

**MINUTES FROM A REGULAR MEETING OF THE
COUNCIL OF MUSCLE SHOALS, ALABAMA, HELD
November 21, 2005**

The Council of Muscle Shoals, Alabama met at the Muscle Shoals City Hall in said City at 6:30 p.m. on the 21st day of November 2005 being the regularly scheduled time and approved place for said meeting. The meeting was called to order by David Bradford, Mayor of the City. The invocation was given by Paul McDougle. On roll call the following members were found to be present or absent, as indicated:

PRESENT: JOE PAMPINTO, NEAL WILLIS, JERRY KNIGHT GRISSOM
 JAMES HOLLAND, ALLEN NOLES, DAVID H. BRADFORD
ABSENT: NONE

Richard Williams, City Clerk of the City, was present and kept the minutes of the meeting.

David Bradford, Mayor of the City, presided at the meeting and declared that a quorum was present and that the meeting was convened and opened for the purposes of transaction of business.

Upon motion duly made by Council Member Holland, seconded by Council Member Noles and unanimously adopted, the Council waived the reading of the minutes of the previously held work session and regular meeting and the Fire Committee meeting of November 7, 2005 and approved the minutes as written.

At this time, the Mayor presented a Certificate of Achievement to William Carl Wilson in recognition of his receipt of the rank of Eagle Scout. Alabama House Representative Marcel Black presented a resolution commending William Carl Wilson upon the attainment of the Eagle Scout rank.

Mayor Bradford announced that the next item of business was consideration of a resolution approving a travel policy for employees and officials.

Council Member Noles introduced the following resolution which was presented in the meeting and moved for its adoption:

STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 2181 -05

WHEREAS, the City Council of the City of Muscle Shoals, Alabama has developed and reviewed a travel policy for the purpose of establishing a standardized policy for the authorization of travel for business related purposes and reimbursement of associated expenses; and

WHEREAS, the provisions of said policy is presented to the City Council for the purposes of approval of said travel policy and the Council determines that the approval of the policy is in the best interests of the City and its employees in that it sets forth a standardized policy for required and necessary travel for city business;

BE IT HEREBY RESOLVED that the City Council of the City of Muscle Shoals, Alabama, does hereby approve and adopt the provisions contained in the policy statement entitled City of Muscle Shoals, Alabama Travel Policy and does declare that all business related travel on behalf of the City shall be conducted under the terms of said policy and the reimbursement of expenses incurred during said business related travel shall be made according to the provisions of said travel policy.

BE IT FURTHER RESOLVED that the Clerk of the City shall prepare and provide a copy of said document entitled City of Muscle Shoals, Alabama Travel Policy unto the department heads of the city and to all other parties responsible for the authorization of travel on behalf of the City and with the responsibility of reimbursement of expenses associated with said travel and furthermore shall retain a copy to be kept on file by the said Clerk.

Council Member Grissom seconded the motion and upon said motion being put to a vote, all voted "AYE" and "NAYS" were none.

Mayor Bradford announced that the Resolution had been approved.

Mayor Bradford announced that the next item of business was the consideration of a resolution authorizing the Mayor to execute a mutual assistance agreement with the State of Alabama, Emergency Management Agency.

Council Member Grissom introduced the following resolution which was presented in the meeting and moved for its adoption:

STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 2182 -05

WHEREAS, the City Council of the City of Muscle Shoals, Alabama has reviewed an agreement entitled Mutual Assistance Agreement pertaining to emergency response and recovery and for the participation in such system; and

WHEREAS, the City Council has determined that the provisions of the agreement are acceptable to the City and it is in the best interests of the city to join and participate in said mutual aid system; and

WHEREAS, the City Council has reviewed the contents of an instrument styled Agreement and finds that said instrument is in due form and proper order and upon consideration of same determines that it is wise and expedient that the City execute and deliver said instrument to State of Alabama, Emergency Management Agency; and

WHEREAS, the City Council finds that other instruments and related documents may be required in connection with said project and is desirous of authorizing the execution and delivery of other instruments and related documents in connection with the said Agreement as above described;

BE IT HEREBY RESOLVED that the City Council of the City of Muscle Shoals, Alabama, does hereby authorize and direct the Mayor of the City, David H. Bradford, for and on behalf of the City to execute the instrument styled Mutual Assistance Agreement with the State of Alabama, Emergency Management Agency, providing for obtaining and providing emergency response and recovery assistance pursuant to the terms and conditions of said agreement; and

BE IT FURTHER RESOLVED that the Mayor of the City, David H. Bradford, be, and hereby is, authorized to execute and deliver any instruments and related documents in connection with the said State of Alabama, Emergency Management Agency that he may deem necessary for and on behalf of the City;

BE IT FURTHER RESOLVED that a certified copy of this Resolution be prepared forthwith by the Clerk and delivered unto State of Alabama, Emergency Management Agency along with the executed instrument styled Mutual Assistance Agreement herein described and furthermore shall retain a copy to be kept on file by the said Clerk.

Council Member Pampinto seconded the motion and upon said motion being put to a vote, all voted "AYE" and "NAYS" were none.

Mayor Bradford announced that the Resolution had been approved.

Mayor Bradford announced that the next item of business was consideration of a resolution declaring an automobile in the City Clerk's Office as surplus and authorizing the City Clerk/Treasurer to dispose of it as directed.

Council Member Pampinto introduced the following resolution which was presented in the meeting and moved for its adoption:

STATE OF ALABAMA
COLBERT COUNTY

RESOLUTION NUMBER 2183 - 05

WHEREAS, the City Council has been informed by the City Clerk/Treasurer that a certain automobile used in the performance of duties is no longer required for use by the City Clerk Department; and

WHEREAS, the City Council is informed that the automobile is no longer in service

and that a request by the Colbert County Animal Control Agency has been made for transfer of the automobile for use in the performance of their duties within the City and Colbert County; and

WHEREAS, the City Council has determined that the said automobile is surplus property and the City has no further use for said automobile due to its age and condition and it is not economical for the City to retool or refit the said automobile in order that it be placed in service in the City Clerk's Office;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Muscle Shoals, Alabama that the following automobile be declared surplus property and be disposed of by the City Clerk/Treasurer of the city in a manner that will require no further expenditure by the City nor expose the City to any liability in the further use of said automobile and the Council does hereby authorize the City Clerk/Treasurer to dispose of said automobile in such manner.

The Council finds that the following automobile is surplus property:

1988 Olds Royale VIN 1G3HN54C6K1817802

BE IT FURTHER RESOLVED that the City Clerk/Treasurer is authorized to take the steps necessary to convey the above described automobile to the Colbert County Animal Control Agency in a manner consistent with the terms and conditions and pursuant to this Resolution for and in consideration of the sum of One and no/100 (\$1.00).

Council Member Willis seconded the motion and upon said motion being put to a vote, all voted "AYE" and "NAYS" were none.

Mayor Bradford announced that the Resolution had been approved.

Mayor Bradford announced that the next item of business was consideration of an ordinance approving the refunding of 1996 general obligation warrants outstanding.

Council Member Willis introduced the following ordinance which was presented in the meeting:

ORDINANCE NO. 1356-05

BE IT ORDAINED by the Mayor and City Council (herein together called the "Council") of the City of Muscle Shoals, Alabama (herein called the "City"), as follows:

Section 1. **Findings.** The Council has found and ascertained and does hereby declare as follows:

(a) the City has heretofore issued its General Obligation Various Purpose Warrants, Series 1996, dated June 1, 1996 (herein called the "Series 1996 Warrants"), originally issued in the aggregate principal amount of \$13,940,000 and now outstanding in the aggregate principal amount of \$2,340,000;

(b) those of the Series 1996 Warrants having stated maturities after February 1, 2006, may be prepaid and redeemed at the option of the City on February 1, 2006, and on any date thereafter;

(c) the City will realize a savings in interest costs by prepaying and redeeming the Series 1996 Warrants on February 1, 2006, the earliest date upon

which the Series 1996 Warrants may be so prepaid and redeemed;

(d) the City also wishes to purchase a new fire truck (herein called the "New Fire Truck") to provide increased fire protection in the City;

(e) the estimated cost of the New Fire Truck is approximately \$280,000;

(f) in order for the City to have sufficient moneys with which to pay the cost of the New Fire Truck and to redeem and retire the Series 1996 Warrants on February 1, 2006, it is necessary and desirable, and in the best interests of the City and its inhabitants, for the City to borrow the principal sum of \$2,750,000, and in evidence of that borrowing to issue its Series 2005 Warrants hereinafter authorized; and

(g) in order to accomplish the refunding of the Series 1996 Warrants, it is necessary and desirable for the City to deposit a portion of the proceeds of the said Series 2005 Warrants into a special irrevocable escrow fund (herein called the "Escrow Fund") to be established pursuant to an Escrow Trust Agreement (herein called the "Escrow Agreement"), hereinafter authorized, between the City and SunTrust Bank, Nashville, Tennessee, as escrow trustee.

Section 2. Authorization of the Series 2005 Warrants. Pursuant to the provisions of the constitution and laws of the State of Alabama, including particularly Section 11-47-2 and 11-81-4, Code of Alabama 1975, and for the purposes of (i) refunding the Series 1996 Warrants, (ii) paying the cost of the New Fire Truck and (iii) paying the costs of issuance of the Series 2005 Warrants, the City is hereby authorized to issue and sell its General Obligation Refunding Warrants, Series 2005, in the aggregate principal amount of \$2,750,000. The Series 2005 Warrants shall be dated November 1, 2005, shall be issued in fully registered form, shall be in the initial denomination of \$5,000 each or any integral multiple thereof (which are herein called "Authorized Denominations"), and shall mature on August 1 in the following respective principal amounts and years:

<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Year of</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>
2006	\$ 35,000	2016	\$ 160,000
2007	50,000	2017	150,000
2008	115,000	2018	150,000
2009	120,000	2019	165,000
2010	130,000	2020	165,000
2011	125,000	2021	170,000
2012	135,000	2022	180,000
2013	140,000	2023	185,000
2014	145,000	2024	195,000
2015	155,000	2025	80,000

Section 3. Interest Rates and Place of Payment. The Series 2005 Warrants shall bear interest from their date until their respective maturities at the following respective rates per annum:

3.10% for those maturing in 2006;
3.15% for those maturing in 2007;
3.20% for those maturing in 2008;
3.30% for those maturing in 2009;
3.40% for those maturing in 2010;
3.50% for those maturing in 2011;
3.60% for those maturing in 2012;
3.70% for those maturing in 2013;
3.80% for those maturing in 2014;
3.75% for those maturing in 2015;
3.80% for those maturing in 2016;
3.85% for those maturing in 2017;
3.90% for those maturing in 2018;
3.95% for those maturing in 2019;
4.00% for those maturing in 2020;
4.05% for those maturing in 2021;
4.10% for those maturing in 2022;
4.15% for those maturing in 2023;
4.20% for those maturing in 2024; and
4.40% for those maturing in 2025.

Such interest shall be payable on February 1, 2006, and semiannually on each February 1 and August 1 thereafter until and at the maturity of the Series 2005 Warrants. The principal of and premium, if any, on the Series 2005 Warrants shall be payable at the principal office of The Bank of New York Trust Company, N.A. (herein called the "Bank") or its successor as register and paying agent, and interest on the Series 2005 Warrants shall be paid by check or draft mailed or otherwise delivered by the said Bank to the persons to whom the Series 2005 Warrants are respectively payable at their addresses as they appear on the registry books of the Bank pertaining to the Series 2005 Warrants; provided that the final payment of such interest shall be made only upon surrender of the appropriate Series 2005 Warrant or Series 2005 Warrants to the Bank. The principal of and the interest on the Series 2005 Warrants shall bear interest after their respective due dates until paid at the rate they bore prior to their due dates.

The Council hereby finds and determines that those of the Series 2005 Warrants having stated maturities in 2006 to 2009, inclusive, are being issued to pay the costs of the New Fire Truck as well as the expenses of issuance of the Series 2005 Warrants; and that those of the Series 2005 Warrants having stated maturities in 2010 to 2025, inclusive, are being issued to refund and retire the Series 1996 Warrants.

Section 4. Optional Redemption of Series 2005 Warrants. Those of the Series 2005 Warrants maturing on August 1, 2014 and thereafter shall be subject to redemption and payment prior to their respective maturities at the option of the City, while it is not in default in

payment of the principal of or the interest on any of the Series 2005 Warrants, on August 1, 2013, and on any date thereafter, as a whole or in part (but if in part, those to be redeemed to be selected in the sole discretion of the City, without regard to the dates of their respective maturities or otherwise, but if less than all of the Series 2005 Warrants having a single principal maturity date are to be redeemed, then those having said single principal maturity date to be redeemed shall be selected by lot), at a redemption price, with respect to each Series 2005 Warrant redeemed, equal to its par or face value plus accrued interest to the date of redemption, and the following premium (expressed as a percentage of the par or face amount of each Series 2005 Warrant so redeemed):

<u>Date of Redemption</u>	<u>Redemption Premium</u>
If the date of redemption is from August 1, 2013 to July 31, 2014	1%
If the date of redemption is from August 1, 2014 to July 31, 2015	½ of 1%
If the date of redemption is August 1, 2015 or thereafter	None

Any such redemption shall be effected in the following manner:

(a) The Council shall adopt a resolution calling for redemption on a stated date when they are by their terms subject to redemption Series 2005 Warrants in a stated aggregate principal amount and shall recite in such resolution that the City is not in default in payment of the principal of or the interest on any of the Series 2005 Warrants.

(b) Not more than sixty (60) nor less than thirty (30) days prior to the date fixed for redemption the City shall give notice, or shall cause the Bank on its behalf to give notice, of the redemption of such Series 2005 Warrants by depositing into the United States registered or certified mail, addressed to the named payee of each Series 2005 Warrant, at the address of such payee as the same appears on the registry books of the Bank pertaining to the Series 2005 Warrants, a notice which shall state the following: that Series 2005 Warrants in a stated aggregate principal amount have been called for redemption and will become due and payable at the applicable redemption price or prices on a specified redemption date, and that all interest thereon will cease after such redemption date. The registered holder of any Series 2005 Warrant may waive the requirements of this subsection with respect to the Series 2005 Warrant or Series 2005 Warrants held by him or it without affecting the validity of the call for redemption of any other Series 2005 Warrants.

(c) On or prior to the date fixed for redemption the City shall notify the Bank (or any other bank at which the Series 2005 Warrants are payable) of the City's compliance with the requirements of paragraphs (a) and (b) of this section and shall further make available at said bank the total redemption price of the Series 2005 Warrants so called for redemption.

Upon compliance with the foregoing requirements on its part contained in this section, and if on the redemption date specified in said resolution and notice the City is not in default in payment of the principal of or the interest on any of the Series 2005 Warrants, the Series 2005 Warrants so called for redemption shall become due and payable at the redemption price on the date fixed for redemption, and interest thereon shall thereafter cease. No bank at which the Series 2005 Warrants may at any time be payable shall be required to pay any interest maturing on the date fixed for redemption which is applicable to any Series 2005 Warrant so called for redemption on that date unless the Series 2005 Warrant to which such interest is applicable is presented for payment on such date; provided that in the event any such bank should pay any such interest without payment of the applicable Series 2005 Warrant it shall not be liable to the holder of such applicable Series 2005 Warrant or to the City or to anyone whomsoever.

Section 5. **General Obligation Pledge.** The indebtedness evidenced and ordered paid by the Series 2005 Warrants is and shall be a general obligation of the City for payment of the principal of and the interest on which the full faith and credit of the City are hereby irrevocably pledged.

Section 6. **Pledge of the Special Tax.** In Section 8 of Ordinance No. 1039 of the City adopted by the governing body of the City on June 25, 1984 (herein called the "Series 1984 Ordinance"), which authorized the issuance by the City of its General Obligation Refunding Warrants, Series 1984, originally issued in the aggregate principal amount of \$4,065,136.05, which have now been paid in full (herein called the "Series 1984 Warrants"), as amended by various subsequent ordinances of the City, the City reserved the right

(a) to issue other bonds, warrants, notes or other evidences of indebtedness (which were in the Series 1984 Ordinance and are herein called "Additional Parity Securities"), without express limit as to principal amount, and

(b) to pledge for the benefit thereof the proceeds from that certain special privilege or license tax levied on certain business activities by the City's Ordinance No. 1011 adopted by its governing body on March 18, 1980, as amended (herein and in the Series 1984 Ordinance called the "Special Tax"), on a parity of lien and pledge, as regards the Special Tax, with the Series 1984 Warrants,

but if and only if, among other things, there has been filed in the office of the City Clerk of the City a certificate of a certified public accountant who is not a full-time employee of the City stating that the proceeds of the Special Tax received by the City in the fiscal year next preceding the fiscal year in which such Additional Parity Securities are proposed to be issued were not less than 125% of the maximum amount computed for the then current or any subsequent fiscal year of the City by adding the principal and interest coming due (whether by maturity or mandatory redemption) during such fiscal year with respect to all Additional Parity Securities (if any) then outstanding and the Additional Parity Securities then proposed to be issued.

The Series 2005 Warrants are to be issued on a parity with the City's General Obligation Warrants, Series 2001, dated May 1, 2001 (herein called the "Series 2001 Warrants"), originally issued in the aggregate principal amount of \$9,540,000, and now outstanding in the aggregate

principal amount of \$8,770,000, and the City's General Obligation Refunding Warrants, Series 2004, dated September 1, 2004 (herein called the "Series 2004 Warrants"), originally issued in the aggregate principal amount of \$12,560,000 and now outstanding in the aggregate principal amount of \$12,435,000, insofar as the pledge of the proceeds from the Special Tax is concerned. However, the Series 2005 Warrants may not be issued until such time as there is placed on file in the office of the City Clerk of the City a certificate in the foregoing form. A certificate in the foregoing form has been placed on file with the City Clerk of the City.

The Council hereby finds and declares that the City is not now in default in payment of the principal of or the interest on any of the Series 2001 Warrants or the Series 2004 Warrants, and that no such default is imminent. The Council further finds that the City is not now in default in the performance of any other obligation or agreement to which it is subject under the Series 1984 Ordinance or with respect to the Series 2001 Warrants or the Series 2004 Warrants, and that no such default is imminent. Other than the Series 2001 Warrants and the Series 2004 Warrants, no Additional Parity Securities that have been issued since the Series 1984 Warrants were issued now remain outstanding.

In addition to the pledge contained in the preceding Section 5 hereof and as security for payment of the principal of and the interest on the Series 2005 Warrants and as part of the contract whereunder the money evidenced by the Series 2005 Warrants is borrowed, the City hereby irrevocably pledges as security for the payment of such principal and interest, and hereby orders segregated and set aside for that purpose, so much as may be necessary therefor of the proceeds from the Special Tax. The pledge herein made of the proceeds from the Special Tax is for the benefit of the Series 2005 Warrants as well as the Series 2001 Warrants and the Series 2004 Warrants, pro rata and without preference of one over another or of any of the Series 2001 Warrants or the Series 2004 Warrants over any of the Series 2005 Warrants. The aforesaid pledge is, however, subject to the right reserved by the City in the Series 1984 Ordinance, as amended, to make parity pledges of the proceeds of the Special Tax for the benefit of other Additional Parity Securities; provided that while no default exists in payment of the principal of or the interest on the Series 2001 Warrants, the Series 2004 Warrants, the Series 2005 Warrants or any other Additional Parity Securities then outstanding, the proceeds from the Special Tax shall be used for the creation and maintenance of the City of Muscle Shoals Warrant Fund created in the Series 1984 Ordinance, in order to provide for payment of the principal of and the interest on the Series 2001 Warrants, the Series 2004 Warrants, the Series 2005 Warrants and any other Additional Parity Securities, and any balance remaining while all payments required to be made into said special fund are current and no delinquency or deficit exists with respect thereto may be used by the City for any lawful purpose.

The City hereby warrants and represents that it has no outstanding securities or contracts, other than the Series 1996 Warrants (which are being refunded out of proceeds of the Series 2005 Warrants), the Series 2001 Warrants, the Series 2004 Warrants and the Series 2005 Warrants that are payable out of or secured by a special pledge of any part of the proceeds from the Special Tax; and that upon the issuance of the Series 2005 Warrants, the aforesaid pledge of the Special Tax for the benefit of the Series 2001 Warrants, the Series 2004 Warrants and the Series 2005 Warrants will be prior and superior to any pledge and agreement respecting the Special Tax that

may be hereafter made for the benefit of or with respect to any securities which may be hereafter issued by the City (other than the Additional Parity Securities) or any contract which may be hereafter made by the City.

Section 7. Concerning Payments into the City of Muscle Shoals Warrant Fund.

The City recognizes that as a result of the issuance of the Series 2005 Warrants on a parity of lien and pledge with the Series 2001 Warrants and the Series 2004 Warrants insofar as the pledge of the Special Tax is concerned, the Series 2005 Warrants will be Additional Parity Securities as aforesaid and that the City will, on such account, be required, upon the issuance of the Series 2005 Warrants, to make semi-annual payments into the City of Muscle Shoals Warrant Fund created in the Series 1984 Ordinance (herein called the "Warrant Fund") with respect to the Series 2005 Warrants. The City will therefore make such semi-annual payments into the Warrant Fund, not later than five days prior to each February 1 and each August 1, in an amount equal to the interest coming due on the Series 2005 Warrants on the then next succeeding interest payment date, plus the principal (if any) of the Series 2005 Warrants coming due on such interest payment date. Such payments of interest and principal (if any) shall be made from the sources and to the extent required by the provisions of Section 20 of the Series 1984 Ordinance, as it now exists, pro rata and on a parity of lien and pledge with the payments required to be made therein with respect to the Series 2001 Warrants, the Series 2004 Warrants and any other Additional Parity Securities hereafter issued.

The City will continue and maintain the existence of the Warrant Fund until all the principal of and the interest (and premium, if any) on the Series 2001 Warrants, the Series 2004 Warrants and the Series 2005 Warrants and any other Additional Parity Securities that shall hereafter be issued by the City shall have been paid in full.

Section 8. Concerning the Special Tax. The City agrees that so long as any of the principal of or the interest on the Series 2005 Warrants remains unpaid, it will:

(a) continue to levy and collect the Special Tax (or a municipal sales tax substantially equivalent to the Special Tax) at rates not less than those currently in effect and upon the businesses or activities within the corporate limits of the City that are now subject thereto; provided that the City may hereafter modify the rates at which the Special Tax is levied, and may exempt various businesses or activities therefrom, and the proceeds from various sales or activities from the measure thereof, if the aggregate annual proceeds collected therefrom following any such modification or exemption shall not be less than the aggregate annual proceeds received therefrom during the fiscal year of the City that ended September 30, 2005;

(b) continue to levy and collect the Special Tax (or a municipal sales tax substantially equivalent thereto) without reduction in the aggregate annual amount of the proceeds therefrom; and

(c) make such increases, within reasonable limitations, in the rates of the Special Tax (or in the event of the levy in lieu of the Special Tax of a municipal sales tax substantially equivalent thereto, in the rates of such tax) as, when added to the other available revenues of the City, will provide moneys

sufficient to pay at their respective maturities the principal of and the interest on the Series 2005 Warrants.

In the event the City levies, in lieu of the Special Tax, any municipal sales tax substantially equivalent thereto, all the provisions hereof respecting the Special Tax (including, without limitation, those provisions of Section 6 hereof regarding the special pledge thereof for the benefit of the Series 2005 Warrants) shall be applicable, with the necessary changes in detail, to such municipal sales tax.

Section 9. **Forms of Warrants, Etc.** The Series 2005 Warrants, the Registration Certificate applicable thereto and the provisions for assignment thereof shall be in substantially the following forms, with appropriate insertions and variations therein to conform to the provisions hereof:

[Form of Warrant]

No. R- _____ \$ _____

**UNITED STATES OF AMERICA
STATE OF ALABAMA
CITY OF MUSCLE SHOALS
GENERAL OBLIGATION REFUNDING WARRANT
SERIES 2005**

INTEREST RATE	MATURITY DATE	REGISTRATION DATE	CUSIP
_____	_____	_____	_____

Subject to prior payment and other provisions as herein provided

The City Treasurer of the City of Muscle Shoals, a municipal corporation in the State of Alabama (herein called the "City"), is hereby ordered and directed to pay to

or registered assigns, to whom the City acknowledges itself indebted in the principal amount hereinafter set out, the principal sum of

D O L L A R S

on the maturity date specified above with interest thereon from the date hereof until the maturity hereof at the per annum rate of interest specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable on February 1, 2006, and semiannually thereafter on each February 1 and August 1 until the due date hereof. The principal of this warrant shall be payable only upon presentation and surrender of this warrant at the principal office of The Bank of New York Trust Company, N.A., or its successor as registrar and paying agent under the

Authorizing Ordinance hereinafter referred to (said bank, together with its successors in such capacity, being herein called the "Bank"). The interest payable on this warrant on each interest payment date shall (except for the final payment of such interest, which shall be made only upon the surrender of this warrant) be remitted by the Bank by check or draft mailed or otherwise delivered to the registered holder hereof as of the fifteenth day of the month immediately preceding each such interest payment date at the address of such registered holder as shown on the registry books of the Bank. Such payment of interest shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, on the business day next following such interest payment date) upon which the same shall become due. Both the principal of and the interest on this warrant shall bear interest after their respective maturities or due dates until paid, or until moneys sufficient for payment thereof have been deposited for that purpose with the Bank, at the rate they bore prior to their due dates.

This warrant is one of a duly authorized issue of warrants of the City designated General Obligation Refunding Warrants, Series 2005, aggregating \$2,750,000 in principal amount (herein called the "Series 2005 Warrants"). The Series 2005 Warrants have been issued pursuant to the applicable provisions of the constitution and laws of the State of Alabama, including particularly Sections 11-47-2 and 11-81-4, Code of Alabama 1975, and an ordinance (herein called the "Authorizing Ordinance") duly adopted by the governing body of the City. Those of the Series 2005 Warrants maturing in 2014 and thereafter are subject to redemption and payment prior to their respective maturities, at the option of the City, as a whole or in part (but, if in part, those to be redeemed to be selected in the sole discretion of the City, without regard to the dates of their respective maturities or otherwise, but if less than all of the Series 2005 Warrants having a single principal maturity date are to be redeemed, those having said single principal maturity date to be redeemed shall be selected by lot), on August 1, 2013, and on any date thereafter, upon not less than thirty (30) days' prior written notice given by United States certified or registered mail to the registered holder of each of the Series 2005 Warrants, at and for a redemption price, with respect to each Series 2005 Warrant redeemed, equal to its par or face amount plus accrued interest thereon to the date of redemption, and the following premium (expressed as a percentage of the par or face amount of each Series 2005 Warrant so redeemed):

<u>Date of Redemption</u>	<u>Redemption Premium</u>
If the date of redemption is from August 1, 2013 to July 31, 2014	1%
If the date of redemption is from August 1, 2014 to July 31, 2015	½ of 1%
If the date of redemption is August 1, 2015 or thereafter	None

By the execution of this warrant, the City acknowledges that it is indebted to the registered holder hereof in the principal amount hereof in accordance with the terms hereof.

The indebtedness evidenced and ordered paid by this warrant is a general obligation of the City for the payment of the principal of and interest on which the full faith and credit of the City have been irrevocably pledged. In addition the City has specially pledged for such payment the proceeds derived from the privilege or license tax levied by the City against persons, firms or corporations engaging in the City in the business of selling at retail any tangible property whatsoever, and any tax or license fee that may be levied by the City in lieu of, substitution for, or in continuation of the said tax, on a parity of lien and pledge with certain outstanding warrants of the City and subject to the reserved right of the City to issue other bonds, warrants, notes or other evidences of indebtedness on a parity of lien and pledge with the Series 2005 Warrants, all as is more fully described in the Authorizing Ordinance.

It is hereby certified and recited that the indebtedness evidenced and ordered paid by this warrant is lawfully due without condition, abatement or offset of any description; that this warrant has been registered in the manner provided by law; that all conditions, actions and things required by the constitution and laws of the State of Alabama to exist, be performed or happen precedent to and in the issuance of this warrant do exist, have been performed and have happened; and that the indebtedness evidenced and ordered paid by this warrant, together with all other indebtedness of the City, was at the time the same was created and is now within every debt and other limit prescribed by the constitution and laws of the State of Alabama.

The Series 2005 Warrants are issuable only as fully registered warrants in the denomination of \$5,000 or any integral multiple thereof. Provision is made in the Authorizing Ordinance for the exchange of Series 2005 Warrants for a like aggregate principal amount of Series 2005 Warrants of the same maturity and in authorized denominations, all upon the terms and subject to the conditions set forth in the Authorizing Ordinance.

This warrant is transferable by the registered holder hereof, in person or by authorized attorney, only on the books of the Bank (the registrar and transfer agent of the City) and only upon surrender of this warrant to the Bank for cancellation, and upon any such transfer a new Series 2005 Warrant of like tenor hereof will be issued to the transferee in exchange therefor, all as more particularly described in the Authorizing Ordinance. Each holder, by receiving or accepting this warrant, shall consent and agree and shall be estopped to deny that, insofar as the City and the Bank are concerned, this warrant may be transferred only in accordance with the provisions of the Authorizing Ordinance.

The Bank shall not be required to transfer or exchange this warrant during the period commencing after January 15 or July 15 in any year and ending on the then next succeeding February 1 or August 1, respectively.

The Authorizing Ordinance provides that all payments by the City or the Bank to the person in whose name a Series 2005 Warrant is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of this warrant takes it subject to all payments of principal and interest in fact made with respect hereto.

Execution by the Bank of its registration certificate hereon is essential to the validity hereof.

IN WITNESS WHEREOF, the City has caused this warrant to be executed with the facsimile signature of the Mayor, has caused a facsimile of its official seal to be hereunto imprinted, has caused this warrant to be attested by the facsimile signature of its City Clerk, and has caused this warrant to be dated November 1, 2005.

CITY OF MUSCLE SHOALS

By _____
Mayor

ATTEST:

City Clerk

[Form of Registration Certificate]

This warrant was registered in the name of the above-registered owner on the registration date specified above.

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

By _____
Its Authorized Officer

[Form of Statement of Insurance]

STATEMENT OF INSURANCE

Financial Guaranty Insurance Policy No. _____ (the "Policy") with respect to payments due for principal of and interest on this bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this warrant acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

[Form of Assignment]

For value received _____ hereby sell(s), assign(s), and transfer(s) unto _____ the within Warrant and hereby irrevocably constitute(s) and appoint(s) _____, attorney, with full power of substitution in the premises, to transfer this warrant on the books of the within-mentioned Bank.

DATED this _____ day of _____, _____.

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within warrant in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:

(Bank, Trust Company or Firm*)

By _____
(Authorized Officer)

Medallion Number: _____

*Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

Section 10. Execution and Registration of Series 2005 Warrants by City. The Series 2005 Warrants shall be executed on behalf of the City by its Mayor and attested by its City Clerk, and the official seal of the City shall be impressed on each of the Series 2005 Warrants. The signatures of the said Mayor and the said City Clerk may be facsimile signatures of said officers, and the seal of the City imprinted on the Series 2005 Warrants may be a facsimile of such seal (it being understood that a condition to the validity of each Series 2005 Warrant is the appearance on such Series 2005 Warrant of a registration certificate, substantially in the form hereinabove provided, executed by the manual signature of a duly authorized officer of the Bank). Signatures on the Series 2005 Warrants by persons who are officers of the City at the times such signatures were written or printed shall continue to be effective although such persons cease to be such officers prior to the delivery of the Series 2005 Warrants, whether initially issued or exchanged for Series 2005 Warrants of different denominations from those initially issued.

The Series 2005 Warrants shall be registered by the City Treasurer of the City in the records maintained by him or her as claims against the City and against the proceeds from the Special Tax, which registration shall be made simultaneously with respect to all the Series 2005 Warrants. Said officers are hereby directed so to execute, attest and register the Series 2005 Warrants.

Section 11. Registration Certificate on Series 2005 Warrants. A registration certificate by the Bank, in substantially the form hereinabove recited, duly executed by the manual signature of a duly authorized officer of the Bank, shall be endorsed on each of the Series 2005 Warrants and shall be essential to its validity.

Section 12. Registration and Transfer of Series 2005 Warrants. All the Series 2005 Warrants shall be registered as to both principal and interest, and shall be transferable only on the registry books of the Bank. The Bank shall be the registrar and transfer agent of the City and shall keep at its office proper registry and transfer books in which it will note the registration and transfer of such Series 2005 Warrants as are presented for those purposes, all in the manner and to the extent hereinafter specified.

No transfer of a Series 2005 Warrant shall be valid hereunder except upon presentation and surrender of such Series 2005 Warrant at the office of the Bank with written power to transfer signed by the registered owner thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Bank, whereupon the City shall execute, and the Bank shall register and deliver to the transferee, a new Series 2005

Warrant, registered in the name of such transferee and of like tenor as that presented for transfer. The person in whose name a Series 2005 Warrant is registered on the books of the Bank shall be the sole person to whom or on whose order payments on account of the principal thereof and of the interest (and premium, if any) thereon may be made. Each named payee of any of the Series 2005 Warrants by receiving or accepting such Series 2005 Warrant, shall consent and agree and shall be estopped to deny that, insofar as the City and the Bank are concerned, the Series 2005 Warrants may be transferred only in accordance with the provisions of this ordinance.

The Bank shall not be required to register or transfer any Series 2005 Warrant during the period of fifteen (15) days next preceding any interest payment date with respect thereto; and if any Series 2005 Warrant is duly called for redemption (in whole or in part), the Bank shall not be required to register or transfer such Series 2005 Warrant during the period of thirty (30) days next preceding the redemption date.

Section 13. Exchange of Series 2005 Warrants. Upon the request of the registered holder of any of the Series 2005 Warrants, the City shall execute, and the Bank shall register and deliver, upon surrender to the Bank of any Series 2005 Warrant or Series 2005 Warrants in exchange thereof, a Series 2005 Warrant or Series 2005 Warrants in the denomination of \$10,000 or any other integral multiple of \$5,000 of the same maturity and interest rate and together aggregating the same principal amount as the then unpaid principal of the Series 2005 Warrant or Series 2005 Warrants so surrendered, all as may be requested by the person surrendering such Series 2005 Warrant or Series 2005 Warrants.

The registration, transfer and exchange of Series 2005 Warrants (other than pursuant to Section 17 hereof) shall be without expense to the payee thereof or any transferee thereof. In every case involving any transfer, registration or exchange, such named payee shall pay all taxes and other governmental charges, if any, required to be paid in connection with such transfer, registration or exchange.

Section 14. Accrual of Interest on Series 2005 Warrants. All Series 2005 Warrants issued prior to February 1, 2006, in exchange for Series 2005 Warrants initially delivered hereunder, shall bear interest from November 1, 2005, and all Series 2005 Warrants issued on or after February 1, 2006, shall bear interest from the February 1 or August 1, as the case may be, next preceding the date of its issuance and delivery unless (1) such date of delivery is a February 1 or August 1, in which event such Series 2005 Warrant shall bear interest from the date of its issuance and delivery, or (2) at the time of such delivery the City is in default in the payment of interest on the Series 2005 Warrant in lieu of which such new Series 2005 Warrant is issued, in which event such new Series 2005 Warrant shall bear interest from the last interest payment date to which interest has previously been paid. The preceding provision shall be construed to the end that the issuance of a Series 2005 Warrant shall not affect any gain or loss in interest to the named payee thereof.

Section 15. Persons to Whom Payment of Interest on Series 2005 Warrants is to be Made. Interest on the Series 2005 Warrants shall be payable in lawful money of the United States of America by check or draft mailed by the Bank to the respective named payees of the Series 2005 Warrants at their respective addresses shown on the registry books of the Bank pertaining to the Series 2005 Warrants. Overdue interest shall be paid by check or draft mailed

by the Bank to the respective named payees of the Series 2005 Warrants on the date upon which any such overdue interest shall be paid. Payment of interest in the manner described in this paragraph to the respective named payees of the Series 2005 Warrants on the overdue interest payment date shall fully discharge and satisfy all liability for the same.

Section 16. **Persons Deemed Owners of Series 2005 Warrants.** The City and the Bank may deem and treat the person in whose name a Series 2005 Warrant is registered on the registry books of the Bank as the absolute owner thereof for all purposes; they shall not be affected by notice to the contrary; and all payments by any of them to the person in whose name a Series 2005 Warrant is registered, shall to the extent thereof fully discharge and satisfy all liability for the same.

Section 17. **Replacement of Mutilated, Lost, Stolen or Destroyed Series 2005 Warrants.** In the event any Series 2005 Warrant is mutilated, lost, stolen or destroyed, the City may execute and deliver a new Series 2005 Warrant of like tenor as that mutilated, lost, stolen or destroyed; provided that (a) in the case of any such mutilated Series 2005 Warrant, such Series 2005 Warrant is first surrendered to the City and the Bank, and (b) in the case of any such lost, stolen or destroyed Series 2005 Warrant, there is first furnished to the City and the Bank evidence of such loss, theft or destruction satisfactory to each of them, together with indemnity satisfactory to each of them. The City may charge the named payee with the expense of issuing any such new Series 2005 Warrant.

Section 18. **Sale of Series 2005 Warrants.** The Series 2005 Warrants are hereby authorized to be sold to Joe Jolly & Co., Inc., of Birmingham, Alabama, at and for a purchase price of \$2,689,744.35 (reflecting original issue discount of \$19,005.65 and underwriting discount of \$41,250.00), plus accrued interest on the Series 2005 Warrants from their date to the date of their delivery. The Series 2005 Warrants shall be initially registered in the name of the said Joe Jolly & Co., Inc. or in the names of such other persons, firms or corporations as may be designated by the said Joe Jolly & Co., Inc. prior to the time of delivery of the Series 2005 Warrants. The City Clerk of the City is hereby authorized and directed to deliver the Series 2005 Warrants to the said Joe Jolly & Co., Inc. upon payment to the City of the purchase price of the Series 2005 Warrants.

Section 19. **Use of Proceeds from Sale of Series 2005 Warrants.** The entire proceeds derived from the sale of the Series 2005 Warrants shall be applied as follows:

- (a) that part of the said proceeds that represents accrued interest on the Series 2005 Warrants from their date to the date of payment for the Series 2005 Warrants shall be deposited into the Warrant Fund and shall be applied for payment of the interest that will come due with respect to the Series 2005 Warrants on February 1, 2006;
- (b) the sum of \$2,438,101.15 shall be transferred to the Escrow Trustee for deposit in the Escrow Fund created in the Escrow Trust Agreement;
- (c) the sum of \$21,937.89 shall be paid to Ambac Assurance for the premium for the policy of financial guaranty insurance described in Section 26 hereof; and

(d) the balance of said proceeds shall be transferred to a special account of the City to be established for that purpose and shall, in addition to all interest earnings pending disbursement of such moneys, be used to pay the costs of purchasing the New Fire Truck as well as the expenses of issuance of the Series 2005 Warrants.

Section 20. **Provisions Constitute Contract.** The provisions of this ordinance shall constitute a contract between the City and the holders of the Series 2005 Warrants.

Section 21. **Series 2005 Warrants Payable at Par.** Each bank at which the Series 2005 Warrants shall at any time be payable, by acceptance of its duties as paying agent therefor, shall be considered to have agreed thereby with the holders of the Series 2005 Warrants that all payments made by it of the Series 2005 Warrants shall be made in bankable funds at par and without deduction for exchange, fees or expenses. The City agrees with the holders of the Series 2005 Warrants that it will pay all charges for exchange, fees or expenses which may be made by any such bank in the making of payments in bankable funds of the Series 2005 Warrants.

Section 22. **Provisions of Ordinance Severable.** The various provisions of this ordinance are hereby declared to be severable. In the event any provision hereof shall be held invalid or unenforceable by a court of competent jurisdiction, such holding shall not affect the validity or enforceability of any other portion of this ordinance.

Section 23. **Authorization of Official Statement.** The Mayor of the City is hereby authorized to execute and deliver, for and in the name and behalf of the City, an Official Statement with respect to the Series 2005 Warrants in such form as the said Mayor shall determine to be necessary or desirable in carrying out the offering and sale of the Series 2005 Warrants. The determination by the Mayor of the definitive form of such Official Statement shall be conclusively established by his execution thereof, and such Official Statement, as executed by the said Mayor, is hereby approved, and the use thereof in the offering and sale of the Series 2005 Warrants is hereby authorized.

Section 24. **Authorization of Escrow Trust Agreement.** The City is hereby authorized to refund the Series 1996 Warrants in accordance with the provisions of the Escrow Trust Agreement which is to be entered into by the City and SunTrust Bank, Nashville, Tennessee, as the Escrow Trustee. The Escrow Trust Agreement shall be in substantially the form as that presented to the meeting of the Council at which this ordinance is adopted (which form is hereby adopted in all respects as if set out in full herein), with such changes as the Mayor shall determine to be necessary or desirable in order to consummate the transactions authorized by this ordinance, the determination of the definitive form of the Escrow Trust Agreement by such officer to be conclusively established by his execution thereof. The Mayor is hereby authorized and directed to execute and deliver the Escrow Trust Agreement for and in the name and behalf of the City, and the City Clerk of the City is hereby authorized and directed to affix the official and corporate seal of the City to the Escrow Trust Agreement and to attest the same.

Section 25. Tax Covenants. The City recognizes that the holders from time to time of the Series 2005 Warrants will have accepted them on, and paid therefor a price which reflects, the understanding that interest on the Series 2005 Warrants is excluded from gross income for federal income tax purposes under the laws in force at the time the Series 2005 Warrants shall have been delivered. In this connection the City covenants that it will not take any action, or omit to take any action, if the taking of such action, or the omission to take such action, as the case may be, may cause the interest on any of the Series 2005 Warrants to be includable in gross income for federal income taxation purposes, that it will use the proceeds of the Series 2005 Warrants and any other funds of the City in such a manner that the use thereof, if reasonably expected by the City at the time of issuance of the Series 2005 Warrants, would not cause the Series 2005 Warrants to be "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations thereunder and that it will not permit at any time any proceeds of the Series 2005 Warrants or any other funds of the City to be used, directly or indirectly, in a manner which would result in the exclusion of the interest on any Series 2005 Warrant from the exemption from federal income taxation otherwise afforded by Section 103(a) of the said Code by reason of the classification of such Series 2005 Warrant as a "private activity bond" within the meaning of Section 141 of the said Code. The Mayor of the City and other officers and employees of the City shall execute and deliver from time to time, on behalf of the City, such certificates, instruments and documents as shall be deemed necessary or advisable to evidence compliance by the City with said Section 148 and the regulations thereunder with respect to the use of the proceeds of the Series 2005 Warrants. Such certificates, instruments and documents may contain such stipulations as shall be necessary or advisable in connection with the stated purpose of this section and the foregoing provisions hereof, and the City hereby covenants and agrees to comply with the provisions of any such stipulations throughout the term of the Series 2005 Warrants.

The City and the Bank recognize that the provisions of the Internal Revenue Code of 1986, as amended, require that the Series 2005 Warrants be in "registered form", and that each Series 2005 Warrant must be registered as to both principal and interest and any transfer of any Series 2005 Warrant must be effected only by the surrender of the old Series 2005 Warrant and either by the reissuance of the old Series 2005 Warrant to a new named payee or the issuance of a new Series 2005 Warrant to a new such named payee. The Bank may rely upon an opinion of bond counsel with respect to any question which may arise pertaining to the transfer, exchange or reissuance of Series 2005 Warrants. The provisions of this ordinance pertaining to transfer, exchange or reissuance of Series 2005 Warrant need not or shall not be followed if the Bank receives an opinion of bond counsel that compliance with requirements in addition to or in lieu of the requirements of this ordinance pertaining to such transfer, exchange or reissuance is required or permitted under the provisions of the Internal Revenue Code of 1986, or under other applicable laws and regulations.

Section 26. Special Provisions Respecting Financial Guaranty Insurance. (a) Actions for which Consent of Ambac Assurance is Required. Any provision of this ordinance expressly recognizing or granting rights in or to Ambac Assurance Corporation ("Ambac Assurance"), which will issue a Financial Guaranty Insurance Policy insuring payment of the principal of and the interest on the Series 2005 Warrants, may not be amended in any manner which affects the rights of Ambac Assurance hereunder without the prior written consent of

Ambac Assurance. Unless otherwise provided in this Section 26, Ambac Assurance's consent shall be required in addition to the consent of the holders of any of the Series 2005 Warrants, when required, for the following purposes: (1) adoption of any ordinance supplemental to this ordinance; (2) removal of the Bank as registrar and paying agent for the Series 2005 Warrants and selection and appointment of any successor registrar and paying agent; and (3) initiation or approval of any other action which requires the consent of the holders of any of the Series 2005 Warrants. Anything in this ordinance to the contrary notwithstanding, upon the occurrence and continuance of a default hereunder, Ambac Assurance shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Series 2005 Warrants under this ordinance.

(b) Notices to be Given to Ambac Assurance. While the Financial Guaranty Insurance Policy issued by Ambac Assurance insuring the payment when due of the principal of and interest on the Series 2005 Warrants is in effect, the City shall furnish to Ambac Assurance:

- (i) as soon as practicable after the filing thereof, a copy of any financial statement of the City and a copy of any audit and annual report of the City;
- (ii) a copy of any notice to be given to the holders of the Series 2005 Warrants, including, without limitation, notice of any redemption of or defeasance of Series 2005 Warrants, and any certificate rendered pursuant to this ordinance relating to the security for the Series 2005 Warrants; and
- (iii) such additional information as it may reasonably request.

The City will permit Ambac Assurance to discuss the affairs, finances and accounts of the City or any information Ambac Assurance may reasonably request regarding the security for the Series 2005 Warrants with appropriate officers of the City. The City will permit Ambac Assurance to have access to and to make copies of all books and records relating to the Series 2005 Warrants at any reasonable time.

Ambac Assurance shall have the right to direct an accounting at the City's expense, and the City's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from Ambac Assurance shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any holder of the Series 2005 Warrants.

Notwithstanding any other provision of this ordinance, the City shall immediately notify Ambac Assurance if at any time there are insufficient moneys to make any payments of principal and/or interest as required and immediately upon the occurrence of any default hereunder.

(c) Payment Procedure Pursuant to Bond Insurance Policy. As long as the Financial Guaranty Insurance Policy shall be in full force and effect, the City and the Bank agree to comply with the following provisions:

- (i) If one (1) day prior to any February 1 or August 1 (herein called an "Interest Payment Date") the Bank determines that there will be insufficient moneys in the Warrant Fund to pay the principal of or interest on the Series 2005 Warrants on such Interest Payment Date, the Bank shall so notify Ambac Assurance. Such notice shall specify the amount of the anticipated deficiency, the Series 2005 Warrants to which such deficiency is applicable and whether such

Series 2005 Warrants will be deficient as to principal or interest, or both. If the Bank has not so notified Ambac Assurance one (1) day prior to an Interest Payment Date, Ambac Assurance will make payments of principal or interest due on the Series 2005 Warrants on or before the first (1st) day next following the date on which Ambac Assurance shall have received notice of nonpayment from the Bank.

(ii) The Bank shall, after giving notice to Ambac Assurance as provided in (1) above, make available to Ambac Assurance and, at Ambac Assurance's direction, to the United States Trust Company of New York, as insurance trustee for Ambac Assurance or any successor insurance trustee (herein called the "Insurance Trustee"), the registration books maintained by the Bank with respect to the Series 2005 Warrants and all records relating to the Warrant Fund maintained under this ordinance.

(iii) The Bank shall provide Ambac Assurance and the Insurance Trustee with a list of registered owners of Series 2005 Warrants entitled to receive principal or interest payments from Ambac Assurance under the terms of the Financial Guaranty Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Series 2005 Warrants entitled to receive full or partial interest payments from Ambac Assurance and (ii) to pay principal upon Series 2005 Warrants surrendered to the Insurance Trustee by the registered owners of Series 2005 Warrants entitled to receive full or partial principal payments from Ambac Assurance.

(iv) The Bank shall, at the time it provides notice to Ambac Assurance pursuant to (1) above, notify registered owners of Series 2005 Warrants entitled to receive the payment of principal or interest thereon from Ambac Assurance (i) as to the fact of such entitlement, (ii) that Ambac Assurance will remit to them all or a part of the interest payments next coming due upon proof of entitlement of the holder of the Series 2005 Warrants to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from Ambac Assurance, they must surrender their Series 2005 Warrants (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series 2005 Warrants to be registered in the name of Ambac Assurance) for payment to the Insurance Trustee, and not the Bank, and (iv) that should they be entitled to receive partial payment of principal from Ambac Assurance, they must surrender their Series 2005 Warrants for payment thereon first to the Bank who shall note on such Series 2005 Warrants the portion of the principal paid by the Bank and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(v) In the event that the Bank has notice that any payment of principal of or interest on a Series 2005 Warrant which has become due for payment and which is made to a Holder thereof by or on behalf of the City has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance

with the final, nonappealable order of a court having competent jurisdiction, the Bank shall, at the time Ambac Assurance is notified pursuant to (1) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from Ambac Assurance to the extent of such recovery if sufficient funds are not otherwise available, and the Bank shall furnish to Ambac Assurance its records evidencing the payments of principal of and interest on the Series 2005 Warrants which have been made by the Bank and subsequently recovered from registered owners and the dates on which such payments were made.

(vi) In addition to those rights granted Ambac Assurance under this ordinance, Ambac Assurance shall, to the extent it makes payment of principal of or interest on Series 2005 Warrants, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Financial Guaranty Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Bank shall note Ambac Assurance's rights as subrogee on the registration books of the Bank with respect to the Series 2005 Warrants upon receipt from Ambac Assurance of proof of the payment of interest thereon to the registered owners of the Series 2005 Warrants, and (ii) in the case of subrogation as to claims for past due principal, the Bank shall note Ambac Assurance's rights as subrogee on the registration books of the Bank with respect to the Series 2005 Warrants upon surrender of the Series 2005 Warrants by the registered owners thereof together with proof of the payment of principal thereof.

(d) Provisions Pertaining to Bank.

(i) The Bank may be removed at any time, at the request of Ambac Assurance, for any breach of the payment agreement set forth herein.

(ii) Ambac Assurance shall receive prior written notice of any resignation by the Bank as paying agent.

(iii) Every successor Bank appointed pursuant to this section shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Alabama, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$75,000,000 and acceptable to Ambac Assurance.

(iv) Notwithstanding any other provision of this ordinance, in determining whether the rights of the holders of the Series 2005 Warrants will be adversely affected by any action taken pursuant to the terms and provisions of this ordinance, the Bank shall consider the effect on the holders of the Series 2005 Warrants as if there were no Financial Guaranty Insurance Policy.

(v) Notwithstanding any other provision of this ordinance, no removal, resignation or termination of the Bank shall take effect until a successor, acceptable to Ambac Assurance, shall be appointed.

(e) Ambac Assurance as Third-Party Beneficiary. To the extent that this ordinance confers upon or gives or grants to Ambac Assurance any right, remedy or claim under or by reason of this ordinance, Ambac Assurance is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

(f) Parties Interested Herein. 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, Ambac Assurance, the Bank and the registered owners of the Series 2005 Warrants, 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, Ambac Assurance, the Bank and the holders of the Series 2005 Warrants.

Section 27. Continuing Disclosure. The City hereby covenants, for the benefit of the Holders of the Series 2005 Warrants, (i) to provide (or cause to be provided) to each nationally recognized municipal securities information repository and to the appropriate state information depository (if any such state depository exists), within 180 days after the end of each fiscal year of the City, certain annual financial information (the "Annual Report") for the then immediately preceding fiscal year, which information shall consist of the items listed in the next paragraph, (ii) to provide to each nationally recognized municipal securities information repository, and to the appropriate state information depository (if any such state depository exists), audited financial statements for the City if and when any such financial statements become available (it being understood that the City shall have no obligation under this Section 27 to cause any such audited financial statements to be prepared), (iii) to provide, in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to the appropriate state information depository (if any such state depository exists), notice of the occurrence of any event of a type specified in paragraph (b)(5)(i)(C) of Rule 15c2-12 under the Securities Exchange Act of 1934 (including any amendment thereof or successor thereto hereafter promulgated), if and to the extent that the occurrence of such event is deemed by the City to be material (any such event being herein called a "Specified Event"), and (iv) to provide, in a timely manner, to each nationally recognized municipal securities information repository or to the Municipal Securities Rulemaking Board, and to the appropriate state information depository (if any such state depository exists), notice of any failure by the City to comply with the requirement of the foregoing clause (i).

The Annual Report shall include (i) financial information and operating data of the kind set forth in the Official Statement of the City pertaining to the Series 2005 Warrants, (ii) the receipts from the proceeds from the Special Tax during the immediately preceding fiscal year, (iii) a summary of the revenues and expenditures of the City for the immediately preceding fiscal year, (iv) summary information respecting the then current budgets for the City, (v) summary information concerning the then outstanding general obligation indebtedness of the City and the then outstanding limited obligation indebtedness of the City and its various agencies and instrumentalities, and (vi) a summary of any pending or threatened litigation deemed material to the Holders of the Series 2005 Warrants. The City may, solely as a matter of administrative convenience, provide the Annual Report in a format that includes other information in addition to the items identified in the preceding sentence, it being understood that any such provision of any such additional information one year shall not result in an obligation to provide such additional information in any subsequent year. The Specified Events currently include the following:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;

- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or failure of any such provider to perform;
- (f) Adverse tax opinions or events affecting the tax-exempt status of the Series 2005 Warrants;
- (g) Modifications to rights of Holders of Series 2005 Warrants;
- (h) Calls for redemption of any of the Series 2005 Warrants;
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the Series 2005 Warrants; and
- (k) Rating changes.

The foregoing covenants of the City are made for the express purpose of complying with the requirements of the aforesaid Rule 15c2-12 and shall be deemed to be revised and amended if and to the extent that the pertinent provisions of said Rule are hereafter amended. Such covenants, and the City's obligations pursuant thereto, shall automatically terminate (a) upon the payment in full of all of the Series 2005 Warrants or (b) when all of the Series 2005 Warrants shall be deemed to be paid within the meaning of this ordinance and the pledge of this ordinance with respect to the Series 2005 Warrants has been discharged and satisfied.

Any Holder of a Series 2005 Warrant may take such action as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to file its Annual Report or to give notice of a Specified Event. A default under this Section 27 shall not be deemed an event of default under this ordinance, and the sole remedy in the event of any failure of the City to comply with this Section 27 shall be an action to compel performance.

Section 28. Defeasance. For purposes of this ordinance, any of the Series 2005 Warrants shall be deemed to have been paid when there shall have been irrevocably deposited with the Bank for payment thereof the entire amount (principal, interest and premium, if any) due or to be due thereon until and at maturity, and, further, any of the Series 2005 Warrants subject to redemption shall also be deemed to have been paid when the City shall have deposited with the Bank the following: (a) the applicable redemption price of such Series 2005 Warrants including the interest that will accrue thereon to the date on which they are to be redeemed, and (b) a certified copy of the resolution required in Section 4 hereof. In addition, any of the Series 2005 Warrants shall, for purposes of this ordinance, be considered as fully paid if there shall be filed with the Bank each of the following: (1) a trust agreement between the City and the Bank making provision for the retirement of such Series 2005 Warrants by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Series 2005 Warrants (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by redemption prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (i) United States Treasury securities which are not subject to redemption prior to their respective maturities at the option of the issuer and which, if the principal thereof and the interest thereon are paid at their respective maturities will produce funds sufficient to provide for payment and retirement of all such Series 2005 Warrants, or (ii) both cash and such United States Treasury securities which together will produce funds sufficient for such

purpose, or (iii) cash sufficient for such purpose; and (2) a certified copy of a resolution calling for redemption those of such Series 2005 Warrants that, according to said trust agreement, are to be redeemed prior to their respective maturities. No payment shall be required to be made into the Warrant Fund with respect to the principal of or interest on any Series 2005 Warrant with respect to which provision for payment of the principal of and interest on such Series 2005 Warrant shall have been made in accordance with the provisions of this section.

Section 29. **Series 2005 Warrants Designated as Qualified Tax-Exempt Obligations.** The City does hereby find and determine that the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds) which will be issued by the City and all subordinate entities thereof during the current calendar year does not exceed \$10,000,000. Pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, the City does hereby designate the Series 2005 Warrants as "qualified tax-exempt obligations" for purposes of said Section 265(b)(3).

Section 30. **Series 1996 Warrants Called for Redemption.** The City hereby calls the Series 1996 Warrants for redemption on February 1, 2006, and will redeem and pay the Series 1996 Warrants on that date, at and for a redemption price equal to the par or face amount of each such Series 1996 Warrant redeemed plus interest to February 1, 2006, and a premium of 2% of the said par or face amount of each such Series 1996 Warrant so redeemed.

Section 31. **Execution of Ancillary Documents.** The Mayor and the City Clerk of the City are hereby authorized and directed to execute, deliver, seal and attest such other ancillary documents and certificates as may be necessary to consummate the issuance and sale of the Series 2005 Warrants and to carry out fully the financing authorized by this ordinance.

Council Member Willis moved that unanimous consent be given for immediate consideration of and adoption of said Ordinance, which motion was seconded by Council Member Holland and, upon said motion being put to a vote, a roll call was had and the vote was recorded as follows:

AYES: Council Member Pampinto, Council Member Willis, Council Member Grissom,
Council Member Holland, Council Member Noles, Mayor Bradford

NAYS: None

Mayor Bradford announced the vote and declared that the motion for unanimous consent for immediate consideration had been approved. Council Member Willis then moved that the said Ordinance be finally adopted, which motion was seconded by Council Member Holland and, upon said motion being put to a vote, a roll call on final approval was had and the vote recorded as follows:

AYES: Council Member Pampinto, Council Member Willis, Council Member Grissom,
Council Member Holland, Council Member Noles, Mayor Bradford

NAYS: None

Mayor Bradford thereupon declared said motion carried and the ordinance passed and adopted as introduced and read.

Council Member Holland moved that the meeting be continued until 8:45 p.m. at which time the Council would consider adoption of the 2005-2006 General Fund budget. Council Member Noles seconded the motion and upon said motion being put to a vote, all voted "AYE" and "NAYS" were none.

Mayor Bradford announced that the motion had been approved.

The meeting was reconvened at 8:45 p.m. for the purpose of considering adoption of the 2005-2006 General Fund Budget.

Council Member Noles introduced the proposed budget as follows:

CITY OF MUSCLE SHOALS, ALABAMA

October 1, 2005 - September 30, 2006

GENERAL FUND BUDGET

	2005-2006 BUDGET
ANTICIPATED REVENUES	\$15,509,835.00
PROJECTED EXPENDITURES	\$15,509,608.00
REVENUES OVER EXPENDITURES	----- \$227.00 =====

Council Member Noles moved that unanimous consent be given for immediate consideration of and adoption of said Budget, which motion was seconded by Council Member Grissom and, upon said motion being put to a vote, a roll call was had and the vote was recorded as follows:

AYES: Council Member Pampinto, Council Member Willis, Council Member Grissom, Council Member Holland, Council Member Noles, Mayor Bradford

NAYS: None

Mayor Bradford announced the vote and declared that the motion for unanimous consent for immediate consideration had been approved. Council Member Noles then moved that the said Budget be finally adopted and spread upon the minutes of the meeting, which motion was seconded by Council Member Grissom and, upon said motion being put to a vote, a roll call on final approval was had and the vote recorded as follows:

AYES: Council Member Pampinto, Council Member Willis, Council Member Grissom, Council Member Holland, Council Member Noles, Mayor Bradford

NAYS: None

Mayor Bradford thereupon declared said motion carried and the 2005-2006 General Fund Budget passed and adopted as introduced.

CITY OF MUSCLE SHOALS, ALABAMA
a Municipal Corporation

MAYOR

COUNCIL MEMBER - PLACE ONE

COUNCIL MEMBER - PLACE TWO

COUNCIL MEMBER - PLACE THREE

COUNCIL MEMBER - PLACE FOUR

COUNCIL MEMBER - PLACE FIVE

ATTEST:

CITY CLERK

