

ORDINANCE NO. 2006-7

BE IT ORDAINED by the Mayor and City Council (herein together called the "Council") of the City of Hamilton, 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 1997, dated August 1, 1997 (herein called the "Series 1997 Warrants"), originally issued in the aggregate principal amount of \$7,000,000 and now outstanding in the aggregate principal amount of \$5,330,000;

(b) those of the Series 1997 Warrants having stated maturities in 2008 and thereafter may be prepaid and redeemed at the option of the City on August 1, 2007, and on any interest payment date thereafter;

(c) the City will realize a savings in its net interest cost by refunding the Series 1997 Warrants to provide for payment of the principal of and the interest on the Series 1997 Warrants to and until August 1, 2007, and by prepaying and redeeming those of the Series 1997 Warrants having stated maturities in 2008 and thereafter on August 1, 2007, the earliest date upon which the Series 1997 Warrants may be so prepaid and redeemed;

(d) in order for the City to have sufficient moneys with which to refund and retire the Series 1997 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 \$5,565,000, and in evidence of that borrowing to issue the Series 2006 Warrants hereinafter authorized; and

(e) in order to accomplish the refunding of the Series 1997 Warrants, it is also necessary and desirable for the City to deposit certain 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 U.S. Bank National Association, 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 Series 1997 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 \$5,565,000. The Series 2006 Warrants shall be dated December 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>
2007	\$ 165,000	2015	\$ 355,000
2008	275,000	2016	370,000
2009	290,000	2017	380,000
2010	300,000	2018	395,000
2011	305,000	2019	410,000
2012	315,000	2020	430,000
2013	330,000	2021	445,000
2014	340,000	2022	460,000

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:

<u>Year of Maturity</u>	<u>Rate</u>
2007	3.500%
2008	3.500
2009	3.500
2010	3.500
2011	3.500
2012	3.500
2013	4.000
2014	3.600
2015	3.650
2016	3.700
2017	3.750
2018	3.800
2019	3.850
2020	3.875
2021	4.030
2022	4.000

Such interest shall be payable on February 1, 2007, 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 U.S. Bank

National Association in Birmingham, Alabama (herein called the "Bank") or its successor as register and paying agent for the Series 2006 Warrants, 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. Any such payment 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 following such interest payment date) upon which the same shall be due and payable. The principal of and the interest on the Series 2006 Warrants shall bear interest after their respective due dates until paid at the rate of Six Percent (6%) per annum.

Section 4. Optional Redemption of Series 2006 Warrants. Those of the Series 2006 Warrants maturing on August 1, 2015 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, 2014, 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, those to be so 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, her 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. 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 6. Warrant Fund. There is hereby created a special trust fund designated the "Warrant Principal and Interest Fund" (herein called the "Warrant Fund"), which shall be maintained until the principal of and the interest on the Series 2006 Warrants and any Additional Warrants shall have been paid in full. First National Bank of Hamilton, Hamilton, Alabama is hereby designated as the custodian, depository and disbursing agent for the Warrant Fund. The City will pay or cause to be paid into the Warrant Fund the following:

(a) Promptly upon the sale of the Series 2006 Warrants, the City will pay into the Warrant Fund or cause to be paid therein the amounts required to be paid therein under the provisions of paragraph (a) of Section 18 hereof;

(b) On or before the last business day of January, 2007, the City will pay into the Warrant Fund an amount which when added to the amount on deposit in the Warrant Fund and available for that purpose, will be equal to the installment of interest that will mature with respect to the Series 2006 Warrants on February 1, 2007;

(c) On or before the last business day of February, 2007, and on or before the last business day of each succeeding calendar month to and including July, 2007, the City will pay into the Warrant Fund an amount which, when added to the amounts on deposit in the Warrant Fund and available for that purpose, will be equal to one-sixth (1/6) of the semiannual installment of interest that will mature with respect to the Series 2006 Warrants on August 1, 2007 plus one-sixth (1/6) of the

installment of principal that will mature with respect to the Series 2006 Warrants on August 1, 2007; and

(d) On or before the last business day of August, 2007, and on or before the last business day of each succeeding calendar month thereafter until the principal of and the interest on the Series 2006 Warrants have been paid in full or until provision shall have been made for the payment thereof, the City will pay into the Warrant Fund an amount which, when added to the amounts on deposit in the Warrant Fund and available for that purpose, will be equal to one-sixth (1/6) of the semiannual installment of interest that will mature with respect to the Series 2006 Warrants on the then next succeeding interest payment date plus one-twelfth (1/12) of the installment of principal that will mature with respect to the Series 2006 Warrants on the then next ensuing August 1;

provided that there shall be credited against any amount required to be paid into the Warrant Fund any amount then held in the Warrant Fund, from whatever source derived (including, without limitation, interest earnings on amounts held in the Warrant Fund).

The payments herein required to be made into the Warrant Fund shall be made from any available funds of the City, and the City will in no event allow a default to occur in the payments into the Warrant Fund. The moneys in the Warrant Fund shall be used solely for payment of the principal of and the interest on the Series 2006 Warrants upon or after their respective maturities. Whenever there is on deposit in the Warrant Fund an amount equal to or in excess of the aggregate of the principal and interest thereafter coming due on the Series 2006 Warrants then outstanding, the City shall not be required to make any further payments therein except to make good any moneys therein that may become lost or otherwise unavailable for withdrawal. When all the Series 2006 Warrants have been retired and no principal or interest shall be outstanding with respect thereto, any moneys then remaining on deposit in the Warrant Fund shall be returned to the City.

Section 7. Concerning the Warrant Fund. In the event that First National Bank of Hamilton (or any successor depository for the Warrant Fund that may be hereafter designated as herein provided) should at any time decline to act as such depository, or should resign as such depository, or should cease to be a member of the Federal Deposit Insurance Corporation (or any agency of the United States of America that may succeed to its functions), or should cease to be duly qualified to do business within the State of Alabama, then the Council shall by resolution designate a successor to such depository; provided that any successor depository so designated shall be and remain a member of the Federal Deposit Insurance Corporation (or of any agency of the United States of America that may succeed to its functions) and shall be and remain duly qualified to do business in the State of Alabama. The moneys on deposit in the Warrant Fund shall constitute public funds impressed with a trust for the benefit of the City and the holders of the Series 2006 Warrants. The depository for the Warrant Fund shall at all times keep all moneys on deposit therein secured by pledging securities that are direct general obligations of the United States of America or securities with respect to which payment of the principal and interest is unconditionally guaranteed by the United States of America (any such securities being herein called "Federal Securities") having a market value at least equal to the amount on deposit therein, said pledge to be accomplished either

(a) by the deposit of such Federal Securities, in trust for the benefit of the City and the holders of the Series 2006 Warrants, with another bank or trust company, or

(b) by the deposit of such Federal Securities, in trust for the benefit of the City and the holders of the Series 2006 Warrants, with its own trust department, wholly separate and apart from its other assets;

provided, however, that such depository shall not be required so to secure any portion of the moneys on deposit in the Warrant Fund that is insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions or that is invested pursuant to the provisions of this Section 7.

First National Bank of Hamilton shall, to the extent practicable, cause all the moneys held in the Warrant Fund (exclusive of any amount held therein for payment of matured but unpaid Series 2006 Warrants, Series 2006 Warrants called for redemption but not yet redeemed and matured but unpaid interest) that will not be needed, during the then next ensuing ten days, for payment of any maturing installment of principal of or interest on the Series 2006 Warrants or for payment of the redemption price of any Series 2006 Warrant called for redemption, to be kept continuously invested at the written direction of the City in Federal Securities, money market funds invested solely in Federal Securities, or in interest-bearing bank deposits having such stated maturities as will assure the availability of cash moneys necessary to provide for payment and redemption of the principal of and the interest on the Series 2006 Warrants, as such principal and interest respectively become due and payable (whether at maturity, upon earlier call for redemption or otherwise). All Federal Securities or interest-bearing bank deposits in which any portion of the moneys in the Warrant Fund are invested, together with all income therefrom, shall become a part of the Warrant Fund.

In the event that at any time the moneys held in the Warrant Fund are sufficient to effect retirement of all the Series 2006 Warrants or in the event that at any time the total of the moneys held in the Warrant Fund equals or exceeds the aggregate principal of the Series 2006 Warrants then outstanding plus the aggregate interest thereon then due and to become due until the maturity thereof, then and in either of such events no further payments need thereafter be made into the Warrant Fund unless (i) further payments are needed to make good moneys paid therein that may have been lost for any reason whatsoever, or (ii) the Series 2006 Warrants thereafter become subject to redemption under any of the provisions hereof and further payments into the Warrant Fund are needed to effect such redemption.

Section 8. Form of Series 2006 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:

No. R-__

\$ _____

UNITED STATES OF AMERICA

STATE OF ALABAMA

CITY OF HAMILTON

GENERAL OBLIGATION REFUNDING WARRANT
Series 2006

INTEREST RATE

MATURITY DATE

CUSIP

Subject to prior payment and other provisions as herein provided

The City Treasurer of the CITY OF HAMILTON, a municipal corporation under the laws of 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 as herein set out, the principal sum of

D O L L A R S

on the 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, 2007, and semiannually on each February 1 and August 1 thereafter until and at the maturity hereof. The principal hereof shall be payable in lawful money of the United States of America at the principal office of U.S. Bank National Association in Birmingham, Alabama (herein called the "Bank") upon presentation and surrender hereof, and the interest hereon shall be paid by check or money order mailed to the named payee hereof at the address of the said payee as it appears on the registry books of the Bank pertaining to the Series 2006 Warrants hereinafter referred to. 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 following such interest payment date) upon which it shall become due. Both the principal hereof and the interest hereon shall bear interest after their respective due dates until paid at the rate of Six Percent (6%) per annum.

This warrant is one of an issue aggregating \$5,565,000 in principal amount (herein called the "Series 2006 Warrants"), which are authorized to be issued pursuant to the applicable provisions of the constitution and laws of Alabama, including particularly Section 11-81-4, Code of Alabama 1975, as well as an ordinance duly adopted by the governing body of the City, for purposes for which the City is authorized by law to borrow money and to issue warrants. Those of the Series 2006 Warrants having stated maturities in 2015 and thereafter are subject to redemption and

payment prior to their stated 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 to be so redeemed shall be selected by lot), on August 1, 2014, and on any date thereafter, upon not less than thirty (30) days prior written notice given by United States First Class mail to the named payee of each of the Series 2006 Warrants to be redeemed, 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.

The indebtedness evidenced and ordered paid by this warrant is 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 have been irrevocably pledged.

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 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 applicable 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 ordinance of the City under which the Series 2006 Warrants were authorized to be issued 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 aforesaid ordinance of the City.

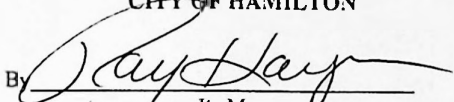
This warrant is transferable by the named payee hereof, in person or by authorized attorney, only on the books of the Bank (the registrar and transfer agent of the City) and only upon surrender of this warrant to the Bank for cancellation, and upon any such transfer a new Warrant of like tenor hereof will be issued to the transferee in exchange therefor, all as more particularly described in the aforesaid ordinance of the City. 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 aforesaid ordinance of the City.

The Bank shall not be required to transfer or exchange this warrant during the period of fifteen (15) days next preceding any February 1 or August 1; and, in the event that this warrant (or any principal portion hereof) is duly called for redemption and prepayment, the Bank shall not be required to register or transfer this warrant during the period of forty-five (45) days next preceding the date fixed for such redemption and prepayment.

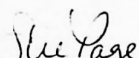
Execution by the Bank of the registration certificate hereon is essential to the validity hereof.

IN WITNESS WHEREOF, the City has caused this warrant to be executed by its Mayor, has caused its official seal to be hereunto affixed, has caused this warrant to be attested by its City Clerk and has caused this warrant to be dated December 1, 2006.

CITY OF HAMILTON

By 
Its Mayor

ATTEST:


Its City Clerk

[Form of Registration Certificate]

This Warrant was registered in the name of the above-registered owner this ____ day of _____, 20__.

REGIONS BANK

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 U.S. Bank National Association, Birmingham, 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.**