

## ORDINANCE NO. 2009-14

BE IT ORDAINED by the Mayor and City Council of the CITY OF HAMILTON, ALABAMA, as follows:

Section 1. **Findings.** The Mayor and City Council (herein called the "Council"), which is the governing body of the City of Hamilton, Alabama (herein called the "City"), have found and ascertained and do hereby declare as follows:

(a) the City has heretofore issued its General Obligation Water System Refunding Warrants, Series 1998, dated June 1, 1998 (herein called the "Series 1998 Warrants"), originally issued in the aggregate principal amount of \$6,365,000 and now outstanding in the aggregate principal amount of \$4,635,000;

(b) those of the Series 1998 Warrants having stated maturities in 2010 and thereafter may be prepaid and redeemed at the option of the City on November 1, 2009, and on any interest payment date thereafter;

(c) the City will realize a savings in its net interest cost by refunding the Series 1998 Warrants, which refunding shall provide for payment of the principal of and the interest on the Series 1998 Warrants that shall be due on November 1, 2009, and by prepaying and redeeming those of the Series 1998 Warrants having stated maturities in 2010 and thereafter on November 1, 2009, the earliest date upon which the Series 1998 Warrants may be so prepaid and redeemed;

(d) the City has also borrowed the sum of \$525,000 from First National Bank of Hamilton, which borrowing is evidenced by a promissory note (herein called the "Outstanding Promissory Note") of the City;

(e) the City has now determined that it is advantageous to the City for the City to refund the indebtedness evidenced by the Outstanding Promissory Note, so that the said indebtedness will be due and payable over an extended period;

(f) it is therefore necessary and desirable, and in the best interest of the City and its residents, for the City to borrow the principal sum of \$5,435,000 in order to effect a refunding of the Series 1998 Warrants and of the Outstanding Promissory Note, and in evidence of that borrowing, to issue the Series 2009 Warrants hereinafter authorized; and

(g) in order to accomplish the said refunding of the Series 1998 Warrants, it is also necessary and desirable for the City to deposit certain of the proceeds of the said Series 2009 Warrants into a special irrevocable escrow fund (herein called the "Escrow Fund") to be established pursuant to an Escrow Trust Agreement to be dated August 1, 2009 (herein called the "Escrow Trust Agreement") hereinafter authorized, between the City and U.S. Bank National Association, Birmingham, Alabama, as escrow trustee.

Section 2. **Authorization of the Series 2009 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 1998 Warrants and the Outstanding Promissory Note, and (ii) paying the expenses of issuance of the Series 2009 Warrants, there are hereby authorized to issued by the City \$5,435,000 in aggregate principal amount of its General Obligation Refunding Warrants, Series 2009 (herein called the "Series 2009 Warrants"). The Series 2009 Warrants shall be dated August 1, 2009, shall be issued in fully registered form, shall be in the denominations of integral multiples of \$5,000 (which are herein called "Authorized Denominations"), and shall mature on November 1 in the following respective principal amounts and years:

Principal

Year	Amount
2009	\$350,000
2010	515,000
2011	535,000
2012	550,000
2013	555,000
2014	575,000
2015	585,000
2016	605,000
2017	625,000
2018	540,000

Those of the Series 2009 Warrants maturing in 2009, as well as \$190,000 in principal amount of those of the Series 2009 Warrants maturing in 2010 are being issued to pay and retire the Outstanding Promissory Note; and the balance of the Series 2009 Warrants are being issued in order to refund and retire the Series 1998 Warrants.

**Section 3. Interest Rates and Place of Payment.** The Series 2009 Warrants shall bear interest from their date until their respective maturities at the following per annum rate:

2.00% on those maturing in 2009, 2010, 2011 and 2012; 2.50% on those maturing in 2013 2.75% on those maturing in 2014 3.00% on those maturing in 2015 3.25% on those maturing in 2016 3.50% on those maturing in 2017 3.625% on those maturing in 2018

Such interest shall be payable on November 1, 2009, and semiannually on each May 1 and November 1 thereafter until and at the maturity of the Series 2009 Warrants. The principal of and premium, if any, on the Series 2009 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 registrar and paying agent for the Series 2009 Warrants. Interest on the Series 2009 Warrants shall be paid by check or draft mailed or otherwise delivered by the Bank to the persons to whom the Series 2009 Warrants are respectively payable at their addresses as they appear on the registrar books of the Bank pertaining to the Series 2009 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 2009 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 2009 Warrants.** Those of the Series 2009 Warrants

maturing on November 1, 2017, 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 2009 Warrants, on November 1, 2016, 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 2009 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 2009 Warrant redeemed, equal to the par or face amount thereof plus accrued interest to the date fixed for 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 2009 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 2009 Warrants. If less than all of the Series 2009 Warrants are so called for redemption, such resolution shall specify the maturity and maturities (and respective principal amounts) of those Series 2009 Warrants being called for redemption.

(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 2009 Warrants by depositing into the United States registered or certified mail, addressed to the named payee of each Series 2009 Warrant, at the address of such payee as the same appears on the registry books of the Bank pertaining to the Series 2009 Warrants, a notice which shall state that Series 2009 Warrants in a stated aggregate principal amount and from specified maturities 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 2009 Warrant may waive the requirements of this subsection with respect to the Series 2009 Warrant or Series 2009 Warrants held by it without affecting the validity of the call for redemption of any other Series 2009 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 2009 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 2009 Warrants so called for redemption.

Upon compliance with the foregoing requirements on its part contained in this Section 4, 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 2009 Warrants, the Series 2009 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 2009 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 2009 Warrant so called for redemption on that date unless the Series 2009 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 2009 Warrant, it shall not be liable to the holder of such applicable Series 2009 Warrant or to the City or to anyone whomsoever.

**Section 5. General Obligation and Special Pledges.** The indebtedness evidenced and ordered paid by the Series 2009 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.

In addition thereto, as security for payment of such principal and interest and as part of the contract whereunder the indebtedness evidenced by the Series 2009 Warrants is borrowed, the City hereby irrevocably pledges for 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 following:

- (a) the proceeds from the privilege license tax (the "Sales Tax Proceeds") levied by the City on the privilege of selling tangible personal property at retail within the corporate limits of the City;
- (b) the proceeds from the occupational license fee (the "Occupational Tax Proceeds") levied by the City on the gross compensation of individuals engaged in any trade, occupation or profession for work done or services rendered within the corporate limits of the City; and
- (c) the proceeds from the general municipal ad valorem tax (the "Ad Valorem Tax Proceeds") authorized to be levied on all taxable property located within the corporate limits of the City by the Constitution of Alabama of 1901.

The pledge herein made is for the benefit of all the Series 2009 Warrants, pro rata and without preference of one over another; provided that while no default exists in payment of the principal of and the interest on the Series 2009 Warrants, such amount of the Sales Tax Proceeds, the Occupational Tax Proceeds and the Ad Valorem Tax Proceeds that shall be necessary to meet the requirements set forth in Section 8 hereof shall be paid into the Warrant Fund created in Section 8 hereof, in order to provide for payment of the principal of and the interest on the Series 2009 Warrants when due. After so much of the Sales Tax Proceeds, the Occupational Tax Proceeds and the Ad Valorem Tax Proceeds (which are herein together called the "Pledged Tax Proceeds") as shall be necessary to pay the principal of and the interest on the Series 2009 Warrants shall have been paid into the said Warrant Fund, any balance of the Pledged Tax Proceeds remaining while all payments hereinafter provided to be made into said Warrant 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 payable out of or secured by a special pledge of any of the Pledged Tax Proceeds; and that upon the issuance of the Series 2009 Warrants, the aforesaid pledge for the benefit of the Series 2009 Warrants will be prior and superior to any pledge and agreement respecting any Pledged Tax Proceeds that may be hereafter made for the benefit of or with respect to any securities which may be hereafter issued by the City or any contract which may be hereafter made by the City except with respect to any Additional Warrants that shall be hereafter issued by the City. The City agrees that to such extent, if any, as the Pledged Tax Proceeds available for payment of the principal of and the interest on the Series 2009 Warrants may not be sufficient to pay said principal and interest at their respective maturities, it will use for such purpose so much of the general revenues of the City derived from other sources and available for such purpose as, when added to the available Pledged Tax Proceeds, will be sufficient to pay at their respective maturities the principal of and the interest on the Series 2009 Warrants.

**Section 6. Concerning the Sales Tax and the Occupational Tax.** The City agrees that so long as any of the principal of or the interest on the Series 2009 Warrants remains unpaid, it will:

- (a) continue to levy and collect the aforesaid privilege license tax (which is herein called the "Sales Tax") (or a municipal tax substantially equivalent to the Sales Tax) at rates not less than those currently in effect and upon the businesses and professions within the corporate limits of the City that are now subject thereto; provided that the City may hereafter modify the rates at which the Sales Tax is levied, and may exempt various activities therefrom, and the proceeds from various 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, 2008:

(b) continue to levy and collect the aforesaid occupational license fee (which is herein called the "Occupational Tax") (or a municipal tax substantially equivalent to the Occupational Tax) at rates not less than those currently in effect and upon the 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 Occupational Tax is levied, and may exempt various activities therefrom, and the proceeds from various 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, 2008;

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

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

(e) make such increases, within reasonable limitations, in the rates of the Sales Tax (or in the event of the levy in lieu of the Sales Tax of a municipal 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 2009 Warrants; and

(f) make such increases, within reasonable limitations, in the rates of the Occupational Tax (or in the event of the levy in lieu of the Occupational Tax of a municipal 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 2009 Warrants.

In the event the City levies, in lieu of the Sales Tax, any municipal tax substantially equivalent thereto, or in the event that the City levies, in lieu of the Occupational Tax, any municipal tax substantially equivalent thereto, all the provisions hereof respecting the Sales Tax or the Occupational Tax, as the case may be (including, without limitation, those provisions of Section 6 hereof regarding the special pledge of each thereof for the benefit of the Series 2009 Warrants) shall be applicable, with the necessary changes in detail, to any tax or taxes.

**Section 7. Reservation of Right to Issue Additional Warrants.** The City hereby reserves the right to issue, at any time and from time to time warrants or other evidences of indebtedness, without express limit as to aggregate principal amount, to be payable out of the Pledged Tax Proceeds paid to the City from time to time, to be secured, pro rata and on a parity of lien and pledge with the Series 2009 Warrants as regards the Pledged Tax Proceeds, but only if there has been filed in the office of the City Clerk of the City a certificate of the Mayor and the City Treasurer of the City, dated not less than thirty (30) days prior to the date of issuance of any such Additional Warrants, stating that the Pledged Tax Proceeds received by the City in the fiscal year next preceding the fiscal year of the City during which any Additional Warrants are proposed to be issued was not less than one hundred twenty-five percent (125%) of the maximum principal and interest maturing during the then current or any subsequent fiscal year with respect to the Series 2009 Warrants then outstanding, any Additional Warrants then outstanding and the Additional Warrants proposed to be issued.

**Section 8. Warrant Fund.** There is hereby created a special trust fund designated the "Series 2009 Warrant Principal and Interest Fund" (herein called the "Warrant Fund"), which shall be maintained until the principal of and the interest on the Series 2009 Warrants and any Additional Warrants shall have been paid in full. The City will pay or cause to be paid into the Warrant Fund the following:

(a) The City will pay into the Warrant Fund the accrued interest received by it on the sale of the Series 2009 Warrants;

(b) On or before the last day of each calendar month from the month of August, 2009 to and including the month of October, 2009, the City shall pay into the Warrant Fund an amount equal to one-third (1/3) of the interest that shall come due with respect to the Series 2009 Warrants on November 1, 2009, as well as one-third (1/3) of the principal of the Series 2009 Warrants that will come due on November 1; and

(c) On or before the last day of the month of November, 2009, and on or before the last day of each calendar month thereafter for so long as any of the Series 2009 Warrants shall remain outstanding, the City shall pay into the Warrant Fund an amount equal to one-sixth (1/6) of the interest that shall come due with respect to the Series 2009 Warrants on the next succeeding interest payment date as well as one-twelfth (1/12) of the principal maturing or being subject to redemption on the Series 2009 Warrants on the next succeeding November 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) in excess of the amounts so required to be paid into the Warrant Fund.

The payments herein required to be made into the Warrant Fund shall be made first from the Pledged Tax Proceeds and then 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 2009 Warrants and any Additional 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 2009 Warrants then outstanding, the City shall not be required to make any further payments therein with respect to the Series 2009 Warrants except to make good any moneys therein that may become lost or otherwise unavailable for withdrawal. When all the Series 2009 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 with respect to the Series 2009 Warrants shall be returned to the City.

**Section 9. Concerning the Warrant Fund.** First National Bank of Hamilton, Hamilton, Alabama is hereby designated as the custodian, depository and disbursing agent for 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 2009 Warrants. The depository for the Warrant Fund shall at all times keep all moneys on deposit therein secured by pledging securities that are either

(i) direct general obligations of the United States of America, (ii) securities with respect to which payment of the principal and interest is unconditionally guaranteed by the United States of America, or (iii) interests, however evidenced, in any common trust fund or other collective investment fund maintained by any national or state chartered bank, trust company or savings and loan association having

trust powers, or securities of or other interests in any open-end or closed-end investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, so long as the portfolio of such common trust fund, collective investment fund or investment company or investment trust consists only of investments authorized in subdivision (i) or (ii) above, or repurchase agreements with respect to such investments (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 2009 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 2009 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 invested in Federal Securities or insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions.

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 2009 Warrants, Series 2009 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 2009 Warrants or for payment of the redemption price of any Series 2009 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 2009 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 2009 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 2009 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 2009 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 10. Form of Series 2009 Warrants, Etc.** The Series 2009 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 2009

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, 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 November 1, 2009, and semiannually on each May 1 and November 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 draft 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 2009 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 \$5,435,000 in principal amount (herein called the "Series 2009 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 2009 Warrants having stated maturities in 2017 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 2009 Warrants having a single principal maturity date are to be redeemed, those to be so redeemed shall be selected by lot), on November 1, 2016, 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 named payee of each of the Series 2009 Warrants to be redeemed, at and for a redemption price, with respect to each Series 2009 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. In addition the City has specially pledged for such payment (i) the revenues from the privilege license tax levied by the City on the privilege of selling tangible personal property at retail within the corporate limits of the City, (ii) the revenues from the occupational license fee levied by the City on the gross compensation of individuals engaged in any trade, occupation or profession within the corporate limits of the City, and (iii) the proceeds of the general municipal ad valorem tax authorized to be levied on all taxable property located in the City under the Constitution and laws of the State of Alabama, all as is more fully described in the ordinance of the City under which the Series 2009 Warrants were authorized to be issued, subject to certain conditions which are more fully described in the said ordinance of the City.

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 2009 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 2009 Warrants were authorized to be issued for the exchange of Series 2009 Warrants for a like aggregate principal amount of Series 2009 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 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 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 May 1 or November 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 the signature of its Mayor, has caused its official seal to be hereunto impressed, has caused this warrant to be attested by the signature of its City Clerk and has caused this warrant to be dated August 1, 2009.

CITY OF HAMILTON, ALABAMA

By Its Mayor ATTEST:

Its City Clerk [ S E A L ]

[Form of Registration Certificate] Date

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

**U. S. BANK NATIONAL ASSOCIATION**

By Its Authorized Officer  
[Form of Statement of Insurance]

**ASSURED GUARANTY CORP.  
STATEMENT OF INSURANCE**

Assured Guaranty Corp. ("Assured Guaranty"), a Maryland-domiciled insurance company, has delivered its financial guaranty insurance policy (the "Policy") with respect to the scheduled payments of principal of and interest on this Series 2009 Warrant to U.S. Bank National Association, as paying agent on behalf of the holders of the Series 2009 Warrants (the "Paying Agent"). Such Policy is on file and available for inspection at the principal office of the Bank and a copy thereof may be obtained from Assured Guaranty or the Bank. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Series 2009 Warrant acknowledges and consents to the subrogation rights of Assured Guaranty as more fully set forth in the Policy.

[Form of Assignment]

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

Dated this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

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, Broker or Firm\*)

By        Its  
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 of Series 2009 Warrants by City.** The Series 2009 Warrants shall be executed on behalf of the City by the signature of its Mayor and attested by the signature of its City Clerk, and the seal of the City shall be impressed on each of the Series 2009 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 2009 Warrants may be a facsimile of such seal (it being understood that a condition to the validity of each Series 2009 Warrant is the appearance on such Series 2009 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 2009 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 2009 Warrants, whether initially issued or exchanged for Series 2009 Warrants of different denominations from those initially issued.

The Series 2009 Warrants shall be registered by the City Treasurer in the records maintained by her as claims against the City and as claims against the Pledged Tax Proceeds, which register shall be made simultaneously with respect to all the Series 2009 Warrants. Said officers are hereby directed so to execute, attest and register the Series 2009 Warrants.

**Section 12. Registration Certificate of the Bank on Series 2009 Warrants.** A registration certificate by the Bank, in substantially the form hereinabove recited, duly executed by the manual signature of an authorized officer of the Bank, shall be endorsed on each of the Series 2009 Warrants and shall be essential to its validity.

**Section 13. Registration and Transfer of Series 2009 Warrants.** All the Series 2009 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 2009 Warrants as are presented for those purposes, all in the manner and to the extent hereinafter specified.

No transfer of a Series 2009 Warrant shall be valid hereunder except upon presentation and surrender of such Series 2009 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 2009 Warrant, registered in the name of such transferee and of like tenor as that presented for transfer. The person in whose name a Series 2009 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 2009 Warrants by receiving or accepting such Series 2009 Warrant, shall consent and agree and shall be estopped to deny that, insofar as the City and the Bank are concerned, the Series 2009 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 2009 Warrant during the period of fifteen (15) days next preceding any interest payment date with respect thereto; and if any Series 2009 Warrant is duly called for redemption and payment (in whole or in part), the Bank shall not be required to register or transfer such Series 2009 Warrant during the period of forty-five (45) days next preceding the date fixed for such redemption and payment.

**Section 14. Exchange of Series 2009 Warrants.** Upon the request of the named payee of two or more Series 2009 Warrants, the City shall execute, and the Bank shall register and deliver, upon surrender to the Bank of such Series 2009 Warrant or Series 2009 Warrants in exchange thereof, a Series 2009 Warrant or Series 2009 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 2009 Warrant or Series 2009 Warrants so surrendered, all as may be requested by the person surrendering such Series 2009 Warrant or Series 2009 Warrants.

Upon the exchange of any Series 2009 Warrant for any other Series 2009 Warrant or Series 2009 Warrants a number shall be assigned by the Bank to the Series 2009 Warrant or Series 2009 Warrants so issued in any such exchange which number shall correspond to the number or numbers of any Series 2009 Warrant or Series 2009 Warrants originally issued hereunder. The said numbers shall be reserved in the event of any subsequent exchange of Series 2009 Warrants hereunder and shall be assigned to any Series 2009 Warrant or Series 2009 Warrants issued in any subsequent exchange pursuant to the provisions of this ordinance.

The registration, transfer and exchange of Series 2009 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 2009 Warrants.** All Series 2009 Warrants issued prior to November 1, 2009, in exchange for Series 2009 Warrants initially delivered hereunder, shall bear interest from August 1, 2009, and all Series 2009 Warrants issued on or after November 1, 2009, shall bear interest from the May 1 or November 1, as the case may be, next preceding the date of its issuance and delivery unless (1) such date of delivery is a May 1 or November 1 in which event such Series 2009 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 2009 Warrant in lieu of which such new Series 2009 Warrant is issued, in which event such new Series 2009 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 2009 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 2009 Warrants is to be Made.** Interest on the Series 2009 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 2009 Warrants at their respective addresses shown on the registry books of the Bank pertaining to the Series 2009 Warrants. Overdue interest shall be paid by check or draft mailed by the Bank to the respective named payees of the Series 2009 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 2009 Warrants on the overdue interest payment date shall fully discharge and satisfy all liability for the same.

**Section 17. Persons Deemed Owners of Series 2009 Warrants.** The City and the Bank may deem and treat the person in whose name a Series 2009 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 2009 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 2009 Warrants.** In the event any Series 2009 Warrant is mutilated, lost, stolen or destroyed, the City may execute and deliver a new Series 2009 Warrant of like tenor as that mutilated, lost, stolen or destroyed; provided that (a) in the case of any such mutilated Series 2009 Warrant, such Series 2009 Warrant is first surrendered to the City and the Bank, and (b) in the case of any such lost, stolen or destroyed Series 2009 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 2009 Warrant.

## Section 19. Book Entry Procedures.

(a) Except as provided in Section 12(c) hereof, the registered owner of all of the Series 2009 Warrants shall be The Depository Trust Company ("DTC") and the Series 2009 Warrants shall be registered in the name of Cede & Co., as nominee of DTC. Payment of semiannual interest for any Series 2009 Warrant registered as of a regular record date in the name of Cede & Co. shall be made by wire transfer to the account of Cede & Co. on the related interest payment date at the address indicated on the regular record date for Cede & Co. in the registry books of the City kept by the Bank.

(b) The Series 2009 Warrants shall be initially issued in the form of a separate single authenticated fully registered Series 2009 Warrant in the principal amount of each separately stated maturity. Upon initial issuance, the ownership of each such Series 2009 Warrant shall be registered in the registry book of the City kept by the Bank in the name of Cede & Co., as nominee of DTC. The Bank and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Series

2009 Warrants registered in its name for the purposes of payment of the principal or redemption price of or interest on the Series 2009 Warrants, selecting the Series 2009 Warrants or portions thereof to be redeemed, giving any notice permitted or required to be given to holders of the Series 2009 Warrants (herein called the "Warrantholders") under this ordinance, registering the transfer of Series 2009 Warrants, obtaining any consent or other action to be taken by Warrantholders and for all other purposes whatsoever; and neither the Bank nor the City shall be affected by any notice to the contrary. Neither the Bank nor the City shall have any responsibility or obligation to any DTC participant, any person claiming a beneficial ownership interest in the Series 2009 Warrants under or through DTC or any DTC participant, or any other person which is not shown on the registration books of the City kept by the Bank as being a Warrantholder. The City and the Bank shall have no responsibility with respect to the accuracy of any records maintained by DTC, Cede & Co. or any DTC participant with respect to any ownership interest in the Series 2009 Warrants; the payment by DTC or any DTC participant to any beneficial owner of any amount in respect of the principal or redemption price of or interest on the Series 2009 Warrants; the delivery to any DTC participant or any beneficial owner of any notice which is permitted or required to be given to Warrantholders under this ordinance; the selection by DTC or any DTC participant of any person to receive payment in the event of a partial redemption of the Series 2009 Warrants; or the authority for any consent given or other action taken by DTC as Warrantholder. The Bank shall pay all principal of and premium, if any, and interest on the Series 2009 Warrants only to Cede & Co., as nominee of DTC, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and premium, if any, and interest on the Series 2009 Warrants to the extent of the sum or sums so paid. Upon delivery by DTC to the Bank of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co. and direction to effect such change on the registry books maintained by the Bank, and subject to the provisions hereof with respect to record dates, the word "Cede & Co." in this ordinance shall refer to such new nominee of DTC.

(c) In the event the City determines that it is in the best interest of the beneficial

owners of the Series 2009 Warrants that they be able to obtain warrant certificates, the City may notify DTC and the Bank of the availability through DTC of warrant certificates. In such event, the Bank shall issue, transfer and exchange warrant certificates as requested by DTC and any other Warranholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2009 Warrants at any time by giving notice to the City and the Bank and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City and Paying Agent shall be obligated to deliver warrant certificates as described in this ordinance. In the event warrant certificates are issued to Warranholders other than DTC, the other provisions of this ordinance shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the City and the Bank to do so, the City and the Bank will cooperate with DTC in taking appropriate action after reasonable notice (i) to make available one or more separate certificates evidencing the Series 2009 Warrants to any DTC participant having Series 2009 Warrants credited to its DTC account or (ii) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2009 Warrants.

(d) Notwithstanding any other provision of the Series 2009 Warrants or this ordinance to the contrary, so long as any Series 2009 Warrant is registered in the name of Cede & Co., as nominee of

DTC, all payments with respect to the principal of and premium, if any, and interest on such Series 2009 Warrant and all notices with respect to such Series 2009 Warrant shall be made and given to DTC as provided in the Representation Letter to be signed by the City and the Bank on or prior to the date of issuance and delivery of the Series 2009 Warrants and accepted by DTC. Without limitation of the foregoing, so long as any Series 2009 Warrant is registered in the name of Cede & Co., as nominee of DTC, the Bank shall send a copy of any notice of redemption by overnight delivery not less than thirty (30) days before the redemption date to DTC, but such mailing shall not be a condition precedent to such redemption and failure to so mail any such notice (or failure of DTC to advise any DTC participant, or any DTC participant to notify the beneficial owner, of any such notice or its content or effect) shall not affect the validity of the proceedings for the redemption of the Series 2009 Warrants.

(e) In connection with any notice or other communication to be provided to Warranholders pursuant to this ordinance by the City or the Bank with respect to any consent or other action to be taken by Warranholders so long as any Series 2009 Warrant is registered in the name of Cede & Co., as nominee of DTC, the City or the Bank as the case may be, shall establish a record date for such consent or other action and give DTC notice of such record date not less than fifteen (15) calendar days in advance of such record date to the extent possible.

(f) In the event of any inconsistency between the provisions of this Section 19 and any other provision of this ordinance or the forms of Series 2009 Warrants, the provisions of this Section 19 shall govern so long as warrant certificates have not been issued to the Warranholders other than DTC in accordance with Section 19(c). During a period in which the book-entry system described herein is in effect for the Series 2009 Warrants, the provisions of this ordinance shall be construed in accordance with the procedures of

DTC that govern such system.

**Section 20. Sale of Series 2009 Warrants.** The Series 2009 Warrants are hereby sold to Merchant Capital, L.L.C., Montgomery, Alabama (the "Underwriter"), at and for a purchase price of \$5,425,825.75, which represents an underwriting discount of \$43,480.00 and an "Original Issue Premium" of \$34,305.75, plus accrued interest on the Series 2009 Warrants from their date to the date of their delivery. The Mayor of the City is hereby authorized and directed to execute a Warrant Purchase Agreement dated as of June 16, 2009, between the City and the Underwriter in substantially the form presented to the meeting at which this ordinance is adopted, with such revisions (if any) as the said Mayor shall determine to be necessary and desirable in carrying out the sale of the Series 2009 Warrants to the said Underwriter. The City Clerk of the City is hereby authorized and directed to deliver the Series 2009 Warrants to the said Underwriter upon payment to the City of the purchase price of the Series 2009 Warrants.

**Section 21. Use of Proceeds from Sale of Series 2009 Warrants.** The proceeds from the sale of the Series 2009 Warrants shall be disbursed as follows:

(a) the accrued interest paid to the Bank with respect to the Series 2009 Warrants shall be paid into the Warrant Fund;

(b) the sum of \$35,591.27 shall be paid to Assured Guaranty, as and for full payment of the premium for its Financial Guaranty Insurance Policy with respect to the Series 2009 Warrants;

(c) the sum of \$4,787,663.25 shall be deposited into the Escrow Fund established by the Escrow Trust Agreement to provide for the payment and retirement of the Series 1998 Warrants;

(d) the sum of \$525,000 shall be applied to payment of the Outstanding Promissory Note; and

(e) the balance of the said proceeds in the amount of \$75,571.23 shall be applied by the City to payment of the expenses of issuance of the Series 2009 Warrants.

**Section 22. Provisions Respecting Registration of Series 2009 Warrants to Comply with Provisions of Internal Revenue Code of 1986.** The City and the Bank recognize that the provisions of the Internal Revenue Code of 1986 require that the Series 2009 Warrants be in "registered form", and that each Series 2009 Warrant must be registered as to both principal and interest and any transfer of any Series 2009 Warrant must be effected only by the surrender of the old Series 2009 Warrant and either by the reissuance of the old Series 2009 Warrant to a new named payee or the issuance of a new Series 2009 Warrant to a new such named payee. The Bank may rely upon an opinion of recognized bond counsel with respect to any question which may arise pertaining to the transfer, exchange or reissuance of Series 2009 Warrants. The provisions of this ordinance pertaining to transfer, exchange or reissuance of Series 2009 Warrants need not or shall not be followed if the Bank receives an opinion of nationally recognized 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 23. Provisions Constitute Contract.** The provisions of this ordinance shall constitute a contract between the City and the holders of the Series 2009 Warrants.

**Section 24. Series 2009 Warrants Payable at Par.** Each bank at which the Series 2009 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 2009 Warrants that all payments made by it of the Series 2009 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 2009 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 2009 Warrants.

**Section 25. Authorization of Official Statement.** The Council hereby approves and ratifies the actions heretofore taken by the Underwriter in connection with the preparation and distribution of a Preliminary Official Statement of the City respecting the Series 2009 Warrants. 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 2009 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 2009 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 2009 Warrants is hereby authorized.

**Section 26. Authorization of Escrow Trust Agreement.** The City is hereby authorized to refund the Series 1998 Warrants in accordance with the provisions of the Escrow Trust Agreement. The Escrow Trust Agreement shall be in substantially the form as that presented to the meeting of the Council at which this ordinance is adopted (which form is hereby adopted in all respects as if set out in full herein), with such changes as the Mayor shall determine to be necessary or desirable in order to consummate the transactions authorized by this ordinance, the determination of the definitive form of the Escrow Trust Agreement by 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 27. Execution of Ancillary Documents.** The Mayor of the City and the City Clerk of the City are hereby authorized and directed to execute, deliver, seal and attest such other ancillary documents and certificates (including, without limitation, a so-called "No-Arbitrage Certificate") as may be necessary to consummate the issuance and sale of the Series 2009 Warrants and to carry out fully the financing authorized by this

ordinance.

**Section 28. Tax Covenants.** The City recognizes that the holders from time to time of the Series 2009 Warrants will have accepted them on, and paid therefor a price which reflects, the understanding that interest on the Series 2009 Warrants is excluded from gross income for federal income tax purposes under the laws in force at the time the Series 2009 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 2009 Warrants to be includable in gross income for federal income taxation purposes, that it will use the proceeds of the Series 2009 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 2009 Warrants, would not cause the Series 2009 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 2009 Warrants or any other funds of the City to be used, directly or indirectly, in a manner which would result in the classification of such Series 2009 Warrants as a "private activity bonds" within the meaning of Section 141 of the said Code. The Mayor 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 2009 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 2009 Warrants.

**Section 29. Special Provisions Respecting Financial Guaranty Insurance.** Payment of the principal of and the interest on the Series 2009 Warrants when due has been insured by Assured Guaranty Corp. ("Assured Guaranty") under a Financial Guaranty Insurance Policy (the "Policy") issued by Assured Guaranty. The City agrees with Assured Guaranty as follows with respect to the Policy:

A. Notices and Other Information.

1 Any notice that is required to be given to holders of the Series 2009 Warrants (herein called, as previously stated, the "Warrantholders"), to any entity required pursuant to Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission or to the Bank pursuant to this Ordinance shall also be provided to Assured Guaranty, simultaneously with the sending of such notices. In addition, to the extent that the City has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Series 2009 Warrants, all information furnished pursuant to such continuing disclosure agreement shall also be provided to Assured Guaranty, simultaneously with the furnishing of such information.

2 All demands, notices and other information required to be given to Assured

Guaranty under this Ordinance shall be in writing and shall be mailed by registered or certified mail or personally delivered or telecopied to the recipient as follows:

Assured Guaranty Corp. 1325 Avenue of the Americas New York, New York 10019 Attn: Risk Management Department (Re: Policy No. [\_\_\_\_]) Teletcopy No.;; (212) 581-3268 Confirmation: (212) 9740100Email: [riskmanagementdept@assuredguaranty.com](mailto:riskmanagementdept@assuredguaranty.com)

(In each case in which notice or other communication refers to any failure to pay the principal of or the interest on the Series 2009 Warrants when due (an "Event of Default"), a claim on the Policy or any event with respect to which failure on the part of Assured Guaranty to respond shall be deemed to constitute consent or acceptance, then such demand, notice or other communication shall be marked to indicate "URGENT MATERIAL ENCLOSED@" and shall also be sent to the attention of the General Counsel at the same address and at [generalcounsel@assuredguaranty.com](mailto:generalcounsel@assuredguaranty.com) or the following facsimile number (212) 445-8705).

1 Assured Guaranty shall have the right to receive such additional information concerning the City and the Series 2009 Warrants as it may reasonably request.

2 The City will permit Assured Guaranty to discuss the affairs, finances and accounts of the City or any information Assured Guaranty may reasonably request regarding the security for the Series 2009 Warrants with appropriate officers of the City and will use commercially reasonable efforts to enable Assured Guaranty to have access to the facilities, books and records of the City on any business day upon reasonable prior notice.

3 The Bank shall notify Assured Guaranty of any failure of the City to provide notices, certificates and other information under this Ordinance.

B. Defeasance. In the event that the principal and/or interest due on the Series 2009 Warrants shall be paid by Assured Guaranty pursuant to the Policy, the Series 2009 Warrants shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the City, and the assignment and pledge of the Pledged Tax Proceeds and all covenants, agreements and other obligations of the City to the registered owners shall continue to exist and shall run to the benefit of Assured Guaranty, and Assured Guaranty shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Series 2009 Warrants.

C. Concerning the Bank.

1 Assured Guaranty shall receive prior written notice of any name change of the Bank or the removal or resignation of the Bank.

2 No removal or resignation of the Bank shall take effect until a successor, acceptable to Assured Guaranty, shall be appointed.

3 The Bank may be removed at any time, at the request of Assured Guaranty, for

any breach of its obligations under this Ordinance.

4 Notwithstanding any other provision of this Ordinance, in determining whether the rights of Series 2009 Warranholders will be adversely affected by any action taken pursuant to the terms and provisions thereof, the Bank shall consider the effect on the Series 2009 Warranholders as if there were no Policy.

- D. Amendments and Supplements. With respect to amendments or supplements to this Ordinance, Assured Guaranty must be given prior written notice of any such amendments or supplements. With respect to amendments or supplements to this Ordinance, Assured Guaranty's prior written consent is required. Copies of any amendments or supplements to this Ordinance which are consented to by Assured Guaranty shall be sent to the rating agencies that have assigned a rating to the Series 2009 Warrants.
- E. Assured Guaranty as Third Party Beneficiary. Assured Guaranty is explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted under this Ordinance.
- F. Control Rights. Assured Guaranty shall be deemed to be the holder of all of the Series 2009 Warrants for purposes of (a) exercising all remedies and directing the Bank to take actions or for any other purposes following an Event of Default, and (b) granting any consent, waiver, direction or approval or taking any action permitted by or required under this Ordinance, as the case may be, to be granted or taken by the holders of such Series 2009 Warrants.
- G. Consent Rights of Assured Guaranty.

1 *Consent of Assured Guaranty.* Any provision of this Ordinance expressly recognizing or granting rights in or to Assured Guaranty may not be amended in any manner that affects the rights of Assured Guaranty hereunder without the prior written consent of Assured Guaranty.

2 *Consent of Assured Guaranty in the Event of Insolvency.* Any reorganization or liquidation plan with respect to the City must be acceptable to Assured Guaranty. In the event of any such reorganization or liquidation, Assured Guaranty shall have the right to vote on behalf of all the holders of Series 2009 Warrants absent a payment default by Assured Guaranty under the Policy.

3 *Consent of Assured Guaranty Upon Default.* Anything in this Ordinance to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, as defined herein, Assured Guaranty shall be entitled to control and direct the enforcement of all rights and remedies granted to the Series 2009 Warranholders or the Bank for the benefit of the Series 2009 Warranholders under this Ordinance.

- H. Representation of the City.

The City has made its own independent investigation and decision as to whether to insure the payment when due of the principal of and interest on the Series 2009 Warrants and whether the Policy is appropriate or proper for it based upon its own judgment and upon advice from such legal and financial advisers as it has deemed necessary. The City acknowledges that Assured Guaranty has not made, and therefore the City is not relying on, any recommendation from Assured Guaranty that the City insure the Series 2009 Warrants or obtain the Policy; it being understood and agreed that communications from Assured Guaranty (whether written or oral) referring to, containing information about or negotiating the terms and conditions of the Policy, any related insurance document or the documentation governing the Series 2009 Warrants do not constitute a recommendation to insure the Series 2009 Warrants or obtain the Policy.

The City further acknowledges that Assured Guaranty has not made any representation, warranty or undertaking, and has not given any assurance or guaranty, in each case, expressed or implied, concerning the rating of Assured Guaranty's financial strength by the rating agencies. The City acknowledges that the ratings of Assured Guaranty reflect only the views of the rating agencies and an explanation of the significance of such ratings may be obtained only from the rating agencies. The City understands that such ratings may not continue for any given time period and instead may change over time, including without limitation being placed under review for possible downgrade, revised downward, withdrawn entirely by the relevant rating agency if, in the judgment of such rating agency, circumstances so warrant, or withdrawn entirely by Assured Guaranty in its sole discretion. The City acknowledges and agrees that Assured Guaranty undertakes no responsibility to bring to its attention, and shall have no liability for, the placement of a rating under review for possible downgrade or the downward revision or withdrawal of any rating obtained, and that any such review for possible downgrade, downward revision or withdrawal may have an adverse effect on the Series 2009 Warrants.

I. Reimbursement Obligations.

1. The City hereby agrees to pay or reimburse Assured Guaranty (a) all amounts paid by Assured Guaranty under the Policy, and (b) to the extent permitted by law, any and all charges, fees, costs and expenses which Assured Guaranty may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with
  - (i) any accounts established to facilitate payments under the Policy,
  - (ii) the administration, enforcement, defense or preservation of any rights in respect of this Ordinance, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the City or any affiliate thereof) relating to this Ordinance, or (iii) any amendment, waiver or other action with respect to this Ordinance; costs and expenses shall include a reasonable

allocation of compensation and overhead attributable to time of employees of Assured Guaranty spent in connection with the actions described in clauses (i)-(iii) above. In addition, Assured Guaranty reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of

this Ordinance or any other Ordinance of the City respecting the Series 2009 Warrants.. The City will pay interest on the amounts owed in this paragraph from the date of any payment due or paid, at the per annum rate of interest publicly announced from time to time by JP Morgan Chase Bank, National Association at its principal office in New York, New York as its prime lending rate (any change in such prime rate of interest to be effective on the date such change is announced by JP Morgan Chase Bank, National Association) plus three percent (3%) per annum (the AReimbursement Rate"). The Reimbursement Rate shall be calculated on the basis of the actual number of days elapsed over a 360-day year. In the event JP Morgan Chase Bank ceases to announce its prime rate publicly, the prime rate shall be the publicly announced prime rate or base lending rate of such national bank, as Assured Guaranty shall specify.

2. In addition to any and all rights of reimbursement, subrogation and any other rights pursuant hereto or under law or in equity, the City agrees to pay or reimburse Assured Guaranty, to the extent permitted by law, any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages, and expenses which Assured Guaranty or its officers, directors, shareholders, employees, agents and each Person, if any, who controls Assured Guaranty within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection with, in respect of or relating to the transactions contemplated by this Ordinance by reason of:
  - a. any omission or action (other than of or by Assured Guaranty) in connection with the offering, issuance, sale, remarketing or delivery of the Series 2009 Warrants;
  - b. the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any officer, employee or agent of the City in connection with any transaction arising from or relating to this Ordinance;
  - c. the violation by the City of any law, rule or regulation, or any judgment, order or decree applicable to it;
  - d. the breach by the City of any representation, warranty or covenant under this Ordinance or the occurrence, in respect of the City, of any event which, with the giving of Notice or the lapse of time or both, would constitute any such breach; or
  - e. a. any untrue statement or alleged untrue statement of a material fact contained in any Official Statement relating to the Series 2009 Warrants, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims

arise out of or are based upon any untrue statement or omission in information included in an official statement, if any, and furnished by Assured Guaranty in writing expressly for use therein.

J. Payment Procedure Under the Policy.

1 At least two (2) Business Days prior to each payment date on the Series 2009 Warrants, the Bank will determine whether there will be sufficient funds to pay all principal of and interest on the Series 2009 Warrants due on the related payment date and shall immediately notify Assured Guaranty or its designee on the same Business Day by telephone or electronic mail, confirmed in writing by registered or certified mail, of the amount of any deficiency. Such notice shall specify the amount of the anticipated deficiency, the Series 2009 Warrants to which such deficiency is applicable and whether the Series 2009 Warrants will be deficient as to principal or interest or both. If the deficiency is made up in whole or in part prior to or on the payment date, the Bank shall so notify Assured Guaranty or its designee.

2 The Bank shall, after giving notice to Assured Guaranty as provided above, make available to Assured Guaranty and, at Assured Guaranty's direction, to any Fiscal Agent, the registration books of the City maintained by the Bank and all records relating to the funds maintained under this Ordinance.

3 The Bank shall provide Assured Guaranty and any Fiscal Agent with a list of registered owners of Series 2009 Warrants entitled to receive principal or interest payments from Assured Guaranty under the terms of the Policy, and shall make arrangements with Assured Guaranty, the Fiscal Agent or another designee of Assured Guaranty to (i) mail checks or drafts to the registered owners of Series 2009 Warrants entitled to receive full or partial interest payments from Assured Guaranty and (ii) pay principal upon Series 2009 Warrants surrendered to Assured Guaranty, the Fiscal Agent or another designee of Assured Guaranty by the registered owners of Series 2009 Warrants entitled to receive full or partial principal payments from Assured Guaranty.

4 The Bank shall, at the time it provides notice to Assured Guaranty of any deficiency pursuant to clause 1. above, notify registered owners of Series 2009 Warrants entitled to receive the payment of principal or interest thereon from Assured Guaranty (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that Assured Guaranty will remit to them all or a part of the interest payments due on the related payment date upon proof of its entitlement thereto and delivery to Assured Guaranty or any Fiscal Agent, in form satisfactory to Assured Guaranty, of an appropriate assignment of the registered owner's right to payment, (iii) that, if they are entitled to receive partial payment of principal from Assured Guaranty, they must surrender the related Series 2009 Warrants for payment first to the Bank, which will note on such Series 2009 Warrants the portion of the principal paid by the Bank and second to Assured Guaranty or its designee, together with an appropriate assignment, in form satisfactory to Assured Guaranty, to permit ownership of such Series 2009 Warrants to be registered in the name of Assured Guaranty, which will then pay the unpaid portion of principal, and (iv) that, if they are entitled to receive full payment of principal from Assured Guaranty, they must surrender the related Series 2009 Warrants for payment to Assured Guaranty or its designee, rather than the Bank, together with the an appropriate

assignment, in form satisfactory to Assured Guaranty, to permit ownership of such Series 2009 Warrants to be registered in the name of Assured Guaranty.

5 In addition, if the Bank has notice that any holder of the Series 2009 Warrants has been required to disgorge payments of principal or interest on the Series 2009 Warrants previously Due for Payment pursuant to a final non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy laws, then the Bank shall notify Assured Guaranty or its designee of such fact by telephone or electronic notice, confirmed in writing by registered or certified mail.

6 The Bank will be hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Series 2009 Warrants as follows:

- a. If and to the extent there is a deficiency in amounts required to pay interest on the Series 2009 Warrants, the Bank shall (a) execute and deliver to Assured Guaranty, in form satisfactory to Assured Guaranty, an instrument appointing Assured Guaranty as agent for such holders in any legal proceeding related to the payment of such interest and an assignment to Assured Guaranty of the claims for interest to which such deficiency relates and which are paid by Assured Guaranty, (b) receive as designee of the respective holders (and not as Paying Agent of the Series 2009 Warrants) in accordance with the tenor of the Policy payment from Assured Guaranty with respect to the claims for interest so assigned, and (c) disburse the same to such respective holders; and
- b. If and to the extent of a deficiency in amounts required to pay principal of the Series 2009 Warrants, the Bank shall (a) execute and deliver to Assured Guaranty, in form satisfactory to Assured Guaranty, an instrument appointing Assured Guaranty as agent for such holder in any legal proceeding related to the payment of such principal and an assignment Assured Guaranty of the Series 2009 Warrants surrendered to Assured Guaranty in an amount equal to the principal amount thereof as has not previously been paid or for which moneys are not held by the Bank and available for such payment (but such assignment shall be delivered only if payment from Assured Guaranty is received), (b) receive as designee of the respective holders (and not as Paying Agent of the Series 2009 Warrants) in accordance with the tenor of the Policy payment therefore from Assured Guaranty, and (c) disburse the same to such holders.

1 Payments with respect to claims for interest on and principal of Series 2009 Warrants disbursed by the Bank from proceeds of the Policy shall not be considered to discharge the obligation of the City with respect to such Series 2009 Warrants, and Assured Guaranty shall become the owner of such unpaid Series 2009 Warrants and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

8. Irrespective of whether any such assignment is executed and delivered, the



City and the Bank hereby agree for the benefit of Assured Guaranty that:

a. they recognize that to the extent Assured Guaranty makes payments directly or indirectly (e.g., by paying through the Bank), on account of principal or of interest on the Series 2009 Warrants, Assured Guaranty will be subrogated to the rights of such holders to receive the amount of such principal and interest from the City, with interest thereon as provided and solely from the sources stated in this Ordinance and the Series 2009 Warrants; and

b. they will accordingly pay to Assured Guaranty the amount of such principal and interest, with interest thereon as provided in this Ordinance and the Series 2009 Warrants, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Series 2009 Warrants to holders, and will otherwise treat Assured Guaranty as the owner of such rights to the amount of such principal and interest.

2 Assured Guaranty shall be entitled to pay principal or interest on the Series 2009 Warrants that shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such terms are defined in the Policy) and any amounts due on the Series 2009 Warrants as a result of acceleration of the maturity thereof in accordance with this agreement, whether or not Assured Guaranty has received a Notice (as defined in the Policy) of Nonpayment or a claim upon the Policy.

3 In addition, Assured Guaranty shall, to the extent it makes any payment of principal or interest on the Series 2009 Warrants become subrogated to the rights of the recipients of such payments in accordance with the terms of the Policy, and to evidence such subrogation (i) In the case of claims for interest, the Bank shall note Assured Guaranty=s rights as subrogee on the registration books of the City maintained by the Bank, upon receipt of proof of payment of interest thereon to the registered holders of the Series 2009 Warrants, and (ii) in the case of claims for principal, the Bank, if any, shall note Assured Guaranty=s rights as subrogee on the registration books of the City maintained by the Bank, upon surrender of the Series 2009 Warrants together with receipt of proof of payment of principal thereof,

**Section 31. Continuing Disclosure.** The City hereby covenants, for the benefit of the Holders of the Series 2009 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 2009 Warrants, (ii) a summary of the revenues and expenditures of the City for the immediately preceding fiscal year, (iii) summary information respecting the then current budget of the City, (iv) summary information concerning the then outstanding indebtedness of the City and its various agencies and instrumentalities, and (v) a summary of any pending or threatened litigation deemed material to the holders of the Series 2009 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 2009 Warrants;
- g) Modifications to rights of holders of Series 2009 Warrants;
- h) Calls for redemption of any of the Series 2009 Warrants;
- i) Defeasances;
- j) Release, substitution, or sale of property securing repayment of the Series 2009 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 2009 Warrants or (b) when all of the Series 2009 Warrants shall be deemed to be paid within the meaning of this ordinance and the pledge of this ordinance with respect to the Series 2009 Warrants has been

discharged and satisfied.

Any Holder of a Series 2009 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 with respect to the Series 2009 Warrants, 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 32. Defeasance.** For purposes of this ordinance, any of the Series 2009 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 2009 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 2009 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 2009 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 2009 Warrants by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of such Series 2009 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 2009 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 2009 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 2009 Warrant with respect to which provision for payment of the principal of and interest on such Series 2009 Warrant shall have been made in accordance with the provisions of this section.\

Any such defeasance shall require an opinion of recognized Bond Counsel acceptable to Assured Guaranty to the effect that any such defeasance will not adversely impact the exclusion of the interest on the Series 2009 Warrants from gross income for purposes of federal income taxation.

**Section 31. Series 2009 Warrants Designated as Qualified Tax-Exempt**

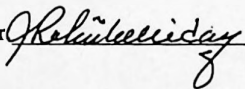
**Obligations.** The City does hereby find and determine that the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds) which will be issued by the City and all subordinate entities thereof during the current calendar year does not exceed \$30,000,000. Pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, the City does hereby designate the Series 2009 Warrants as "qualified tax-exempt obligations" for purposes of said Section 265(b)(3).

**Section 32. Series 1998 Warrants Called for Redemption.** The City hereby calls those of the Series 1998 Warrants having stated maturities in 2010 and thereafter for redemption on November 1, 2009, and will redeem and pay those of the Series 1998 Warrants having stated maturities in 2010 and thereafter on that date, at and for a redemption price equal to the par or face amount of each such Series 1998 Warrant redeemed plus interest to November 1, 2009, and a premium of one percent (1%) of the said par or face amount of each such Series 1998 Warrant so redeemed.

**Section 33. 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.

The Mayor of the City thereupon announced that the motion for adoption of said ordinance had been carried.

ADOPTED AND APPROVED this 20th day of July, 2009.

Mayor 

Authenticated: City Clerk: 