment of principal and interest with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent/Registrar shall pay all principal of and interest on the Bonds only to or upon the Ordinance of the registered owners, as shown in the Registration Books as provided in this Ordinance, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than a registered owner, as shown in the Registration Books, shall receive a Bond certificate evidencing the obligation of the City to make payments of principal and interest pursuant to this Ordinance. Upon delivery by DTC to the Paying Agent/Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions in this Ordinance with respect to interest checks being mailed to the registered owner at the close of business on the Record Date, the words "Cede & Co." in this Ordinance shall refer to such new nominee of DTC.

(f) Successor Securities Depository: Transfers Outside Book-Entry Only Systems. In the event that the City determines that DTC is incapable of discharging its responsibilities described herein and in the representation letter of the City to DTC or that it is in the best interest of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the City shall (i) appoint a successor securities depository, qualified to act as such under Section 17(a) of the Securities and Exchange Act of 1934, as amended, notify DTC and DTC Participants of the appointment of such successor securities depository and transfer one or more separate Bonds to such successor securities depository or (ii) notify DTC and DTC Participants of the availability through DTC of Bonds and transfer one or more separate Bonds to DTC Participants having Bonds credited to their DTC accounts. In such event, the Bonds shall no longer be restricted to being registered in the Registration Books in the name of Cede & Co., as nominee of DTC, but may be registered in the name of the successor securities depository, or its nominee, or in whatever name or names registered owners transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

(g) Payments to Cede & Co. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee for DTC, all payments with respect to principal of and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the representation letter of the City to DTC.

(h) DTC Letter of Representation. The officers of the City are herein authorized for and on behalf of the City and as officers of the City to enter into one or more Letters of Representation, if necessary, with DTC establishing the book-entry only system with respect to the Bonds.

(i) Delivery of Initial Bond. On the closing date, one Initial Bond representing the entire principal amount of the Bonds and, payable in stated installments to the initial registered owner named in Section 13 of this Ordinance or its designee, executed by manual or facsimile signature of the Mayor or Mayor Pro-Tem and the City Secretary or Deputy City Secretary of the City, approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of the State of Texas, will be delivered to the initial purchaser or its designee. Upon payment for the Bonds, the Paying Agent/Registrar shall cancel the Initial Bond and deliver to the initial registered owner or its designee one registered definitive Bond for each year of maturity of the Bonds, in the aggregate principal amount of all of the Bonds for such maturity.

SECTION 5. FORM OF BONDS. The form of the Bonds, including the form of Paying Agent/Registrar's Authentication Certificate, the form of Assignment and the form of Registration Certificate of the Comptroller of Public Accounts of the State of Texas (to be attached only to the Bonds initially issued and delivered pursuant to this Ordinance), shall be, respectively, substantially as follows, with such appropriate variations, omissions, or insertions as are permitted or required by this Ordinance.

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FORM OF BOND

R-__

Principal Amount
\$ _____

UNITED STATES OF AMERICA
STATE OF TEXAS
COUNTY OF CAMERON
CITY OF SOUTH PADRE ISLAND, TEXAS
GENERAL OBLIGATION REFUNDING BOND, SERIES 2012

<u>INTEREST RATE</u>	<u>DATE OF SERIES</u>	<u>MATURITY DATE</u>	<u>CUSIP NO.</u>
____%	August 1, 2012	March 1, 20__	839152 ____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

ON THE MATURITY DATE specified above, the **CITY OF SOUTH PADRE ISLAND, TEXAS** (the "**City**"), being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner set forth above, or registered assigns (hereinafter called the "**Registered Owner**") the Principal Amount set forth above, and to pay interest thereon from the date of initial delivery, at the Interest Rate per annum specified above, on March 1, 2013, and semiannually on each March 1 and September 1 thereafter to the Maturity Date specified above; except that if this Bond is required to be authenticated and the date of its authentication is later than the first Record Date (hereinafter defined), such Principal Amount shall bear interest from the interest payment date next preceding the date of authentication, unless such date of authentication is after any Record Date but on or before the next following interest payment date, in which case such Principal Amount shall bear interest from such next following interest payment date; provided, however, that if on the date of authentication hereof the interest on the Bond or Bonds, if any, for which this Bond is being exchanged or converted from is due but has not been paid, then this Bond shall bear interest from the date to which such interest has been paid in full.

THE PRINCIPAL OF AND INTEREST ON THIS BOND are payable in lawful money of the United States of America, without exchange or collection charges. The principal of this Bond shall be paid to the Registered Owner hereof upon presentation and surrender of this Bond at maturity at the designated corporate trust or commercial banking office (initially located in Dallas, Texas) of **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, which is the "**Paying Agent/Registrar**" for this Bond. The payment of interest on this Bond shall be made by the Paying Agent/Registrar to the Registered Owner hereof on each interest payment date by check or draft, dated as of such interest payment date, drawn by the Paying Agent/Registrar on, and payable solely from, funds of the City required by the ordinance authorizing the issuance of the Bonds (the "**Bond**")

Ordinance") to be on deposit with the Paying Agent/Registrar for such purpose as hereinafter provided; and such check or draft shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, on each such interest payment date, to the Registered Owner hereof, at its address as it appeared on the 15th day of the month next preceding each such date (the "**Record Date**") on the Registration Books kept by the Paying Agent/Registrar, as hereinafter described. In addition, interest may be paid by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "**Special Record Date**") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of a Bond appearing on the Registration Books at the close of business on the last business day next preceding the date of mailing of such notice. The City covenants with the Registered Owner of this Bond that on or before each principal payment date and interest payment date for this Bond it will make available to the Paying Agent/Registrar, from the "Interest and Sinking Fund" created by the Bond Ordinance, the amounts required to provide for the payment, in immediately available funds, of all principal of and interest on the Bonds, when due.

IF THE DATE FOR ANY PAYMENT DUE on this Bond shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Designated Trust Office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the original date payment was due.

THIS BOND IS ONE OF A SERIES OF BONDS dated as of August 1, 2012, authorized in accordance with the Constitution and laws of the State of Texas in the principal amount of \$ _____ **FOR THE PURPOSE OF PROVIDING FUNDS TO REFUND A PORTION OF THE CITY'S GENERAL OBLIGATION INDEBTEDNESS AND TO PAY FOR COSTS OF ISSUANCE.**

ON MARCH 1, 2023, OR ON ANY DATE THEREAFTER, the Bonds scheduled to mature on and after March 1, 2022 may be redeemed prior to their scheduled maturities, at the option of the Issuer, with funds derived from any available and lawful source, as a whole, or in part (provided that a portion of such Bond may be redeemed only in an integral multiple of \$5,000 in principal amount) at the redemption price equal to the principal amount being called for redemption plus unpaid accrued interest. If less than all of such Bonds are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar at random and by lot.

THE BONDS MATURING on March 1, 2025 (the "**Term Bonds**") are subject to mandatory redemption prior to maturity in part by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on the dates and in the respective principal amounts shown below:

**TERM BONDS MATURING
MARCH 1, 2025**

Mandatory Redemption Date	Redemption Amount
March 1, 2024	\$345,000
March 1, 2025 (maturity)	350,000

The principal amount of the Term Bonds required to be redeemed pursuant to the operation of such mandatory redemption requirements may be reduced, at the option of the City, by the principal amount of any such Term Bonds which, prior to the date of the mailing of notice of such mandatory redemption, (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (iii) shall have been redeemed pursuant to the optional redemption provisions described in the preceding paragraph and not theretofore credited against a mandatory redemption requirement.

AT LEAST 30 DAYS PRIOR to the date fixed for any redemption of Bonds or portions thereof prior to maturity, a written notice of such redemption shall be sent by the Paying Agent/Registrar by United States mail, first-class postage prepaid, at least 30 days prior to the date fixed for any such redemption to the Registered Owner of each Bond to be redeemed at its address as it appeared on the Registration Books maintained by the Paying Agent/Registrar on the day such notice of redemption is mailed. Any notice of redemption so mailed shall be conclusively presumed to have been duly given irrespective of whether received by the Registered Owner. The notice with respect to an optional redemption of Bonds may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is so rescinded. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such written notice of redemption is mailed (and not rescinded), and if due provision for such payment is made, all as provided above, the Bonds or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the Registered Owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment. If a portion of any Bond shall be redeemed a substitute Bond or Bonds having the same maturity date, bearing interest at the same rate, in any denomination or denominations in any integral multiple of \$5,000, at the written request of the Registered Owner, and in an aggregate principal amount equal to the unredeemed portion thereof, will be issued to the Registered Owner upon the surrender thereof for cancellation, at the expense of the City, all as provided in the Bond Ordinance.

ALL BONDS OF THIS SERIES are issuable solely as fully registered Bonds, without interest coupons, in the denomination of any integral multiple of \$5,000. As provided in the Bond Ordinance, this Bond may, at the request of the Registered Owner or the assignee or assignees hereof, be assigned, transferred, converted into and exchanged for a like aggregate amount of fully registered Bonds, without interest coupons, payable to the appropriate Registered Owner, assignee or assignees, as the case may be, having any authorized denomination or denominations as requested in writing by the appropriate Registered Owner, assignee or assignees, as the case may be, upon surrender of this Bond to the Paying Agent/Registrar for cancellation, all in accordance with the form and procedures set forth in the Bond Ordinance. Among other requirements for such assignment and transfer, this Bond must be presented and surrendered to the Paying Agent/Registrar, together with proper instruments of assignment, in form and with guarantee of signatures satisfactory to the Paying Agent/Registrar, evidencing assignment of this Bond or any portion or portions hereof in any authorized denomination to the assignee or assignees in whose name or names this Bond or any such portion or portions hereof is or are to be registered. The form of Assignment printed or endorsed on this Bond may be executed by the Registered Owner to evidence the assignment hereof, but such method is not exclusive, and other instruments of assignment satisfactory to the Paying Agent/Registrar may be used to evidence the assignment of this Bond or any portion or portions hereof from time to time by the Registered Owner. The Paying Agent/Registrar's reasonable standard or customary fees and charges for assigning, transferring, converting and exchanging any Bond or portion thereof will be paid by the City. In any circumstance, any taxes or governmental charges required to be paid with respect thereto shall be paid by the one requesting such assignment, transfer, conversion or exchange, as a condition precedent to the exercise of such privilege. The Paying Agent/Registrar shall not be required to make any such transfer or exchange of a Bond during the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Bond and ending with the opening of business on the next following principal or interest payment date.

WHENEVER THE BENEFICIAL OWNERSHIP of this Bond is determined by a book entry at a securities depository for the Bonds, the foregoing requirements of holding, delivering or transferring this Bond shall be modified to require the appropriate person or entity to meet the requirements of the securities depository as to registering or transferring the book entry to produce the same effect.

IN THE EVENT ANY PAYING AGENT/REGISTRAR for the Bonds is changed by the City, resigns, or otherwise ceases to act as such, the City has covenanted in the Bond Ordinance that it promptly will appoint a competent and legally qualified substitute therefor, and cause written notice thereof to be mailed to the registered owners of the Bonds.

IT IS HEREBY CERTIFIED, RECITED, AND COVENANTED that this Bond has been duly and validly authorized, issued, and delivered; that all acts, conditions, and things required or proper to be performed, exist, and be done precedent to or in the authorization, issuance and delivery of this Bond have been performed, existed, and been done in accordance with law; that this Bond is a general obligation of the City, issued on the full faith and credit thereof; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of this Bond, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against

all taxable property in the City, and have been pledged for such payment, within the limits provided by law.

THE CITY HAS RESERVED THE RIGHT TO AMEND the Bond Ordinance as provided therein, and under some (but not all) circumstances amendments thereto must be approved by the registered owners of a majority in aggregate principal amount of the outstanding Bonds.

BY BECOMING THE REGISTERED OWNER of this Bond, the Registered Owner thereby acknowledges all of the terms and provisions of the Bond Ordinance, agrees to be bound by such terms and provisions, acknowledges that the Bond Ordinance is duly recorded and available for inspection in the official minutes and records of the governing body of the City, and agrees that the terms and provisions of this Bond and the Bond Ordinance constitute a contract between each Registered Owner hereof and the City.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the City has caused this Bond to be signed with the manual or facsimile signature of the Mayor or Mayor Pro-Tem of the City and countersigned with the manual or facsimile signature of the City Secretary or Deputy City Secretary of the City, and has caused the official seal of the City to be duly impressed, or placed in facsimile, on this Bond.

(facsimile signature)
(Deputy) City Secretary,
City of South Padre Island, Texas

(facsimile signature)
Mayor [Pro-Tem],
City of South Padre Island, Texas

(SEAL)

**FORM OF REGISTRATION CERTIFICATE OF
THE COMPTROLLER OF PUBLIC ACCOUNTS:**

COMPTROLLER'S REGISTRATION CERTIFICATE: REGISTER NO. _____

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

Witness my signature and seal this

(COMPTROLLER'S SEAL)

Comptroller of Public Accounts
of the State of Texas

FORM OF STATEMENT RELATING TO BOND INSURANCE

STATEMENT RELATING TO BOND INSURANCE

[To come from Insurer, if any]

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FORM OF PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

PAYING AGENT/REGISTRAR'S AUTHENTICATION CERTIFICATE

(To be executed if this Bond is not accompanied by an executed Registration Certificate of the Comptroller of Public Accounts of the State of Texas)

It is hereby certified that this Bond has been issued under the provisions of the Bond Ordinance described in the text of this Bond; and that this Bond has been issued in conversion or replacement of, or in exchange for, a bond, bonds, or a portion of a bond or bonds of a Series 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.

Dated

THE BANK OF NEW YORK TRUST COMPANY, N.A.
Dallas, Texas
Paying Agent/Registrar

By _____
Authorized Representative

FORM OF ASSIGNMENT:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned Registered Owner of this Bond, or duly authorized representative or attorney thereof, hereby assigns this Bond to

(Assignee's Social Security or Taxpayer Identification) (Print or typewrite Assignee's name and address, including zip code)

and hereby irrevocably constitutes and appoints _____ attorney to register the transfer of the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

NOTICE: The signature above must correspond with the name of the Registered Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or any change whatsoever.

INITIAL BOND INSERTIONS

The Initial Bond shall be in the form set forth above except that:

- (A) Immediately under the name of the Bond, the headings "INTEREST RATE" and "MATURITY DATE" shall be completed with the words "As shown below" and "CUSIP NO. _____" shall be deleted.
- (B) The first paragraph shall be deleted and the following shall be inserted:

"ON THE RESPECTIVE MATURITY DATES specified below, the ***CITY OF SOUTH PADRE ISLAND, TEXAS*** (the "***City***"), being a political subdivision and home-rule municipality of the State of Texas, hereby promises to pay to the Registered Owner specified above, or registered assigns (hereinafter called the "***Registered Owner***"), the respective Principal Installments specified below, and to pay interest thereon (calculated on the basis of a 360-day year composed of twelve 30-day months) from the date of initial delivery, at the respective Interest Rates per annum specified below, payable on March 1, 2013, and semiannually on each March 1 and September 1 thereafter to the respective Maturity Dates specified below. The respective Maturity Dates, Principal Installments and Interest Rates for this Bond are set forth in the following schedule:

MATURITY DATE (3/1)	PRINCIPAL INSTALLMENT (\$)	INTEREST RATE (%)
_____	_____	_____
_____	_____	_____
_____	_____	_____

[Insert information from Exhibit A]

- (C) The Initial Bond shall be numbered "T-1."

SECTION 6. INTEREST AND SINKING FUND; TAX LEVY; SECURITY INTEREST.

(a) ***Interest and Sinking Fund; Tax Levy.*** A special "***Interest and Sinking Fund***" is hereby created and shall be established and maintained by the City at an official depository bank of the City. Said Interest and Sinking Fund shall be kept separate and apart from all other funds and accounts of the City, and shall be used only for paying the interest on and the principal of said Bonds. Immediately after the issuance and delivery of the Bonds, all accrued interest on the Bonds, together with any premium on the Bonds that is not used by the City to pay costs of issuance in accordance with the provisions of Section 1201.042(d), Texas Government Code, as amended, shall be deposited to the credit of the Interest and Sinking Fund. In addition, all ad valorem taxes levied and collected for and on account of said Bonds shall be deposited, as collected, to the credit of said Interest and Sinking Fund. For each fiscal year while any of the Bonds or interest thereon are

outstanding and unpaid, the governing body of the City shall compute and ascertain a rate and amount of ad valorem tax which will be sufficient to raise and produce the money required to pay the interest on the Bonds as such interest comes due, and to provide and maintain a sinking fund adequate to pay the principal of the Bonds as such principal matures (but never less than 2% of the original principal amount of the Bonds as a sinking fund each year); and said tax shall be based on the latest approved tax rolls of the City, with full allowance being made for tax delinquencies and the cost of tax collection. Said rate and amount of ad valorem tax is hereby levied, and is hereby ordered to be levied, against all taxable property in the City for each year while any of the Bonds or interest thereon are outstanding and unpaid; and said tax shall be assessed and collected each such year and deposited to the credit of the Interest and Sinking Fund created by this Ordinance. Said ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds, as such interest comes due and such principal matures, are hereby pledged for such payment, within the limit prescribed by law.

(b) *Security Interest.* Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the ad valorem taxes granted by the City under Section 6(a) of this Ordinance, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the ad valorem taxes granted by the City under Section 6(a) of this Ordinance is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the City agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Texas Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

SECTION 7. INVESTMENTS. Funds on deposit in the Interest and Sinking Fund shall be secured by the depository bank of the City in the manner and to the extent required by law to secure other public funds of the City and may be invested from time to time in any investment authorized by applicable law, including but not limited to the Public Funds Investment Act (Chapter 2256, Texas Government Code), and the City's investment policy adopted in accordance with the provisions of the Public Funds Investment Act; provided, however, that investments purchased for and held in the Interest and Sinking Fund shall have a final maturity no later than the next principal or interest payment date on which such funds will be needed. Income and profits from such investments shall be deposited in the Interest and Sinking Fund. It is further provided, however, that any interest earnings on proceeds which are required to be rebated to the United States of America pursuant to Section 11 hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

SECTION 8. DEFEASANCE OF BONDS.

(a) *Defeasance.* Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "*Defeased Bond*") within the meaning of this Ordinance, except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have

been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other instrument (the "***Future Escrow Agreement***") for such payment (1) lawful money of the United States of America sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes herein levied and pledged as provided in this Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) Investment of Funds in Defeasance Securities. Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the City be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the City, or deposited as directed in writing by the City. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsection (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the City or deposited as directed in writing by the City.

(c) Definition of Defeasance Securities. The term "***Defeasance Securities***" means (i) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds.

(d) Duties of Paying Agent/Registrar. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by this Ordinance.

(e) Selection of Bonds to be Defeased. In the event that the City elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

SECTION 9. DAMAGED, MUTILATED, LOST, STOLEN, OR DESTROYED BONDS.

(a) Replacement Bonds. In the event any outstanding Bond is damaged, mutilated, lost, stolen, or destroyed, the Paying Agent/Registrar shall cause to be printed, executed, and delivered, a new bond of the same principal amount, maturity, and interest rate, as the damaged, mutilated, lost, stolen, or destroyed Bond, in replacement for such Bond in the manner hereinafter provided.

(b) Application for Replacement Bonds. Application for replacement of damaged, mutilated, lost, stolen, or destroyed Bonds shall be made by the registered owner thereof to the Paying Agent/Registrar. In every case of loss, theft, or destruction of a Bond, the registered owner applying for a replacement bond shall furnish to the City and to the Paying Agent/Registrar such security or indemnity as may be required by them to save each of them harmless from any loss or damage with respect thereto. Also, in every case of loss, theft, or destruction of a Bond, the registered owner shall furnish to the City and to the Paying Agent/Registrar evidence to their satisfaction of the loss, theft, or destruction of such Bond. In every case of damage or mutilation of a Bond, the registered owner shall surrender to the Paying Agent/Registrar for cancellation the Bond so damaged or mutilated.

(c) No Default Occurred. Notwithstanding the foregoing provisions of this Section, in the event any such Bond shall have matured, and no default has occurred which is then continuing in the payment of the principal of or interest on the Bond, the City may authorize the payment of the same (without surrender thereof except in the case of a damaged or mutilated Bond) instead of issuing a replacement Bond, provided security or indemnity is furnished as above provided in this Section.

(d) Charge for Issuing Replacement Bonds. Prior to the issuance of any replacement bond, the Paying Agent/Registrar shall charge the registered owner of such Bond with all legal, printing, and other expenses in connection therewith. Every replacement bond issued pursuant to the provisions of this Section by virtue of the fact that any Bond is lost, stolen, or destroyed shall constitute a contractual obligation of the City whether or not the lost, stolen, or destroyed Bond shall be found at any time, or be enforceable by anyone, and shall be entitled to all the benefits of this Ordinance equally and proportionately with any and all other Bonds duly issued under this Ordinance.

(e) Authority for Issuing Replacement Bonds. In accordance with Chapter 1201, Texas Government Code, as amended, this Section of this Ordinance shall constitute authority for the issuance of any such replacement bond without necessity of further action by the governing body of the City or any other body or person, and the duty of the replacement of such bonds is hereby authorized and imposed upon the Paying Agent/Registrar, and the Paying Agent/Registrar shall authenticate and deliver such Bonds in the form and manner and with the effect, as provided in Section 4(a) of this Ordinance for Bonds issued in conversion and exchange for other Bonds.

SECTION 10. CUSTODY, APPROVAL, AND REGISTRATION OF BONDS; BOND COUNSEL'S OPINION; CUSIP NUMBERS; AND OTHER MATTERS. The Mayor or Mayor Pro-Tem of the City is hereby authorized to have control of the Bonds initially issued and delivered hereunder and all necessary records and proceedings pertaining to the Bonds pending their delivery and their investigation, examination, and approval by the Attorney General of the State of Texas, and their registration by the Comptroller of Public Accounts of the State of Texas. Upon registration of the Bonds said Comptroller of Public Accounts (or a deputy designated in writing to act for said Comptroller) shall manually sign the Comptroller's Registration Certificate attached to such Bonds, and the seal of said Comptroller shall be impressed, or placed in facsimile, on such Certificate. The approving legal opinion of the City's Bond Counsel (with an appropriate certificate pertaining thereto executed by facsimile signature of the City Secretary or Deputy City Secretary of the City) and the assigned CUSIP numbers may, at the option of the City, be printed on the Bonds issued and delivered under this Ordinance, but neither shall have any legal effect, and shall be solely for the convenience and information of the registered owners of the Bonds. In addition, if bond insurance is obtained, the Bonds may bear an appropriate legend as provided by the insurer.

SECTION 11. COVENANTS REGARDING TAX EXEMPTION OF INTEREST ON THE BONDS.

(a) *Covenants.* The City covenants to take any action necessary to assure, or refrain from any action which would adversely affect, the treatment of the Bonds as obligations described in section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"), the interest on which is not includable in the "gross income" of the holder for purposes of federal income taxation. In furtherance thereof, the City covenants as follows:

(1) to take any action to assure that no more than 10 percent of the proceeds of the Bonds or the Refunded Obligations or the projects financed or refinanced therewith (less amounts deposited to a reserve fund, if any) are used for any "private business use," as defined in section 141(b)(6) of the Code or, if more than 10 percent of the proceeds of the Bonds or the Refunded Obligations or the projects financed or refinanced therewith are so used, such amounts, whether or not received by the City, with respect to such private business use, do not, under the terms of this Ordinance or any underlying arrangement, directly or indirectly, secure or provide for the payment of more than 10 percent of the debt service on the Bonds, in contravention of section 141(b)(2) of the Code;

(2) to take any action to assure that in the event that the "private business use" described in subsection (1) hereof exceeds 5 percent of the proceeds of the Bonds or the Refunded Obligations or the projects financed or refinanced therewith (less amounts deposited into a reserve fund, if any) then the amount in excess of 5 percent is used for a "private business use" which is "related" and not "disproportionate," within the meaning of section 141(b)(3) of the Code, to the governmental use;

(3) to take any action to assure that no amount which is greater than the lesser of \$5,000,000, or 5 percent of the proceeds of the Bonds (less amounts deposited into a reserve

fund, if any) is directly or indirectly used to finance loans to persons, other than state or local governmental units, in contravention of section 141(c) of the Code;

(4) to refrain from taking any action which would otherwise result in the Bonds being treated as "private activity bonds" within the meaning of section 141(b) of the Code;

(5) to refrain from taking any action that would result in the Bonds being "federally guaranteed" within the meaning of section 149(b) of the Code;

(6) to refrain from using any portion of the proceeds of the Bonds, directly or indirectly, to acquire or to replace funds which were used, directly or indirectly, to acquire investment property (as defined in section 148(b)(2) of the Code) which produces a materially higher yield over the term of the Bonds, other than investment property acquired with --

(A) proceeds of the Bonds invested for a reasonable temporary period of three years or less or, in the case of a refunding bond, for a period of thirty days or less until such proceeds are needed for the purpose for which the Bonds are issued,

(B) amounts invested in a bona fide debt service fund, within the meaning of section 1.148-1(b) of the Treasury Regulations, and

(C) amounts deposited in any reasonably required reserve or replacement fund to the extent such amounts do not exceed 10 percent of the proceeds of the Bonds;

(7) to otherwise restrict the use of the proceeds of the Bonds or amounts treated as proceeds of the Bonds, as may be necessary, so that the Bonds do not otherwise contravene the requirements of section 148 of the Code (relating to arbitrage) and, to the extent applicable, section 149(d) of the Code (relating to advance refundings); and

(8) to pay to the United States of America at least once during each five-year period (beginning on the date of delivery of the Bonds) an amount that is at least equal to 90 percent of the "Excess Earnings," within the meaning of section 148(f) of the Code and to pay to the United States of America, not later than 60 days after the Bonds have been paid in full, 100 percent of the amount then required to be paid as a result of Excess Earnings under section 148(f) of the Code.

(b) *Rebate Fund*. In order to facilitate compliance with the above covenant (8), a "**Rebate Fund**" is hereby established by the City for the sole benefit of the United States of America, and such fund shall not be subject to the claim of any other person, including without limitation the bondholders. The Rebate Fund is established for the additional purpose of compliance with section 148 of the Code.

(c) *Proceeds*. The City understands that the term "proceeds" includes "disposition proceeds" as defined in the Treasury Regulations and, in the case of refunding bonds, transferred proceeds (if any) and proceeds of the refunded bonds expended prior to the date of issuance of the Bonds. It is the understanding of the City that the covenants contained herein are intended to assure compliance with the Code and any regulations or rulings promulgated by the U.S. Department of the Treasury pursuant thereto. In the event that regulations or rulings are hereafter promulgated which modify or expand provisions of the Code, as applicable to the Bonds, the City will not be required to comply with any covenant contained herein to the extent that such failure to comply, in the opinion of nationally recognized bond counsel, will not adversely affect the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In the event that regulations or rulings are hereafter promulgated which impose additional requirements which are applicable to the Bonds, the City agrees to comply with the additional requirements to the extent necessary, in the opinion of nationally recognized bond counsel, to preserve the exemption from federal income taxation of interest on the Bonds under section 103 of the Code. In furtherance of such intention, the City hereby authorizes and directs the Mayor, the City Manager or the Chief Financial Officer of the City to execute any documents, certificates or reports required by the Code and to make such elections, on behalf of the City, which may be permitted by the Code as are consistent with the purpose for the issuance of the Bonds.

(d) *Allocation of, and Limitation on, Expenditures for the Project*. The City covenants to account for the expenditure of sale proceeds and investment earnings to be used for the purposes described in Section 1 of this Ordinance on its books and records in accordance with the requirements of the Internal Revenue Code. The City recognizes that in order for the proceeds to be considered used for the reimbursement of costs, the proceeds must be allocated to expenditures within 18 months of the later of the date that (1) the expenditure is made, or (2) the project is completed; but in no event later than three years after the date on which the original expenditure is paid. The foregoing notwithstanding, the Issuer recognizes that in order for proceeds to be expended under the Internal Revenue Code, the sale proceeds or investment earnings must be expended no more than 60 days after the earlier of (1) the fifth anniversary of the delivery of the Bonds, or (2) the date the Bonds are retired. The City agrees to obtain the advice of nationally-recognized bond counsel if such expenditure fails to comply with the foregoing to assure that such expenditure will not adversely affect the tax-exempt status of the Bonds. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(e) *Disposition of Projects*. The City covenants that the property constituting the projects financed or refinanced with the proceeds of the Bonds will not be sold or otherwise disposed in a transaction resulting in the receipt by the City of cash or other compensation, unless the City obtains an opinion of nationally-recognized bond counsel that such sale or other disposition will not adversely affect the tax-exempt status of the Bonds. For purposes of the foregoing, the portion of the property comprising personal property and disposed in the ordinary course shall not be treated as a transaction resulting in the receipt of cash or other compensation. For purposes hereof, the City shall not be obligated to comply with this covenant if it obtains an opinion that such failure to comply will not adversely affect the excludability for federal income tax purposes from gross income of the interest.

(f) Written Procedures. Unless superseded by another action of the City, to ensure compliance with the covenants contained herein regarding private business use, remedial actions, arbitrage and rebate, the City Council hereby adopts and establishes the instructions attached hereto as *Exhibit D* as the City's written procedures.

(g) Designation as Qualified Tax-Exempt Obligations. The City hereby designates the Bonds as "qualified tax-exempt obligations" as defined in section 265(b)(3) of the Code. In furtherance of such designation, the City represents, covenants and warrants the following: (i) that during the calendar year in which the Bonds are issued, the City (including any subordinate entities) has not designated nor will designate obligations, which when aggregated with the Bonds, will result in more than \$10,000,000 of "qualified tax-exempt obligations" being issued; (ii) that the City reasonably anticipates that the amount of tax-exempt obligations issued, during the calendar year in which the Bonds are issued, by the City (or any subordinate entities) will not exceed \$10,000,000; and (iii) that the City will take such action or refrain from such action as necessary, and as more particularly set forth in this Section, in order that the Bonds will not be considered "private activity bonds" within the meaning of section 141 of the Code.

SECTION 12. COMPLIANCE WITH RULE 15c2-12.

(a) Definitions. As used in this Section, the following terms have the meanings ascribed to such terms below:

"**EMMA**" means the Electronic Municipal Market Access system being established by the MSRB.

"**MSRB**" means the Municipal Securities Rulemaking Board.

"**Rule**" means SEC Rule 15c2-12, as amended from time to time.

"**SEC**" means the United States Securities and Exchange Commission.

(b) Annual Reports. The City shall provide annually to the MSRB through EMMA within six months after the end of each fiscal year ending in or after 2012, financial information and operating data with respect to the City of the general type included in the final Official Statement authorized by this Ordinance being the information described in *Exhibit E* hereto. Any financial statements so to be provided shall be (1) prepared in accordance with the accounting principles described in *Exhibit E* hereto, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within such period, then the City shall provide (1) unaudited financial statements for such fiscal year within such six month period, and (2) audited financial statements for the applicable fiscal year to the MSRB through EMMA when and if the audit report on such statements become available.

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

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

(c) Event Notices.

(i) The City shall notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws:

1. Non-payment related defaults;
2. Modifications to rights of holders;
3. Redemption calls;
4. Release, substitution, or sale of property securing repayment of the Bonds;
5. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
6. Appointment of a successor or additional trustee or the change of name of a trustee.

(ii) The City shall notify the MSRB through EMMA in an electronic format as prescribed by the MSRB, in a timely manner (but not in excess of ten business days after the occurrence of the event) of any of the following events with respect to the Bonds, without regard to whether such event is considered material within the meaning of the federal securities laws:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;

4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds;
6. Tender offers;
7. Defeasances;
8. Rating changes; and
9. Bankruptcy, insolvency, receivership or similar event of an obligated person.

(iii) The City shall notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with subsection (b) of this Section by the time required by such subsection.

(d) Limitations, Disclaimers, and Amendments. The City shall be obligated to observe and perform the covenants specified in this Section for so long as, but only for so long as, the City remains an "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give notice of any deposit made in accordance with Section 11 of this Ordinance that causes Bonds no longer to be outstanding.

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

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

No default by the City in observing or performing its obligations under this Section shall comprise a breach of or default under this Ordinance for purposes of any other provision of this Ordinance.

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

The provisions of this Section may be amended by the City from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions of this Section, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Ordinance that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City so amends the provisions of this Section, it shall include with any amended financial information or operating data next provided in accordance with paragraph (b) of this Section an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

SECTION 13. SALE OF BONDS. The Bonds are hereby authorized to be sold and shall be delivered to the underwriter or underwriters selected by the Designated Officer that executes *Exhibit A* attached to this Ordinance at a price determined by such Designated Officer as set forth in *Exhibit A* attached hereto, and pursuant to the terms and provisions of a Purchase Contract in the form approved by such Designated Officer, which such Designated Officer is hereby authorized and directed to execute and deliver. The City will initially deliver to the underwriter or underwriters the Initial Bond described in Section 2 hereof.

SECTION 14. APPROVAL OF OFFICIAL STATEMENT. The City hereby authorizes the Mayor, the City Manager or the Chief Financial Officer of the City to approve the form and content of an Official Statement relating to the Bonds and any addenda, supplement, or amendment thereto, and to approve the distribution of the Official Statement in the reoffering of the Bonds by the Underwriters in final form, with such changes therein or additions thereto as the officer executing the same may deem advisable, such determination to be conclusively evidenced by his execution thereof. The preparation, distribution and use of a Preliminary Official Statement for the Bonds is also hereby approved.

SECTION 15. APPROVAL OF ESCROW AGREEMENT; REFUNDING OF REFUNDED OBLIGATIONS. Concurrently with the initial delivery of the Bonds the City shall deposit an amount from the proceeds from the sale of the Bonds and other available funds of the City, if required, with **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.** (the "**Escrow Agent**"), sufficient to provide for the refunding of the Refunded Obligations, all in accordance with Chapter 1207. Attached hereto as *Exhibit F* is an Escrow Agreement between the City and the Escrow Agent, which is hereby approved in substantially final form, and the Mayor or Mayor Pro-Tem and City Secretary or Deputy City Secretary of the City are hereby authorized, for and on behalf of the City, to approve any changes in the Escrow Agreement from the form attached hereto and to execute the Escrow Agreement in final form.

SECTION 16. REDEMPTION OF REFUNDED OBLIGATIONS. There is attached to this Ordinance as *Exhibit G*, and made a part hereof for all purposes, a *NOTICE OF REDEMPTION* for the Refunded Obligations. (Each Designated Officer and the City Secretary or Deputy City Secretary are authorized to substitute a revised *Exhibit G* to reflect the actual maturities and principal amount of such maturities of the Refunded Obligations that are selected by a Designated Officer to be refunded.) The City hereby exercises its option to redeem prior to maturity the Refunded Obligations described in the *NOTICE OF REDEMPTION*, and the Refunded Obligations are hereby called for redemption, and shall be redeemed, prior to maturity, on the date, at the place, and at the price set forth respectively therein.

As soon as practicable after the delivery of the Bonds, and in no event less than 30 days prior to the date set for redemption, a copy of the *NOTICE OF REDEMPTION* shall be sent to all registered owners of the Refunded Obligations by first class mail postage prepaid, addressed to such registered owners at their respective addresses shown on the registration books of the paying agent/registrar for such Refunded Obligations. In addition, as soon as practicable after the issuance and delivery of the Bonds, a copy of the *NOTICE OF REDEMPTION* shall be filed with the MSRB through EMMA in order to comply with the City's requirements under the Rule to provide notice of the occurrence of certain material events.

SECTION 17. MUNICIPAL BOND INSURANCE POLICY. On the date of delivery of the Bonds, the City may obtain from the insurer approved by a Designated Officer and identified in *Exhibit A* attached hereto (the "**Insurer**") a municipal bond insurance policy in support of the Bonds. To that end, for so long as said policy is in effect, the ordinance requirements of the Insurer, as a condition to the issuance of said policy, to be attached hereto as *Exhibit H*, are incorporated by reference into this Ordinance and made a part hereof for all purposes, notwithstanding any other provision of this Ordinance to the contrary. The City is authorized to use proceeds of the Bonds to purchase such policy.

SECTION 18. AUTHORITY FOR OFFICERS TO EXECUTE DOCUMENTS AND APPROVE CHANGES. The Mayor, Mayor Pro-Tem, City Manager, City Secretary, Deputy City Secretary, and Chief Financial Officer of the City shall be and they are hereby expressly authorized, empowered, and directed from time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the City all such instruments, whether or not herein mentioned, as may be necessary or

desirable in order to carry out the terms and provisions of this Ordinance, the Bonds, the sale of the Bonds, the Official Statement, and the Paying Agent/Registrar Agreement. In addition, prior to the initial delivery of the Bonds, the Mayor, Mayor Pro-Tem, City Manager, City Secretary, Deputy City Secretary, Chief Financial Officer of the City, and the City Attorney and Bond Counsel are hereby authorized and directed to approve any technical changes or correction to this Ordinance or to any of the instruments authorized and approved by this Ordinance necessary in order to (i) correct any ambiguity or mistake or properly or more completely document the transactions contemplated and approved by this Ordinance and as described in the Official Statement, (ii) obtain a rating from any of the national bond rating agencies or satisfy any requirements of the provider of a municipal bond insurance policy, if any, or (iii) obtain the approval of the Bonds by the Attorney General's office. In case any officer whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature shall nevertheless be valid and sufficient for all purposes the same as if such officer had remained in office until such delivery. The Chief Financial Officer of the City is further authorized to pay to the Attorney General of Texas prior to the delivery of the Bonds, for the Attorney General's review of the transcript of proceedings related to the Bonds, the amount required pursuant to Section 1202.004, Texas Government Code, as amended.

SECTION 19. ORDINANCE A CONTRACT; AMENDMENTS. This Ordinance shall constitute a contract with the registered owners of the Bonds, binding on the City and its successors and assigns, and shall not be amended or repealed by the City as long as any Bond remains outstanding except as permitted in this Section. The City may, with prior written notice to the Insurer, if any, but without the consent of or notice to any registered owners, amend, change, or modify this Ordinance as may be required (i) by the provisions hereof, (ii) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission herein, or (iii) in connection with any other change which is not to the prejudice of the registered owners. The City may, with the written consent of the Insurer, if any, and the registered owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, change, modify, or rescind any provisions of this Ordinance; provided that without the consent of the Insurer, if any, and all of the registered owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, (ii) give any preference to any Bond over any other Bond, (ii) extend any waiver of default to subsequent defaults, or (iv) reduce the aggregate principal amount of Bonds required for consent to any such amendment, change, modification, or rescission. Whenever the City shall desire to make any amendment or addition to or rescission of this Ordinance requiring consent of the registered owners, the City shall cause notice of the amendment, addition, or rescission to be sent by first class mail, postage prepaid, to the registered owners at the respective addresses shown on the Registration Books and to the Insurer, if any. Whenever at any time within one year after the date of the giving of such notice, the City shall receive an instrument or instruments in writing executed by the Insurer, if any, and the registered owners of a majority in aggregate principal amount of the Bonds then outstanding affected by any such amendment, addition, or rescission requiring the consent of the Insurer, if any, and the registered owners, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the City may adopt such amendment, addition, or rescission in substantially such form, except as herein provided. No

Registered Owner may thereafter object to the adoption of such amendment, addition, or rescission, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

SECTION 20. INTERESTED PARTIES. Nothing in this Ordinance expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Ordinance or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Ordinance contained by and on behalf of the City shall be for the sole and exclusive benefit of the City and the registered owners of the Bonds.

SECTION 21. REMEDIES IN EVENT OF DEFAULT. In addition to all the rights and remedies provided by the laws of the State of Texas, it is specifically covenanted and agreed particularly that in the event the City (i) defaults in the payment of the principal, premium, if any, or interest on the Bonds, (ii) defaults in the deposits and credits required to be made to the Interest and Sinking Fund, or (iii) defaults in the observance or performance of any other of the covenants, conditions or obligations set forth in this Ordinance and the continuation thereof for 30 days after the City has received written notice of such defaults, the holders of any of the Bonds shall be entitled to seek a writ of mandamus issued by a court of proper jurisdiction compelling and requiring the governing body of the City and other officers of the City to observe and perform any covenant, condition or obligation prescribed in this Ordinance. Notwithstanding the foregoing, the Insurer, if any, shall have the right to direct all remedies upon an event of default, and the Insurer, if any, shall be recognized as the registered owner of the Bonds for the purposes of exercising all rights and privileges available to the holders.

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

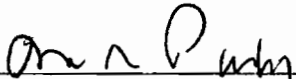
SECTION 22. INCORPORATION OF RECITALS. The City hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the City hereby incorporates such recitals as a part of this Ordinance.

SECTION 23. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstance shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 24. EFFECTIVE DATE. Pursuant to the provisions of Section 1201.028, Texas Government Code, this Ordinance shall become effective immediately after its adoption by the City Council.

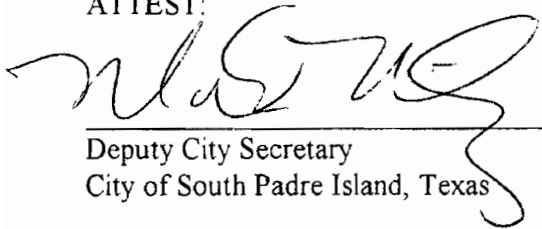
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PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF SOUTH PADRE ISLAND, TEXAS AT A REGULAR MEETING HELD ON THE 20TH DAY OF JUNE, 2012, AT WHICH MEETING A QUORUM WAS PRESENT.



Mayor, City of South Padre Island, Texas

ATTEST:



Deputy City Secretary
City of South Padre Island, Texas

(City Seal)



** ** * * *

EXHIBIT A

FORM OF APPROVAL CERTIFICATE

CERTIFICATE APPROVING THE FINAL TERMS OF THE BONDS

I, the City Manager of the **CITY OF SOUTH PADRE ISLAND, TEXAS** (the "**City**"), pursuant to authority granted by the provisions of Section 1207.007, Texas Government Code, and by the City Council of the City in Section 1(b) of an ordinance approved by the City Council on June 20, 2012, relating to the issuance of the Bonds defined below (the "**Ordinance**"), hereby certify as follows:

1. **GENERAL.** This Certificate is given in connection with the issuance by the City of the **CITY OF SOUTH PADRE ISLAND, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012** (the "**Bonds**") which, pursuant to the Ordinance, have been authorized by the City Council.

2. **DEFINITIONS.** All capitalized terms used in this Certificate which are not otherwise defined herein shall have the same meanings as set forth in the Ordinance.

3. **DATED DATE AND AGGREGATE PRINCIPAL AMOUNT.** The Bonds shall be dated August 1, 2012, and shall be issued in the aggregate principal amount of **\$3,165,000**.

4. **PRINCIPAL AMOUNTS AND INTEREST RATES.** The Bonds shall (i) mature on **March 1** in each of the years and in the respective principal amounts, and (ii) bear interest from the date of initial delivery, to their respective date of maturity at the respective interest rates, all as set forth below:

**CITY OF SOUTH PADRE ISLAND, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012**

<u>MATURITY DATE (3/01)</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>	<u>MATURITY DATE (3/01)</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>
2014	25,000	2.000	2020	310,000	3.000
2015	25,000	2.000	2021	315,000	3.000
2016	270,000	3.000	2022	325,000	3.000
2017	280,000	3.000	2023	335,000	3.000
2018	285,000	3.000	***	***	***
2019	300,000	3.000	2025	695,000	2.000

The net effective interest rate for all of the Bonds is 1.877000%.

5. **INTEREST ON BONDS.** As provided in Section 4 of the Ordinance and in the FORM OF BONDS contained in Section 5 of the Ordinance, interest on the Bonds shall be payable on each March 1 and September 1, commencing on March 1, 2013, until stated maturity or redemption.

6. **OPTIONAL REDEMPTION.** The Bonds maturing on and after March 1, 2023, may be redeemed prior to their scheduled maturities, at the option of the City on March 1, 2022, or on any date thereafter at the redemption price equal to par plus accrued interest to the date fixed for redemption.

7. **MANDATORY SINKING FUND REDEMPTION.** The Bonds maturing on March 1, 2025 (the "*Term Bonds*") are subject to mandatory redemption prior to maturity in part by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on the dates and in the respective principal amounts shown below:

TERM BONDS MATURING MARCH 1, 2025	
<u>Mandatory Redemption Date</u>	<u>Redemption Amount</u>
March 1, 2024	\$345,000
March 1, 2025 (maturity)	350,000

8. **INITIAL PURCHASER AND PURCHASE PRICE.** The Bonds shall be sold to **RAYMOND JAMES / MORGAN KEEGAN** as the initial purchaser thereof pursuant to a negotiated underwriting and shall be purchased at a price equal to **\$3,370,234.29** (which amount is equal to par, plus a net original issue premium on the Bonds of **\$226,922.55**, less Underwriters' discount of **\$21,688.26**), and no accrued interest. The Initial Bond shall be registered in the name of **MORGAN KEEGAN & COMPANY, INC.**

9. **DETERMINATION OF DEBT SERVICE SAVINGS.** Pursuant to the Ordinance, the City Council authorized the issuance of the Bonds in order to "*achieve a gross debt service savings and a net present value debt service savings for the benefit of the taxpayers of the City; provided, however, in no event shall Bonds be issued unless the City is able to achieve a net present value debt service savings of at least 3.00% of the principal of the Refunded Obligations.*" The final terms of the Bonds as set forth in this Certificate have achieved such purpose, for the issuance of the Bonds will result in a gross debt service savings of **\$223,738.02** and a net present value debt service savings of **\$201,900.93** (6.763850% of the principal amount of the Refunded Obligations), after taking into account a contribution from the City in the amount of **\$63,067.93**.

10. DETERMINATION REQUIRED BY SECTION 1201.022(A)(3), TEXAS GOVERNMENT CODE. In satisfaction of Section 1201.022(a)(3), Texas Government Code, as authorized by Section 1(d) of the Ordinance, and upon consultation with the City's Financial Advisor, the undersigned hereby determines that the final terms of the Bonds as set forth in this Certificate are in the City's best interests.


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***APPROVED BY THE CITY MANAGER OF THE CITY OF SOUTH PADRE ISLAND,
TEXAS ON THE 1ST DAY OF AUGUST, 2012 IN ACCORDANCE WITH SECTION 1(b) OF
THE ORDINANCE.***

CITY MANAGER
CITY OF SOUTH PADRE ISLAND, TEXAS

SIGNATURE PAGE TO CERTIFICATE APPROVING FINAL TERMS OF THE
CITY OF SOUTH PADRE ISLAND, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

**APPROVED BY THE CITY MANAGER OF THE CITY OF SOUTH PADRE ISLAND,
TEXAS ON THE 1ST DAY OF AUGUST, 2012 IN ACCORDANCE WITH SECTION 1(b) OF
THE ORDINANCE.**



CITY MANAGER
CITY OF SOUTH PADRE ISLAND, TEXAS

SIGNATURE PAGE TO CERTIFICATE APPROVING FINAL TERMS OF THE
CITY OF SOUTH PADRE ISLAND, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

EXHIBIT B

FORM OF CERTIFICATE APPROVING
SERIES 2005 BONDS SELECTED FOR REFUNDING

CERTIFICATE APPROVING
SERIES 2005 BONDS SELECTED FOR REFUNDING

I, the City Manager of the **CITY OF SOUTH PADRE ISLAND, TEXAS** (the "**City**"), pursuant to authority granted by the provisions of Section 1207.007(a)(4), Texas Government Code, and by the City Council of the City in Section 1(c) of an ordinance approved by the City Council of the City on June 20, 2012, relating to the issuance of the Bonds defined below (the "**Ordinance**"), hereby certify as follows:

1. This Certificate is given in connection with the issuance by the City of the **CITY OF SOUTH PADRE ISLAND, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012** (the "**Bonds**") which, pursuant to the Ordinance, have been authorized by the City Council.

2. All capitalized terms used in this Certificate which are not otherwise defined herein shall have the same meanings as set forth in the Ordinance.

3. Pursuant to Section 1(c) of the Ordinance, the City Council authorized the undersigned, as the City Manager of the City, to select all or a portion of the outstanding Series 2005 Bonds maturing in the years 2016 - 2025 to be refunded with proceeds of the Bonds. In accordance with such authority, and after consulting with the City's financial advisors, I hereby determine and approve the following Series 2005 Bonds to be refunded with proceeds of the Bonds, which are described as follows:

SERIES 2005 BONDS TO BE REFUNDED

<u>MATURITY</u> <u>(MARCH 1)</u>	<u>PRINCIPAL AMOUNT</u> <u>MATURING IN YEAR (\$)</u>	<u>PRINCIPAL AMOUNT</u> <u>TO BE REFUNDED (\$)</u>	<u>STATED</u> <u>INTEREST RATE</u> <u>(%)</u>	<u>CUSIP No.</u> <u>(839152)</u>
2016	245,000	245,000	4.000	CN3
2017	255,000	255,000	4.000	CP8
2018	265,000	265,000	4.000	CQ6
2019	280,000	280,000	4.100	CR4
2020	290,000	290,000	4.125	CS2
2021	300,000	300,000	4.200	CT0
2022	315,000	315,000	4.500	CU7
2023	330,000	330,000	4.500	CV5
2024	345,000	345,000	4.625	CW3
2025	360,000	360,000	4.625	CX1
Totals	<u>2,985,000</u>	<u>2,985,000</u>	***	***

***APPROVED BY THE CITY MANAGER OF THE CITY OF SOUTH PADRE ISLAND,
TEXAS ON THE 1ST DAY OF AUGUST, 2012, IN ACCORDANCE WITH SECTION 1(c) OF
THE ORDINANCE.***

CITY MANAGER
CITY OF SOUTH PADRE ISLAND, TEXAS

SIGNATURE PAGE TO
CERTIFICATE APPROVING SERIES 2005 BONDS SELECTED FOR REFUNDING

**APPROVED BY THE CITY MANAGER OF THE CITY OF SOUTH PADRE ISLAND,
TEXAS ON THE 1ST DAY OF AUGUST, 2012, IN ACCORDANCE WITH SECTION 1(c) OF
THE ORDINANCE.**


CITY MANAGER
CITY OF SOUTH PADRE ISLAND, TEXAS

SIGNATURE PAGE TO
CERTIFICATE APPROVING SERIES 2005 BONDS SELECTED FOR REFUNDING

EXHIBIT C

FORM OF PAYING AGENT REGISTRAR AGREEMENT

THE PAYING AGENT/REGISTRAR AGREEMENT IS OMITTED AT THIS POINT AS IT APPEARS ELSEWHERE IN THIS TRANSCRIPT OF PROCEEDINGS

EXHIBIT D

WRITTEN PROCEDURES RELATING TO CONTINUING COMPLIANCE WITH FEDERAL TAX COVENANTS

These procedures, together with any federal tax certifications, provisions included in the authorizing document (the "**Ordinance**") with respect to the issuance and sale of Obligations (as defined below), letters of instructions and/or memoranda from bond counsel and any attachments thereto (the "**Closing Documents**"), are intended to assist the City in complying with federal guidelines related to the issuance of any tax-exempt debt such as the Parity Obligations (the "**Obligations**").

A. Arbitrage Compliance. Federal income tax laws generally restrict the ability to earn arbitrage in connection with the Obligations. The Responsible Person (as defined below) will review the Closing Documents periodically (at least once a year) to ascertain if an exception to arbitrage compliance applies.

Procedures applicable to Obligations issued for construction and acquisition purposes. With respect to the investment and expenditure of the proceeds of the Obligations that are issued to finance public improvements or to acquire land or personal property, the City's chief financial officer (such officer, together with other employees of the City who report to such officer, is collectively, the "Responsible Person") will:

1. Instruct the appropriate person who is primarily responsible for the construction, renovation or acquisition of the facilities financed with the Obligations (the "**Project**") that (i) binding contracts for the expenditure of at least 5% of the proceeds of the Obligations are entered into within 6 months of the date of closing of the Obligations (the "**Issue Date**") and that (ii) the Project must proceed with due diligence;
2. Monitor that at least 85% of the proceeds of the Obligations to be used for the construction, renovation or acquisition of the Project are expended within 3 years of the Issue Date;
3. Monitor the yield on the investments purchased with proceeds of the Obligations and restrict the yield of such investments to the yield on the Obligations after 3 years of the Issue Date;
4. Monitor all amounts deposited into a sinking fund or funds pledged (directly or indirectly) to the payment of the Obligations, such as the Interest and Sinking Fund, to assure that the maximum amount invested within such applicable fund at a yield higher than the yield on the Obligations does not exceed an amount equal to the debt service on the Obligations in the succeeding 12 month period plus a carryover amount equal to one-twelfth of the principal and interest payable on the Obligations for the immediately preceding 12-month period; and

5. Ensure that no more than 50% of the proceeds of the Obligations are invested in an investment with a guaranteed yield for 4 years or more.

Procedures applicable to Obligations with a debt service reserve fund. In addition to the foregoing, if the City issues Obligations that are secured by a debt service reserve fund, the Responsible Person will assure that the maximum amount of any reserve fund for the Obligations invested at a yield higher than the yield on the Obligations will not exceed the lesser of (1) 10% of the principal amount of the Obligations, (2) 125% of the average annual debt service on the Obligations measured as of the Issue Date, or (3) 100% of the maximum annual debt service on the Obligations as of the Issue Date.

Procedures applicable to Escrow Accounts for Refunding Issues. In addition to the foregoing, if the City issues Obligations and proceeds are deposited to an escrow fund to be administered pursuant to the terms of an escrow agreement, the Responsible Person will:

1. Monitor the actions of the escrow agent to ensure compliance with the applicable provisions of the escrow agreement, including with respect to reinvestment of cash balances;
2. Contact the escrow agent on the date of redemption of obligations being refunded to ensure that they were redeemed; and
3. Monitor any unspent proceeds of the refunded obligations to ensure that the yield on any investments applicable to such proceeds are invested at the yield on the applicable obligations or otherwise applied (see Closing Documents).

Procedures applicable to all Tax-exempt Obligation Issues. For all issuances of Obligations, the Responsible Person will:

1. Maintain any official action of the City (such as a reimbursement resolution) stating the City's intent to reimburse with the proceeds of the Obligations any amount expended prior to the Issue Date for the acquisition, renovation or construction of the facilities;
2. Ensure that the applicable information return (e.g., IRS Form 8038-G, 8038-GC, or any successor forms) is timely filed with the IRS; and
3. Assure that, unless excepted from rebate and yield restriction under section 148(f) of the Code, excess investment earnings are computed and paid to the U.S. government at such time and in such manner as directed by the IRS (i) at least every five (5) years after the Issue Date, and (ii) within 30 days after the date the Obligations are retired.

B. Private Business Use. Generally, to be tax-exempt, only an insignificant amount of the proceeds of each issue of Obligations can benefit (directly or indirectly) private businesses. The Responsible Persons will review the Closing Documents periodically (at least once a year) for the purpose of determining that the use of the facilities financed or refinanced with the proceeds of the Obligations (the "**Project**") do not violate provisions of federal tax law that pertain to private business use. In addition, the Responsible Persons will:

1. Develop procedures or a "tracking system" to identify all property financed with tax-exempt debt;
2. Monitor and record the date on which the Project is substantially complete and available to be used for the purpose intended;
3. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has any contractual right (such as a lease, purchase, management or other service agreement) with respect to any portion of the facilities;
4. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the output of the facilities (e.g., water, gas, electricity);
5. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the City, the employees of the City, the agents of the City or members of the general public has a right to use the facilities to conduct or to direct the conduct of research;
6. Monitor and record whether, at any time the Obligations are outstanding, any person, other than the City, has a naming right for the facilities or any other contractual right granting an intangible benefit;
7. Monitor and record whether, at any time the Obligations are outstanding, the facilities are sold or otherwise disposed of; and
8. Take such action as is necessary to remediate any failure to maintain compliance with the covenants contained in the Ordinance related to the public use of the Project.

C. Record Retention. The Responsible Person will maintain or cause to be maintained all records relating to the investment and expenditure of the proceeds of the Obligations and the use of the facilities financed or refinanced thereby for a period ending three (3) years after the complete extinguishment of the Obligations. If any portion of the Obligations is refunded with the proceeds of another series of tax-exempt Obligations, such records shall be maintained until the three (3)

years after the refunding Obligations are completely extinguished. Such records can be maintained in paper or electronic format.

D. Responsible Persons. Each Responsible Person shall receive appropriate training regarding the City's accounting system, contract intake system, facilities management and other systems necessary to track the investment and expenditure of the proceeds and the use of the Project financed or refinanced with the proceeds of the Obligations. The foregoing notwithstanding, each Responsible Person shall report to the Board whenever experienced advisors and agents may be necessary to carry out the purposes of these instructions for the purpose of seeking Board approval to engage or utilize existing advisors and agents for such purposes.

EXHIBIT E

DESCRIPTION OF ANNUAL FINANCIAL INFORMATION

The following information is referred to in Section 12 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 annual audited financial statements of the City or the unaudited financial statements of the City in the event audited financial statements are not completed within six months after the end of any fiscal year.

2. All quantitative financial information and operating data with respect to the Issuer of the general type included in the Official Statement under Tables [1 through 6 and 8 through 12].

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.

EXHIBIT F

FORM OF ESCROW AGREEMENT

THE ESCROW AGREEMENT IS OMITTED AT THIS POINT AS IT APPEARS ELSEWHERE IN THIS TRANSCRIPT OF PROCEEDINGS

EXHIBIT G

FORM OF NOTICE OF REDEMPTION

NOTICE OF REDEMPTION

To the Holders of the
**TOWN OF SOUTH PADRE ISLAND, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2005
(Maturing on March 1 in the years 2016 - 2025)**

NOTICE IS HEREBY GIVEN that the City of South Padre Island, Texas (the "*City*"), in Cameron County, Texas, has called for redemption at par on **March 1, 2015** (the "*Redemption Date*") the following maturities of the City's outstanding **TOWN OF SOUTH PADRE ISLAND, TEXAS GENERAL OBLIGATION BONDS, SERIES 2005**, dated April 15, 2005 (the "*Refunded Obligations*"), *at the Redemption Price equal to 100% of par plus accrued interest to the Redemption Date.*

**TOWN OF SOUTH PADRE ISLAND, TEXAS
GENERAL OBLIGATION BONDS, SERIES 2005**

<u>MATURITY (MARCH 1)</u>	<u>PRINCIPAL AMOUNT MATURING IN YEAR (\$)</u>	<u>PRINCIPAL AMOUNT BEING REFUNDED (\$)</u>	<u>STATED INTEREST RATE (%)</u>	<u>CUSIP No. (839152)</u>
2016	245,000	245,000	4.000	CN3
2017	255,000	255,000	4.000	CP8
2018	265,000	265,000	4.000	CQ6
2019	280,000	280,000	4.100	CR4
2020	290,000	290,000	4.125	CS2
2021	300,000	300,000	4.200	CT0
2022	315,000	315,000	4.500	CU7
2023	330,000	330,000	4.500	CV5
2024	345,000	345,000	4.625	CW3
2025	360,000	360,000	4.625	CX1

The Refunded Obligations shall be redeemed and shall become due and payable on the Redemption Date, and the interest thereon shall cease to accrue from and after the Redemption Date.

NOTICE IS FURTHER GIVEN THAT the Refunded Obligations will be payable at and should be submitted either in person or by certified mail to the following address:

First Class/Registered/Certified

Mail:

The Bank of New York Mellon
Trust Company, N.A.
Institutional Trust Services
P.O. Box 2320
Dallas, Texas 75221-2320

By Overnight or Courier:

The Bank of New York Mellon
Trust Company, N.A.
Institutional Trust Services
2001 Bryan Street, 9th Floor
Dallas, Texas 75201

By Hand:

The Bank of New York Mellon
Trust Company, N.A.
GIS Unit Trust Window
4 New York Plaza, 1st Floor
New York, New York 10004

To avoid a backup withholding tax required by Section 3406 of the Internal Revenue Code of 1986, holders must submit a properly completed IRS Form W-9.

* THE ABOVE REFERENCED CUSIP NUMBERS ARE PROVIDED FOR THE CONVENIENCE OF THE HOLDERS. NEITHER THE PAYING AGENT NOR THE CITY ARE RESPONSIBLE FOR ANY ERROR OF ANY NATURE RELATING TO THE CUSIP NUMBERS.

EXHIBIT H

**REQUIREMENTS OF THE INSURER
WITH RESPECT TO THE MUNICIPAL BOND INSURANCE POLICY**

NOT APPLICABLE

CERTIFICATE APPROVING THE FINAL TERMS OF THE BONDS

I, the City Manager of the **CITY OF SOUTH PADRE ISLAND, TEXAS** (the "**City**"), pursuant to authority granted by the provisions of Section 1207.007, Texas Government Code, and by the City Council of the City in Section 1(b) of an ordinance approved by the City Council on June 20, 2012, relating to the issuance of the Bonds defined below (the "**Ordinance**"), hereby certify as follows:

1. **GENERAL.** This Certificate is given in connection with the issuance by the City of the **CITY OF SOUTH PADRE ISLAND, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012** (the "**Bonds**") which, pursuant to the Ordinance, have been authorized by the City Council.

2. **DEFINITIONS.** All capitalized terms used in this Certificate which are not otherwise defined herein shall have the same meanings as set forth in the Ordinance.

3. **DATED DATE AND AGGREGATE PRINCIPAL AMOUNT.** The Bonds shall be dated August 1, 2012, and shall be issued in the aggregate principal amount of **\$3,165,000**.

4. **PRINCIPAL AMOUNTS AND INTEREST RATES.** The Bonds shall (i) mature on **March 1** in each of the years and in the respective principal amounts, and (ii) bear interest from the date of initial delivery, to their respective date of maturity at the respective interest rates, all as set forth below:

**CITY OF SOUTH PADRE ISLAND, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012**

<u>MATURITY DATE (3/01)</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>	<u>MATURITY DATE (3/01)</u>	<u>PRINCIPAL AMOUNT (\$)</u>	<u>INTEREST RATE (%)</u>
2014	25,000	2.000	2020	310,000	3.000
2015	25,000	2.000	2021	315,000	3.000
2016	270,000	3.000	2022	325,000	3.000
2017	280,000	3.000	2023	335,000	3.000
2018	285,000	3.000	***	***	***
2019	300,000	3.000	2025	695,000	2.000

The net effective interest rate for all of the Bonds is 2.622729%.

5. **INTEREST ON BONDS.** As provided in Section 4 of the Ordinance and in the FORM OF BONDS contained in Section 5 of the Ordinance, interest on the Bonds shall be payable on each March 1 and September 1, commencing on March 1, 2013, until stated maturity or redemption.

6. **OPTIONAL REDEMPTION.** The Bonds maturing on and after March 1, 2023, may be redeemed prior to their scheduled maturities, at the option of the City on March 1, 2022, or on

any date thereafter at the redemption price equal to par plus accrued interest to the date fixed for redemption.

7. **MANDATORY SINKING FUND REDEMPTION.** The Bonds maturing on March 1, 2025 (the "**Term Bonds**") are subject to mandatory redemption prior to maturity in part by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on the dates and in the respective principal amounts shown below:

TERM BONDS MATURING MARCH 1, 2025	
Mandatory Redemption Date	Redemption Amount
March 1, 2024	\$345,000
March 1, 2025 (maturity)	350,000

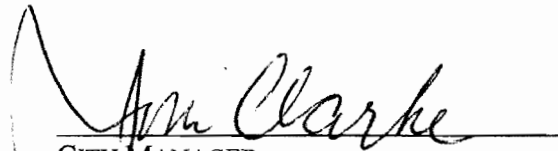
8. **INITIAL PURCHASER AND PURCHASE PRICE.** The Bonds shall be sold to **RAYMOND JAMES / MORGAN KEEGAN** as the initial purchaser thereof pursuant to a negotiated underwriting and shall be purchased at a price equal to **\$3,370,234.29** (which amount is equal to par, plus a net original issue premium on the Bonds of **\$226,922.55**, less Underwriters' discount of **\$21,688.26**), and no accrued interest. The Initial Bond shall be registered in the name of **MORGAN KEEGAN & COMPANY, INC.**

9. **DETERMINATION OF DEBT SERVICE SAVINGS.** Pursuant to the Ordinance, the City Council authorized the issuance of the Bonds in order to "*achieve a gross debt service savings and a net present value debt service savings for the benefit of the taxpayers of the City; provided, however, in no event shall Bonds be issued unless the City is able to achieve a net present value debt service savings of at least 3.00% of the principal of the Refunded Obligations.*" The final terms of the Bonds as set forth in this Certificate have achieved such purpose, for the issuance of the Bonds will result in a gross debt service savings of **\$223,738.02** and a net present value debt service savings of **\$201,900.93** (6.763850% of the principal amount of the Refunded Obligations), after taking into account a contribution from the City in the amount of **\$63,067.93**.

10. **DETERMINATION REQUIRED BY SECTION 1201.022(A)(3), TEXAS GOVERNMENT CODE.** In satisfaction of Section 1201.022(a)(3), Texas Government Code, as authorized by Section 1(d) of the Ordinance, and upon consultation with the City's Financial Advisor, the undersigned hereby determines that the final terms of the Bonds as set forth in this Certificate are in the City's best interests.

[The remainder of this page intentionally left blank]

**APPROVED BY THE CITY MANAGER OF THE CITY OF SOUTH PADRE ISLAND,
TEXAS ON THE 1ST DAY OF AUGUST, 2012 IN ACCORDANCE WITH SECTION 1(b) OF
THE ORDINANCE.**


CITY MANAGER
CITY OF SOUTH PADRE ISLAND, TEXAS

SIGNATURE PAGE TO CERTIFICATE APPROVING FINAL TERMS OF THE
CITY OF SOUTH PADRE ISLAND, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012

**CERTIFICATE APPROVING
SERIES 2005 BONDS SELECTED FOR REFUNDING**

I, the City Manager of the **CITY OF SOUTH PADRE ISLAND, TEXAS** (the "**City**"), pursuant to authority granted by the provisions of Section 1207.007(a)(4), Texas Government Code, and by the City Council of the City in Section 1(c) of an ordinance approved by the City Council of the City on June 20, 2012, relating to the issuance of the Bonds defined below (the "**Ordinance**"), hereby certify as follows:

1. This Certificate is given in connection with the issuance by the City of the **CITY OF SOUTH PADRE ISLAND, TEXAS GENERAL OBLIGATION REFUNDING BONDS, SERIES 2012** (the "**Bonds**") which, pursuant to the Ordinance, have been authorized by the City Council.

2. All capitalized terms used in this Certificate which are not otherwise defined herein shall have the same meanings as set forth in the Ordinance.

3. Pursuant to Section 1(c) of the Ordinance, the City Council authorized the undersigned, as the City Manager of the City, to select all or a portion of the outstanding Series 2005 Bonds maturing in the years 2016 - 2025 to be refunded with proceeds of the Bonds. In accordance with such authority, and after consulting with the City's financial advisors, I hereby determine and approve the following Series 2005 Bonds to be refunded with proceeds of the Bonds, which are described as follows:

SERIES 2005 BONDS TO BE REFUNDED

<u>MATURITY (MARCH 1)</u>	<u>PRINCIPAL AMOUNT MATURING IN YEAR (\$)</u>	<u>PRINCIPAL AMOUNT TO BE REFUNDED (\$)</u>	<u>STATED INTEREST RATE (%)</u>	<u>CUSIP No. (839152)</u>
2016	245,000	245,000	4.000	CN3
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2025	360,000	360,000	4.625	CX1
Totals	<u>2,985,000</u>	<u>2,985,000</u>	***	***

**APPROVED BY THE CITY MANAGER OF THE CITY OF SOUTH PADRE ISLAND,
TEXAS ON THE 1ST DAY OF AUGUST, 2012, IN ACCORDANCE WITH SECTION 1(c) OF
THE ORDINANCE.**


CITY MANAGER
CITY OF SOUTH PADRE ISLAND, TEXAS

**SIGNATURE PAGE TO
CERTIFICATE APPROVING SERIES 2005 BONDS SELECTED FOR REFUNDING**