

**MINUTES FROM A REGULAR MEETING OF THE
COUNCIL OF MUSCLE SHOALS, ALABAMA, HELD
March 6, 2006**

The Council of Muscle Shoals, Alabama met at the Muscle Shoals City Hall in said City at 6:30 p.m. on the 6th day of March 2006 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 Bill Howard. On roll call the following members were found to be present or absent, as indicated:

PRESENT: JOE PAMPINTO, JERRY KNIGHT GRISSOM
 JAMES HOLLAND, ALLEN NOLES, DAVID H. BRADFORD
ABSENT: NEAL WILLIS

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 Pampinto and unanimously adopted, the Council waived the reading of the minutes of the previously held work session and regular meeting of February 20, 2006 and approved the minutes as written.

Mayor Bradford announced that the next item of business was the scheduling of a public hearing to consider the adoption of an Ordinance to amend the Zoning Ordinance and Zoning Map of the City of Muscle Shoals, Alabama. Mayor Bradford announced that at a meeting to be held at the City Hall in said City at 6:30 p.m. on the 3rd day of April 2006, the Council will consider the adoption of an Ordinance to amend the Zoning Ordinance and Zoning Map of said City, the proposed Ordinance being as follows:

ORDINANCE NO. _____
**AN ORDINANCE TO AMEND THE ZONING ORDINANCE AND THE
ZONING MAP OF THE CITY OF MUSCLE SHOALS, ALABAMA**

Be it ordained by the Council of the City of Muscle Shoals, Alabama, that the Zoning Ordinance and the Zoning Map of the City of Muscle Shoals, are hereby amended as follows:

That the following described areas are hereby eliminated from the R-1 and B-1 Districts in which it is now situated, and is hereby incorporated in and made a part of the R-3 District, to wit:

Commence at the northwest corner of said section 12; thence run south 89° 41' 19" east for a distance of 540.44, the point of beginning of herein described; thence continue south 89° 41' 19" east for a distance of 838.79 feet; thence run south 01° 27' 7" east for a distance of 1287.28 feet; thence run north 89° 46' 13" west for 1335.56 feet; thence run north 01° 21' 35" west for 218.83 feet; thence run south 89° 41' 19" east for 286.14 feet; thence run north 1° 27' 7" west for 963.07 feet; thence run south 89° 41' 19" east for 212.10 feet; thence run north 01° 55' 55" west for 208.76 feet to point of beginning. Tract contains 33.88 acres more or less.

At said time and place, all persons who desire to do so shall have an opportunity of being heard in opposition to or in favor of the adoption of such Ordinance.

Mayor Bradford announced that the next item of business was the scheduling of a public hearing to consider the adoption of an Ordinance to amend the Zoning Ordinance and Zoning Map of the City of Muscle Shoals, Alabama. Mayor Bradford announced that at a meeting to be held at the City Hall in said City at 6:30 p.m. on the 3rd day of April 2006, the Council will consider the adoption of an Ordinance to amend the Zoning Ordinance and Zoning Map of said City, the proposed Ordinance being as follows:

ORDINANCE NO. _____
AN ORDINANCE TO AMEND THE ZONING ORDINANCE AND THE
ZONING MAP OF THE CITY OF MUSCLE SHOALS, ALABAMA

Be it ordained by the Council of the City of Muscle Shoals, Alabama, that the Zoning Ordinance and the Zoning Map of the City of Muscle Shoals, are hereby amended as follows:

That the following described areas, recently annexed into the City and which is currently not zoned, hereby incorporated in and made a part of the M-2 District, to wit:

Section 5 Township 04 Range 10 East and being map number 12-03-05 from the Colbert County Courthouse and being described as; parcel 5.005 being 123.3 acres, parcel 6 being 100 acres, parcel 7 being 100 acres, parcel 8.001 being 58.54 acres, parcel 8 being 62 acres less property of Cole Cemetery.

At said time and place, all persons who desire to do so shall have an opportunity of being heard in opposition to or in favor of the adoption of such Ordinance.

Mayor Bradford announced that the next item of business was a public hearing to consider the approval of a Lounge Retail Liquor license - Class III (Package) to SAI Investments, LLC dba Pure Spirits of India located at 316B Woodward Avenue.

Mayor Bradford noted that proper notice of the date, time and place of said hearing had been given and that the matter was before the Council.

Mayor Bradford stated that the Council would hear from those persons in support of the issuance of the license as well as those opposed.

There being no one wishing to speak, Mayor Bradford stated that approval of the license application was before the Council. All those in favor of the application would indicate so by voting aye and those opposed would indicate by voting nay. Upon said question being put to a vote, a roll call was had and the vote recorded as follows:

AYES: None

NAYES: Council Member Pampinto, Council Member Grissom,
Council Member Holland, Council Member Noles, Mayor Bradford

Mayor Bradford thereupon announced that the vote was unanimous in favor of denial of the license application.

Mayor Bradford announced that the next item of business was a public hearing to consider the approval of a Retail Common Carrier Liquor license to Darby Aviation dba Alphajet International located at the Northwest Alabama Regional Airport.

Mayor Bradford noted that proper notice of the date, time and place of said hearing had been given and that the matter was before the Council.

Mayor Bradford stated that the Council would hear from those persons in support of the issuance of the license as well as those opposed.

There being no one wishing to speak, Mayor Bradford stated that approval of the license application was before the Council. All those in favor of the application would indicate so by voting aye and those opposed would indicate by voting nay. Upon said question being put to a vote, a roll call was had and the vote recorded as follows:

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

NAYES: None

Mayor Bradford thereupon announced that the vote was unanimous in favor of approval of the license application and the application was approved.

Mayor Bradford announced that the next item of business was consideration of an ordinance to authorize the partial refunding of the 2001 General Obligation Warrants in the amount of \$6,475,000.

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

ORDINANCE NO. 1362-06

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 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;
- (b) those of the Series 2001 Warrants having stated maturities from 2008 to 2011, inclusive, may be prepaid and redeemed at the option of the City on August 1, 2007, and on any date thereafter and those of the Series 2001 Warrants having stated maturities in 2025 and thereafter may be prepaid and redeemed at the option of the City on August 1, 2010, and on any date thereafter;
- (c) the City will realize a savings in interest costs by refunding and redeeming \$6,475,000 in principal amount of the Series 2001 Warrants (herein called the "Refunded Series 2001 Warrants");
- (d) the City proposes to refund and retire \$325,000 in principal amount of the Refunded Series 2001 Warrants at their respective stated maturities on August 1, 2006 and August 1, 2007, to prepay and redeem \$760,000 in principal amount of the Refunded Series 2001 Warrants on August 1, 2007, and to prepay and redeem \$5,390,000 in principal amount of the Refunded Series 2001 Warrants on August 1, 2010;
- (e) in order for the City to have sufficient moneys with which to redeem and retire the Series 2001 Warrants as aforesaid, 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 \$6,945,000, and in evidence of that borrowing to issue its Series 2006 Warrants hereinafter authorized; and
- (f) in order to accomplish the refunding of the Refunded Series 2001 Warrants, it is necessary and desirable for the City to deposit a portion of the proceeds of the said Series 2006 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 Trust Agreement"), hereinafter authorized, between the City and The Bank of New York Trust Company, N.A., Birmingham, Alabama, as escrow trustee (herein called the "Escrow Trustee").

Section 2. **Authorization of the Series 2006 Warrants.** Pursuant to the provisions of the constitution and laws of the State of Alabama, including particularly Section 11-81-4, Code of Alabama 1975, and for the purposes of (i) refunding the Refunded Series 2001 Warrants and (ii) paying the costs of issuance of the Series 2006 Warrants, the City is hereby authorized to issue and sell its General Obligation Refunding Warrants, Series 2006, in the aggregate principal amount of \$6,945,000. The Series 2006 Warrants shall be dated February 1, 2006, 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 Maturity</u>	<u>Principal Amount</u>	<u>Year of Maturity</u>	<u>Principal Amount</u>
2006	\$ 55,000	2014	\$ 145,000
2007	215,000	2025	570,000
2008	220,000	2026	925,000
2009	225,000	2027	965,000
2010	240,000	2028	1,000,000
2011	255,000	2029	1,045,000
		2030	1,085,000

Section 3. Interest Rates and Place of Payment. The Series 2006 Warrants shall bear interest from their date until their respective maturities at the following respective rates per annum:

3.25% for those maturing in 2006;
3.350% for those maturing in 2007;
3.450% for those maturing in 2008;
3.500% for those maturing in 2009;
3.400% for those maturing in 2010;
3.450% for those maturing in 2011;
3.600% for those maturing in 2014;
4.150% for those maturing in 2025;
4.200% for those maturing in 2026;
4.250% for those maturing in 2027;
4.300% for those maturing in 2028;
4.350% for those maturing in 2029; and
4.375% for those maturing in 2030.

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

Section 4. Optional Redemption of Series 2006 Warrants. Those of the Series 2006 Warrants maturing on August 1, 2025, 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 2006 Warrants, on August 1, 2015, 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 2006 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 2006 Warrant redeemed, equal to its par or face value plus accrued interest to the date of redemption, without penalty or premium of any kind.

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 2006 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 2006 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 2006 Warrants by depositing into the United States registered or certified mail, addressed to the named payee of each Series 2006 Warrant, at the address of such payee as the same appears on the registry books of the Bank pertaining to the Series 2006 Warrants, a notice which shall state the following: that Series 2006 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 2006 Warrant may waive the requirements of this subsection with respect to the Series 2006 Warrant or Series 2006 Warrants held by him or it without affecting the validity of the call for redemption of any other Series 2006 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 2006 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 2006 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 2006 Warrants, the Series 2006 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 2006 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 2006 Warrant so called for redemption on that date unless the Series 2006 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 2006 Warrant it shall not be liable to the holder of such applicable Series 2006 Warrant or to the City or to anyone whomsoever.

Section 5. **Mandatory Redemption of Series 2006 Warrants.** Those of the Series 2006 Warrants ("Series 2006 Term Warrants") having a stated maturity on August 1, 2014, will be subject to scheduled mandatory redemption prior to their stated maturity, at and for a redemption price equal to the principal amount thereof to be redeemed plus interest accrued to the redemption date, on August 1 in the following respective years and principal amounts:

<u>Year of Redemption</u>	<u>Principal Amount</u>
2012	\$ 45,000
2013	50,000

As a result of such mandatory redemption, \$50,000 in principal amount of Series 2006 Term Warrants will remain to be paid on August 1, 2014, their stated maturity date.

Each Series 2006 Warrant (or portion of the principal thereof) called for such mandatory redemption shall be redeemed at and for a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption. Not later than June 1 preceding each August 1 on which mandatory redemptions of Series 2006 Warrants are required to be so redeemed, the City will take such actions as are necessary to redeem the principal amount of Series 2006 Warrants required to be redeemed on such August 1.

In the event that any Series 2006 Warrants are required to be redeemed on any August 1, then at the option of the City, to be exercised on or before the June 1 next preceding such August 1, the principal amount of Series 2006 Warrants so required to be redeemed shall be reduced to the extent of the sum of the following credits:

(a) a credit equal to such principal amount of Series 2006 Warrants as shall have been delivered by the City to the Bank for cancellation and retirement and as shall not have been theretofore credited against any previous mandatory redemption of Series 2006 Warrants;

(b) a credit equal to such principal amount of Series 2006 Warrants as shall have been purchased by the City for cancellation and retirement and as shall not have been theretofore credited against any previous mandatory redemption of Series 2006 Warrants; and

(c) a credit equal to that principal amount of Series 2006 Warrants which shall have been theretofore duly called for optional redemption by the City on or before such August 1.

The Series 2006 Warrants so delivered, purchased or redeemed, as the case may be, in respect of any redemption of Series 2006 Warrants required on any August 1 shall be credited by the Bank at the face amount thereof against the principal amount of Series 2006 Warrants required to be redeemed on such August 1.

Notice of any such redemption is required to be given, not less than thirty (30) days prior to the date fixed for redemption, by United States certified or registered mail to the named payee of each of the Series 2006 Warrants.

Section 6. **General Obligation Pledge.** The indebtedness evidenced and ordered paid by the Series 2006 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 7. **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 2006 Warrants are to be issued on a parity with (i) those of the Series 2001 Warrants that will not be refunded by the Series 2006 Warrants (herein called the "Unrefunded Series 2001 Warrants") in the aggregate principal amount of \$2,295,000, (ii) 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, and (iii) the City's General Obligation Refunding Warrants, Series 2005, dated November 1, 2005 (herein called the "Series 2005 Warrants"), originally issued and now outstanding in the aggregate principal amount of \$2,750,000, insofar as the pledge of the proceeds from the Special Tax is concerned. However, the Series 2006 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, the Series 2004 Warrants or the Series 2005 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, the Series 2004 Warrants or the Series 2005 Warrants, and that no such default is imminent. Other than the Series 2001 Warrants, the Series 2004 Warrants and the Series 2005 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 6 hereof and as security for payment of the principal of and the interest on the Series 2006 Warrants and as part of the contract whereunder the money evidenced by the Series 2006 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 2006 Warrants as well as the Unrefunded Series 2001 Warrants, the Series 2004 Warrants and the Series 2005 Warrants, pro rata and without preference of one over another or of any of the Unrefunded Series 2001 Warrants, the Series 2004 Warrants or the Series 2005 Warrants over any of the Series 2006 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 Unrefunded Series 2001 Warrants, the Series 2004 Warrants, the Series 2005 Warrants, the Series 2006 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 Unrefunded Series 2001 Warrants, the Series 2004 Warrants, the Series 2005 Warrants, the Series 2006 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 2001 Warrants (certain of which are being refunded out of proceeds of the Series 2006 Warrants), the Series 2004 Warrants, the Series 2005 Warrants and the Series 2006 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 2006 Warrants, the aforesaid pledge of the Special Tax for the benefit of the Unrefunded Series 2001 Warrants, the Series 2004 Warrants, the Series 2005 Warrants and the Series 2006 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 8. Concerning Payments into the City of Muscle Shoals Warrant Fund.
The City recognizes that as a result of the issuance of the Series 2006 Warrants on a parity of lien and pledge with the Unrefunded Series 2001 Warrants, the Series 2004 Warrants and the Series 2005 Warrants insofar as the pledge of the Special Tax is concerned, the Series 2006 Warrants will be Additional Parity Securities as aforesaid and that the City will, on such account, be required, upon the issuance of the Series 2006 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 2006 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 2006 Warrants on the then next succeeding interest payment date, plus the principal (if any) of the Series 2006

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 Unrefunded Series 2001 Warrants, the Series 2004 Warrants, the Series 2005 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 Unrefunded Series 2001 Warrants, the Series 2004 Warrants, the Series 2005 Warrants and the Series 2006 Warrants and any other Additional Parity Securities that shall hereafter be issued by the City shall have been paid in full.

Section 9. Concerning the Special Tax. The City agrees that so long as any of the principal of or the interest on the Series 2006 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 2006 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 7 hereof regarding the special pledge thereof for the benefit of the Series 2006 Warrants) shall be applicable, with the necessary changes in detail, to such municipal sales tax.

Section 10. Forms of Warrants, Etc. The Series 2006 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 2006**

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 August 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. in Birmingham, Alabama, 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 2006, aggregating \$6,945,000 in principal amount (herein called the "Series 2006 Warrants"). The Series 2006 Warrants have been issued pursuant to the applicable provisions of the constitution and laws of the State of Alabama, including particularly Section 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 2006 Warrants maturing in 2025 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 2006 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, 2015, 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 2006 Warrants, at and for a redemption price, with respect to each Series 2006 Warrant redeemed, equal to its par or face amount plus accrued interest thereon to the date of redemption, without penalty or premium of any kind.

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 2006 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 2006 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 2006 Warrants for a like aggregate principal amount of Series 2006 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 2006 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 2006 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 February 1, 2006.

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

XL Capital Assurance Inc. ("XLCA"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this General Obligation Warrant, Series 2006, to Regions Bank, Mobile, Alabama, or its successor, as Paying Agent for the said warrant. **The Policy is on file and available for inspection at the office of the said Paying Agent and a copy thereof may be obtained from XLCA or the said Paying Agent.**

[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 11. Execution and Registration of Series 2006 Warrants by City. The Series 2006 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 2006 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 2006 Warrants may be a facsimile of such seal (it being understood that a condition to the validity of each Series 2006 Warrant is the appearance on such Series 2006 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 2006 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 2006 Warrants, whether initially issued or exchanged for Series 2006 Warrants of different denominations from those initially issued.

The Series 2006 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 2006 Warrants. Said officers are hereby directed so to execute, attest and register the Series 2006 Warrants.

Section 12. Registration Certificate on Series 2006 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 2006 Warrants and shall be essential to its validity.

Section 13. Registration and Transfer of Series 2006 Warrants. All the Series 2006 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 2006 Warrants as are presented for those purposes, all in the manner and to the extent hereinafter specified.

No transfer of a Series 2006 Warrant shall be valid hereunder except upon presentation and surrender of such Series 2006 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 2006 Warrant, registered in the name of such transferee and of like tenor as that presented for transfer. The person in whose name a Series 2006 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 2006 Warrants by receiving or accepting such Series 2006 Warrant, shall consent and agree and shall be estopped to deny that, insofar as the City and the Bank are concerned, the Series 2006 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 2006 Warrant during the period of fifteen (15) days next preceding any interest payment date with respect thereto; and if any Series 2006 Warrant is duly called for redemption (in whole or in part), the Bank shall not be required to register or transfer such Series 2006 Warrant during the period of thirty (30) days next preceding the redemption date.

Section 14. Exchange of Series 2006 Warrants. Upon the request of the registered holder of any of the Series 2006 Warrants, the City shall execute, and the Bank shall register and deliver, upon surrender to the Bank of any Series 2006 Warrant or Series 2006 Warrants in exchange thereof, a Series 2006 Warrant or Series 2006 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 2006 Warrant or Series 2006 Warrants so surrendered, all as may be requested by the person surrendering such Series 2006 Warrant or Series 2006 Warrants.

The registration, transfer and exchange of Series 2006 Warrants (other than pursuant to Section 18 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 15. **Accrual of Interest on Series 2006 Warrants.** All Series 2006 Warrants issued prior to August 1, 2006, in exchange for Series 2006 Warrants initially delivered hereunder, shall bear interest from February 1, 2006, and all Series 2006 Warrants issued on or after August 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 2006 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 2006 Warrant in lieu of which such new Series 2006 Warrant is issued, in which event such new Series 2006 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 2006 Warrant shall not affect any gain or loss in interest to the named payee thereof.

Section 16. **Persons to Whom Payment of Interest on Series 2006 Warrants is to be Made.** Interest on the Series 2006 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 2006 Warrants at their respective addresses shown on the registry books of the Bank pertaining to the Series 2006 Warrants. Overdue interest shall be paid by check or draft mailed by the Bank to the respective named payees of the Series 2006 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 2006 Warrants on the overdue interest payment date shall fully discharge and satisfy all liability for the same.

Section 17. **Persons Deemed Owners of Series 2006 Warrants.** The City and the Bank may deem and treat the person in whose name a Series 2006 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 2006 Warrant is registered, shall to the extent thereof fully discharge and satisfy all liability for the same.

Section 18. **Replacement of Mutilated, Lost, Stolen or Destroyed Series 2006 Warrants.** In the event any Series 2006 Warrant is mutilated, lost, stolen or destroyed, the City may execute and deliver a new Series 2006 Warrant of like tenor as that mutilated, lost, stolen or destroyed; provided that (a) in the case of any such mutilated Series 2006 Warrant, such Series 2006 Warrant is first surrendered to the City and the Bank, and (b) in the case of any such lost, stolen or destroyed Series 2006 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 2006 Warrant.

Section 19. **Sale of Series 2006 Warrants.** The Series 2006 Warrants are hereby authorized to be sold to Joe Jolly & Co., Inc., of Birmingham, Alabama, at and for a purchase price of \$6,780,576.80 (reflecting original issue discount of \$60,248.20 and underwriting discount of \$104,175.00), plus accrued interest on the Series 2006 Warrants from their date to the

date of their delivery. The Series 2006 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 2006 Warrants. The City Clerk of the City is hereby authorized and directed to deliver the Series 2006 Warrants to the said Joe Jolly & Co., Inc. upon payment to the City of the purchase price of the Series 2006 Warrants.

Section 20. **Use of Proceeds from Sale of Series 2006 Warrants.** The entire proceeds derived from the sale of the Series 2006 Warrants shall be applied as follows:

(a) that part of the said proceeds that represents accrued interest on the Series 2006 Warrants from their date to the date of payment for the Series 2006 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 2006 Warrants on August 1, 2006;

(b) the sum of \$6,697,251.56 shall be transferred to the Escrow Trustee for deposit in the Escrow Fund created in the Escrow Trust Agreement;

(c) the sum of \$34,215.59 shall be paid to XL Capital Assurance Inc. for the premium for the Municipal Bond Insurance Policy described in Section 27 hereof; and

(d) the balance of said proceeds shall be used to pay the expenses of issuance of the Series 2006 Warrants.

Section 21. **Provisions Constitute Contract.** The provisions of this ordinance shall constitute a contract between the City and the holders of the Series 2006 Warrants.

Section 22. **Series 2006 Warrants Payable at Par.** Each bank at which the Series 2006 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 2006 Warrants that all payments made by it of the Series 2006 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 2006 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 2006 Warrants.

Section 23. **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 24. **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 2006 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 2006 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 2006 Warrants is hereby authorized.

Section 25. **Authorization of Escrow Trust Agreement.** The City is hereby authorized to refund the Series 2001 Warrants in accordance with the provisions of the Escrow Trust Agreement which is to be entered into by the City and the aforesaid The Bank of New York Trust Company, N.A., Birmingham, Alabama, as the Escrow Trustee. The Escrow Trust

Agreement shall be in such forms 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 the said Mayor 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 26. Tax Covenants. The City recognizes that the holders from time to time of the Series 2006 Warrants will have accepted them on, and paid therefor a price which reflects, the understanding that interest on the Series 2006 Warrants is excluded from gross income for federal income tax purposes under the laws in force at the time the Series 2006 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 2006 Warrants to be includable in gross income for federal income taxation purposes, that it will use the proceeds of the Series 2006 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 2006 Warrants, would not cause the Series 2006 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 2006 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 2006 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 2006 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 2006 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 2006 Warrants.

The City and the Bank recognize that the provisions of the Internal Revenue Code of 1986, as amended, require that the Series 2006 Warrants be in "registered form", and that each Series 2006 Warrant must be registered as to both principal and interest and any transfer of any Series 2006 Warrant must be effected only by the surrender of the old Series 2006 Warrant and either by the reissuance of the old Series 2006 Warrant to a new named payee or the issuance of a new Series 2006 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 2006 Warrants. The provisions of this ordinance pertaining to transfer, exchange or reissuance of Series 2006 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 27. Special Provisions Respecting Financial Guaranty Insurance.

(a) Actions for which Consent of XL Capital Assurance is Required. The Council recognizes that payment of the principal of and the interest on the Series 2006 Warrants has been unconditionally insured by XL Capital Assurance, Inc. ("XL Capital Assurance") by a Municipal Bond Insurance Policy (the "Municipal Bond Insurance Policy") issued by XL Capital Assurance. Any provision of this resolution (the "Authorizing Resolution") expressly recognizing or granting rights in or to XL Capital Assurance may not be amended in any manner which affects the rights of XL Capital Assurance hereunder without the prior written consent of XL Capital Assurance. Unless otherwise provided in this section, XL Capital Assurance's consent shall be required for the following purposes: (i) any amendment, supplement or change to or modification of the Authorizing Resolution; and (ii) initiation or approval of any action of the City with respect to the Series 2006 Warrants other than amendment of the Authorizing Resolution. Any reorganization or liquidation plan with respect to the City must be acceptable to XL Capital Assurance. In the event of any reorganization or liquidation, XL Capital Assurance shall have the right to vote on behalf of all holders of the Series 2006 Warrants absent a default by XL Capital Assurance under the Municipal Bond Insurance Policy insuring such Series 2006 Warrants. Anything in this Authorizing Resolution to the contrary notwithstanding, upon the occurrence and continuation of an event of default in payment of the Series 2006 Warrants, XL Capital Assurance shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Series 2006 Warrants or the Bank for the benefit of the holders of the Series 2006 Warrants under this Authorizing Resolution.

(b) Notices to be Given to XL Capital Assurance. While the Municipal Bond Insurance Policy is in effect, the City shall furnish to XL Capital 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, at no cost to XL Capital Assurance;
- (ii) a copy of any notice to be given to the registered owners of the Series 2006 Warrants, including, without limitation, notice of any redemption of or defeasance of Series 2006 Warrants, and any certificate rendered pursuant to this Authorizing Resolution relating to the security for the Series 2006 Warrants, at no cost to XL Capital Assurance; and
- (iii) such additional information as XL Capital Assurance may reasonably request.

The Bank will furnish the information set forth in subsection (a) above only to the extent it has said information in its possession and only after notice from XL Capital Assurance that the City has failed to furnish the same to it. The Bank shall notify XL Capital Assurance of any failure of the City to provide notices, certificates, or other such documentation required to be delivered by the City hereunder.

The City will permit XL Capital Assurance to discuss the affairs, finances and accounts of the City or any information XL Capital Assurance may reasonably request regarding the security for the Series 2006 Warrants with appropriate officers of the City. The Bank or the City as appropriate, will permit XL Capital Assurance to have access to and to make copies of all books and records relating to the Series 2006 Warrants at any reasonable time; provided, however, that XL Capital Assurance shall seek documents from the Bank only to the extent that the City has refused to furnish the same or said documents are not in the possession of the City.

XL Capital 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 XL Capital 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 registered owner of the Series 2006 Warrants.

(c) Payments Under the Policy. If, on the third business day prior to the related scheduled interest payment date or principal payment date ("Payment Date"), there is not on deposit with the Bank under the Authorizing Resolution, after making all transfers and deposits required under the Authorizing Resolution, moneys sufficient to pay the principal of, and interest on, the Series 2006 Warrants due on such Payment Date, the Bank shall give notice to XL Capital Assurance and to its designated agent (if any) (the "Insurer's Fiscal Agent"), by telephone or telecopy, of the amount of such deficiency by 10:00 a.m., New York City time, on such business day. If, on the business day prior to the related Payment Date, there is not on deposit with the Bank moneys sufficient to pay the principal of, and interest on, the Series 2006 Warrants due on such Payment Date, the Bank shall make a claim under the Municipal Bond Insurance Policy and give notice to XL Capital Assurance and the Fiscal Agent of XL Capital Assurance (if any) by telephone of the amount of any deficiency in the amount available to pay principal and interest, and the allocation of such deficiency between the amount required to pay interest on the Series 2006 Warrants and the amount required to pay principal of the Series 2006 Warrants, confirmed in writing to XL Capital Assurance and to the Fiscal Agent of XL Capital Assurance by 10:00 a.m., New York City time, on such business day, by delivering the Notice of Nonpayment and Certificate.

For the purposes of the preceding paragraph, "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from the Bank to XL Capital Assurance, which notice shall specify (a) the name of the entity making the claim, (b) the policy number, (c) the claimed amount and (d) the date such claimed amount will become Due for Payment. "Nonpayment" means the failure of the City to have provided sufficient funds to the Bank for payment in full of all principal of, and interest on, the Series 2006 Warrants that are Due for Payment. "Due for Payment", when referring to the principal of Series 2006 Warrants, means when the stated maturity date or mandatory redemption date for the application of a required sinking fund installment has been reached and does not refer to any earlier date on which payment is due by reason of call or other redemption (other than by application of required sinking fund installments, acceleration or other advancement of maturity, unless XL Capital Assurance shall elect, in its sole discretion, to pay such principal due upon such acceleration; and when referring to interest on Series 2006 Warrants, means when the stated date for payment of interest has been reached. "Certificate" means a certificate in form and substance satisfactory to XL Capital Assurance as to the Bank's right to receive payment under the Municipal Bond Insurance Policy.

The Bank shall designate any portion of payment of principal on Series 2006 Warrants paid by XL Capital Assurance at maturity on its books as a reduction in the principal amount of Series 2006 Warrants registered to the then current Holder thereof, whether Depository Trust Company or its nominee or otherwise, and shall issue one or more replacement Series 2006 Warrants to XL Capital Assurance, registered in the name of XL Capital Assurance, as the case

may be, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Bank's failure to so designate any payment or issue any replacement Series 2006 Warrants shall have no effect on the amount of principal or interest payable by the City on any Series 2006 Warrants or the subrogation rights of XL Capital Assurance.

The Bank shall keep a complete and accurate record of all funds deposited by XL Capital Assurance into the Policy Payments Account (as hereinafter defined) and the allocation of such funds to payment of interest on and principal paid with respect to any Series 2006 Warrant. XL Capital Assurance shall have the right to inspect such records at reasonable times upon reasonable notice to the Bank.

Upon payment of a claim under the Municipal Bond Insurance Policy, the Bank shall establish a separate special purpose trust account for the benefit of holders of Series 2006 Warrants referred to herein as the "Policy Payments Account" and over which the Bank shall have exclusive control and sole right of withdrawal. The Bank shall receive any amount paid under the Municipal Bond Insurance Policy in trust on behalf of holders of Series 2006 Warrants and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Bank to holders of Series 2006 Warrants in the same manner as principal and interest payments are to be made with respect to the Series 2006 Warrants under the provisions hereof regarding payment of Series 2006 Warrants. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Funds held in the Policy Payments Account shall not be invested by the Bank and may not be applied to satisfy any costs, expenses or liabilities of the Bank.

Any funds remaining in the Policy Payments Account following a Series 2006 Warrant payment date shall promptly be remitted to XL Capital Assurance.

(d) XL Capital Assurance as Third Party Beneficiary. To the extent that this Authorizing Resolution confers upon or gives or grants to XL Capital Assurance any right, remedy or claim under or by reason of this Authorizing Resolution, XL Capital 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.

Section 28. Continuing Disclosure. The City hereby covenants, for the benefit of the Holders of the Series 2006 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 28 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 2006 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 2006 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 2006 Warrants;
- (g) Modifications to rights of Holders of Series 2006 Warrants;
- (h) Calls for redemption of any of the Series 2006 Warrants;
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the Series 2006 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 2006 Warrants or (b) when all of the Series 2006 Warrants shall be deemed to be paid within the meaning of this ordinance and the pledge of this ordinance with respect to the Series 2006 Warrants has been discharged and satisfied.

Any holder of a Series 2006 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 28 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 28 shall be an action to compel performance.

Section 29. **Defeasance.** For purposes of this ordinance, any of the Series 2006 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 2006 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 2006 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 2006 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 2006 Warrants by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Series 2006 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 2006 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 2006 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 2006 Warrant with respect to which provision for payment of the principal of and interest on such Series 2006 Warrant shall have been made in accordance with the provisions of this section.

Section 30. **Series 2006 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 2006 Warrants as "qualified tax-exempt obligations" for purposes of said Section 265(b)(3).

Section 31. **Refunded Series 2001 Warrants Called for Redemption.** The City hereby calls \$175,000 in principal amount of those of the Series 2001 Warrants having a stated maturity in 2008, \$180,000 in principal amount of those of the Series 2001 Warrants having a stated maturity in 2009, \$195,000 in principal amount of those of the Series 2001 Warrants having a stated maturity in 2010, and \$210,000 of those of the Series 2001 Warrants have a stated maturity in 2011 for redemption on August 1, 2007, and will redeem and pay those of the

aforesaid Series 2001 Warrants on that date, at and for a redemption price equal to the par or face amount of each such Series 2001 Warrant redeemed plus interest to August 1, 2007, and a premium of 2% of the said par or face amount of each such Series 2001 Warrant so redeemed. The City hereby calls \$520,000 in principal amount of those of the Series 2001 Warrants having a stated maturity in 2025, \$875,000 in principal amount of those of the Series 2001 Warrants having a stated maturity in 2026, \$925,000 in principal amount of those of the Series 2001 Warrants having a stated maturity in 2027, \$970,000 in principal amount of those of the Series 2001 Warrants having a stated maturity in 2028, \$1,025,000 in principal amount of those of the Series 2001 Warrants having a stated maturity in 2029, and \$1,075,000 in principal amount of those of the Series 2001 Warrants having a stated maturity in 2030 for redemption on August 1, 2010, and will redeem and pay those of the aforesaid Series 2001 Warrants on that date, at and for a redemption price equal to the par or face amount of each such Series 2001 Warrant redeemed plus interest to August 1, 2010, and a premium of 2% of the said par or face amount of each such Series 2001 Warrant so redeemed

Section 32. **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 2006 Warrants and to carry out fully the financing authorized by this ordinance.

Council Member Pampinto moved that unanimous consent be given for immediate consideration of and adoption of said Ordinance, which motion was seconded by Council Member Noles 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 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 Pampinto then moved that the reading at length of said Ordinance be waived and it be finally adopted, which motion was seconded by Council Member Noles 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 Grissom,
Council Member Holland, Council Member Noles, Mayor Bradford
NAYS: None
Mayor Bradford thereupon declared said motion carried and the Ordinance approved.

Mayor Bradford announced that the next item of business was consideration of an ordinance to amend the 2005 National Electrical Code .

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

ORDINANCE NO. 1363-06

AN ORDINANCE TO AMEND ORDINANCE NUMBER 1347-05 PERTAINING TO THE ADOPTION OF VARIOUS STANDARD CODES RELATING TO INSPECTION ACTIVITIES OF THE CITY OF MUSCLE SHOALS, ALABAMA AND ENFORCEMENT OF BUILDING PROVISIONS AS PROVIDED IN SAID CODES.

WHEREAS, it is the desire of the City Council of the City of Muscle Shoals, to amend Section III of Ordinance No. 1347-05, adopted by the City Council of the City of Muscle Shoals, Alabama on August 15, 2005, said Section III relating to the electrical code; and

WHEREAS, the adoption of the amendment is done to facilitate proper inspection activities by the City of Muscle Shoals, relating to construction and to maintenance of buildings and improvements within the corporate limits of said city and relating to public safety, health and general welfare:

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF MUSCLE SHOALS, ALABAMA, that:

1. Section III of Ordinance 1347-05, adopted by the City of Muscle Shoals, Alabama on August 15, 2005, is hereby amended to read in full as follows, to wit:
III. 2005 National Electrical Code with the following modifications:

- (A) Section 680.26 Equipotential Bonding shall become effective on January 1, 2006.

The following language shall apply as applicable:

Equipotential Bonding Grid. The parts specified in 680.26 (B) shall be connected to an equipotential bonding grid with a solid copper conductor, insulated, covered, or bare, not smaller than 8 AWG or rigid metal conduit of brass or other identified corrosion-resistant metal conduit. Connection shall be made by exothermic welding or by listed pressure connectors or clamps that are labeled as being suitable for the purpose and are of stainless steel, brass, copper, or copper alloy. The equipotential bonding grid shall conform to the contours of the pool and shall extend within or under paved walking surfaces for 1 m (3 ft.) horizontally beyond the inside walls of the pool and shall be permitted to be any of the following:

Exception: The equipotential bonding grid shall not be required to be installed under the bottom of or vertically along the walls of vinyl lined polymer wall, fiberglass composite, or other pools constructed of nonconductive materials. Any metal parts of the pool, including metal structural supports, shall be bonded in accordance with 680.26 (B). For purposes of this section, poured concrete, pneumatically applied (sprayed) concrete and concrete

block, with painted or plastered coatings, shall be considered conductive material.

Structural Reinforcing Steel. The structural reinforcing steel of a concrete pool or deck where the reinforcing rods are bonded together by the usual steel tie wires or the equivalent. Where deck reinforcing steel is not an integral part of the pool, the deck reinforcing steel shall be bonded to other parts of the bonding grid using a minimum 8AWG solid copper conductor. Connection shall be per 680.26 (D).

(B) Notwithstanding any provision of the said 2005 National Electrical Code to the contrary, or any provision herein, the following requirements or prohibitions shall apply within the corporate limits of the City of Muscle Shoals, Alabama:

1] No aluminum wire shall be used in the construction of residential or commercial structures.

[2] Smoke detectors shall be located in every bedroom and adjacent to sleeping quarters. Said smoke detectors shall be hard wired and equipped with battery backup. Said smoke detectors shall be interlinked.

[3] Carbon monoxide detectors shall be installed in new homes that are equipped with gas appliances. Said carbon monoxide detectors shall be hard wired and equipped with battery backup.

[4] No 14 gauge wiring shall be used in residential construction.

[5] No 100 or 125 amp services shall be allowed in residential or commercial construction if the structure is heated or cooled with electricity. In such residential or commercial construction heated or cooled by electricity only a 200 amp minimum service shall be allowed.

[6] The enforcement of the four wire system, so that each circuit will have a dedicated neutral and ground, is required.

[7] All service panels used in residential and commercial construction shall be equipped with a separate grounding and neutral bar.

2. Sections I, II, IV, V, VI and VII of Ordinance No. 1347-05 adopted by the City Council of the City of Muscle Shoals, Alabama on August 15, 2005, shall remain in full force and effect.

3. All other provisions of Ordinance No. 1347-05 adopted by the City Council of the City of Muscle Shoals, Alabama on August 15, 2005, shall remain in full force and effect.

BE IT FURTHER ORDAINED that this Ordinance, and its provisions, shall become effective upon publication or posting pursuant to law or as otherwise provided for by law.

Council Member Noles moved that unanimous consent be given for immediate consideration of and adoption of said Ordinance, 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 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 reading at length of said Ordinance be waived and it be finally adopted, 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 Grissom,
Council Member Holland, Council Member Noles, Mayor Bradford
NAYS: None

Mayor Bradford thereupon declared said motion carried and the Ordinance approved.

Mayor Bradford announced that the next item of business was consideration of a business license request from Baccus Ambulance Service.

Council Member Grissom moved that the request for an ambulance license be granted. Council Member Holland seconded the motion and upon said motion being put to a vote, all voted "AYE" and "NAYS" were none.

Mayor Bradford announced that the license had been approved.

There being no further business to come before the meeting, upon the motion duly made and approved the meeting was adjourned.

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