

ORDINANCE NO. 1681

**AUTHORIZING THE ISSUANCE AND MAKING SALE OF
\$18,435,000 AGGREGATE PRINCIPAL AMOUNT OF
WATER AND SEWER REVENUE WARRANTS, SERIES 2010
OF THE CITY OF TALLADEGA, ALABAMA**

Adopted October 21, 2010

BE IT ORDAINED by the City Council (herein called "the Council") of the CITY OF TALLADEGA, ALABAMA (herein called "the City") as follows:

Section 1. Findings. The Council have determined and hereby find and declare that the following facts are true and correct:

(a) it is necessary and desirable that the City construct and acquire certain capital improvements to its water and sewer system (herein together called "the System") as the same is defined in the Trust Indenture hereinafter referred to as "the 2010 Improvements" (said capital improvements being herein called "the Improvements"); and

(b) in order facilitate the provision of the Improvements it is necessary and desirable that the City refund and retire all the outstanding indebtedness previously issued by The Water & Sewer Board of the City of Talladega (the "Board"), viz., the Board's Water and Sewer Revenue Bonds, Series 2003, dated May 1, 2003, originally issued and presently outstanding in the aggregate principal amount of \$4,610,000 (herein called the "Series 2003 Bonds), the Board's Water and Sewer Revenue Bonds, Series 2004, originally issued in the aggregate principal amount of \$3,360,000 and presently outstanding in the aggregate principal amount of \$1,975,000 (herein called the "Series 2004 Bonds"), and the Board's Subordinated Water and Sewer Revenue Bond, dated February 14, 1992, originally issued in the principal amount of \$755,000 and presently outstanding in the in principal amount of \$55,000 (herein called the "SRF Bond") (the Series 2003 Bonds, the Series 2004 Bonds and the SRF Bond being hereintogether referred to as the "Prior Bonds"), the obligation of the Board for the payment of which was assumed by the City pursuant to the acquisition by the City from said Board of the "Systems" hereinafter referred to; and

(c) in order to provide the funds necessary for the refunding of the Prior Bonds and constructing and acquiring the 2010 Improvements,

it is necessary, advisable and in the interest of the City and in the public interest that the City issue the Series 2010 Warrants hereinafter referred to.

Section 2. Authorization of Warrants. There are hereby authorized to be issued by the City \$18,435,000 principal amount of its Water and Sewer Revenue Warrants, Series 2010 (herein called "the Series 2010 Warrants"), all under the terms, conditions and provisions set out in the Trust Indenture (herein called the "Indenture") provided for in Section 5 of this Ordinance. All the provisions of the Indenture respecting the Series 2010 Warrants are hereby adopted as a part of this Ordinance.

Section 3. Source of Payment of the Series 2010 Warrants. The principal of and the interest on the Series 2010 Warrants shall be payable solely from the revenues derived from operation of the Systems remaining after payment of the costs of operating and maintaining the same. Neither the Series 2010 Warrants nor any of the agreements herein contained shall ever constitute an indebtedness of the City within the meaning of any constitutional or statutory provision or limitation. The general faith and credit of the City are not pledged to payment of the Series 2010 Warrants, and the Series 2010 Warrants shall not be general obligations of the City. None of the agreements, representations or warranties made or implied in this Ordinance or in the issuance of the Series 2010 Warrants shall ever impose any personal or pecuniary liability or charge upon the City, whether before or after any breach by the City of any such agreement, representation or warranty, except with the revenues from the System. Nothing contained in this section shall, however, relieve the City from the performance of the several covenants and representations on its part herein and in the Indenture contained.

Section 4. Warrants Payable at Par. All remittances of principal of and interest on the Series 2010 Warrants to the holders thereof shall be made at par without any deduction for exchange or other costs, fees or expenses. The bank or banks at which the Series 2010 Warrants shall at any time be payable shall be considered by acceptance of their duties hereunder to have agreed that they will make or cause to be made remittances of principal of and interest on the Series 2010 Warrants, out of the moneys provided for that purpose, in bankable funds at par without any deduction for exchange or other costs, fees or expenses. The City will pay to such bank or banks all reasonable charges made and expenses incurred by them in making such remittances in bankable funds at par.

Section 5. Authorization of the Indenture. As security for payment of the principal of and the interest on the Series 2010 Warrants and any additional warrants that may be issued under the Indenture, pro rata and without preference or priority of one over another, the Council does hereby authorize and direct the Mayor of the City to execute and deliver the Indenture, for and in the name and behalf of the City, to Regions Bank, as Trustee thereunder, and do hereby authorize and direct the City Clerk of the City to affix to the Indenture the official seal of the City and to attest the same. The Indenture shall be in substantially the form, marked Exhibit A, which is attached to the minutes of the meeting of the Council at which this Ordinance is adopted and which is hereby made a part of this Ordinance as if set out in full herein.

Section 6. Sale of the Series 2010 Warrants. The Series 2010 Warrants are hereby sold to Morgan Keegan & Company, Inc. (herein called "the Purchaser"), at a price of \$18,847,554.86 (representing an underwriter's discount of \$184,350.00 and a net original issue premium of \$262,763.75) plus accrued interest from their date to the date of their delivery pursuant to that certain Warrant Purchase Agreement between the City and the Purchaser marked Exhibit B and attached to the minutes of the meeting of the Council at which this Ordinance is adopted and which is hereby made a part of this Ordinance as if set out in full herein. The action of the City Manager of the City in executing, for and on behalf of the City, the said Warrant Purchase Agreement is hereby ratified and confirmed. The Mayor of the City is hereby directed to execute each of the Series 2010 Warrants in the name and behalf of the City, and the City Clerk of the City is hereby directed to cause the corporate seal of the City to be impressed or otherwise reproduced on each of the Series 2010 Warrants in facsimile, and to attest the said seal on each of the Series 2010 Warrants, all pursuant to the provisions of the Indenture; and the said Mayor is hereby directed thereupon to deliver the Indenture and the Series 2010 Warrants, all executed in the manner provided in this Ordinance and in the Indenture, to Regions Bank, the trustee under the Indenture, and to direct said trustee to register and deliver the Series 2010 Warrants to the said purchaser thereof, upon payment to the City of the aforesaid purchase price. The Series 2010 Warrants shall be initially issued in fully registered form in the denominations provided for in the Indenture.

Section 7. Authorization of Official Statement. The Mayor of the City is hereby authorized to execute for and in behalf of the City an Official Statement with respect to the Series 2010 Warrants in substantially the form, marked Exhibit C, which is attached to the minutes of the meeting of the Council at which this Ordinance is adopted and which is hereby made a part of this Ordinance as if set out in full herein. The Council hereby adopts said Official Statement as the Official Statement of the City with respect to the Series 2010 Warrants. The action of the City Manager in preparing for distribution a Preliminary Official Statement respecting the Series 2010 Warrants in the form, marked Exhibit D, which is attached to the minutes of the meeting of the Council at which this Ordinance is adopted and which is hereby made a part of this Ordinance as if set out in full herein, and the action of the Purchaser in circulating the same is hereby ratified, approved and confirmed in all respects by the Council. The Council hereby finds and declares that the Council deemed the said Preliminary Official Statement with respect to the Series 2010 Warrants to be final as of its date except for the omission of pricing information.

Section 8. Authorization of Continuing Disclosure Agreement. The Mayor of the City is hereby authorized to execute for and in behalf of the City a Continuing Disclosure Agreement with respect to the Series 2010 Warrants in substantially the form, marked Exhibit E, which is attached to the minutes of the meeting of the Council at which this Ordinance is adopted and which is hereby made a part of this Ordinance as if set out in full herein. The said Continuing Disclosure Agreement is to be entered into contemporaneously with the issuance of the Series 2010 Warrants in order to assist the Purchaser in complying with Rule 15c2-12 of the U.S. Securities and Exchange Commission. The rights of enforcement of the said Continuing Disclosure Agreement

shall be as provided therein, and in no event shall a default by the City thereunder constitute a default hereunder or under the Indenture.

Section 9. Authorization of Escrow Trust Agreements. (a) The Mayor of the City is hereby authorized and directed to execute and deliver, for and on behalf of the City, an Escrow Trust Agreement with The Bank of New York Mellon Trust Company, N.A., dated as of November 1, 2010, providing for the payment of the Series 2003 Bonds and the Series 2004 Bonds, said Escrow Trust Agreement to be in substantially the form presented to the meeting at which this Ordinance is adopted and which is attached to the said minutes as Exhibit F as if it were a part thereof.

(b) The Mayor of the City is hereby authorized and directed to execute and deliver, for and on behalf of the City, an SRF Escrow Trust Agreement with Regions Bank, dated as of November 1, 2010, providing for the payment of the SRF Bond, said Escrow Trust Agreement to be in substantially the form presented to the meeting at which this Ordinance is adopted and which is attached to the said minutes as Exhibit G as if it were a part thereof.

Section 10. Designation of the Series 2010 Warrants as Qualified Tax-Exempt Obligations. The City hereby represents as follows:

(a) that neither the City nor any "subordinate entity" thereof [as that term is used in Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (herein called "the Code")] has heretofore designated as "qualified tax-exempt obligations" [within the meaning of said Section 265(b)(3)] any obligations issued during calendar year 2010 the interest on which is or is to be excluded from gross income for purposes of Federal income taxation having a principal or face amount thereof which, when added to the principal or face amount of all such obligations so designated and issued during calendar year 2010 by the City and all such subordinate entities, will aggregate in excess of the sum of \$30,000,000; and

(b) that the reasonably anticipated amount of "tax-exempt obligations" [as that term is defined in Section 265(b)(4)(B) of the Code] issued or to be issued during calendar year 2010 by the City, including the Series 2010 Warrants, together with all such tax exempt obligations issued or to be issued by all subordinate entities of the City, will not exceed \$30,000,000.

The City hereby designates the Series 2010 Warrants as "qualified tax-exempt obligations" of the City for purposes of Section 265(b)(3) of the Code.

Section 11. Additional Documents and Actions Authorized. The Mayor of the City and the City Clerk, or either of them, are each hereby authorized and directed to execute such other documents or certificates necessary in order to carry out the transactions contemplated by this Ordinance and by the Indenture. The City understands

that one of the principal inducements to the purchase of the Series 2010 Warrants by the purchaser thereof is that the interest income on the Series 2010 Warrants be and remain exempt from federal income taxation. Accordingly, without limiting the generality of the foregoing, the said Chairman and the said Secretary are each hereby authorized and directed to cause to be prepared, signed on behalf of the City and filed with the Internal Revenue Service Form 8038-G or other form prescribed by the Internal Revenue Service as a condition to the exemption of the interest income on the Series 2010 Warrants from federal income taxation. The said Chairman and Secretary are each hereby authorized and directed to execute such certificates, agreements and other documents respecting the Internal Revenue Code of 1986, as amended (the "Code"), as contemplated by this Ordinance and the Indenture, to the end that the interest income on the Series 2010 Warrants be and remain exempt from federal income taxation. The said Chairman and the Secretary are each hereby authorized to make the elections authorized to be made under the regulations promulgated under Section 148 of the Code. Also without limiting the generality of the foregoing, the City shall provide for the instruction to the trustee under the Trust Indenture pursuant to which the Board's Series 2003 Bonds and Series 2004 Bonds were issued to execute such documents as shall be reasonably necessary to effectuate the cancellation and discharge of the lien of said Trust Indenture.

Section 12. Compliance with Certain Requirements of the Code. The City will comply with all conditions to and requirements for the exemption from gross income for federal income taxation of the interest income on the Series 2010 Warrants imposed by Section 103 of the Internal Revenue Code of 1986, as amended (herein called the "Code"). Without limiting the generality of the foregoing

(a) the City will not apply the proceeds from the Series 2010 Warrants in a manner that would cause any of the Series 2010 Warrants to be a "private activity bond" within the meaning of Section 141(a) of the Code, and

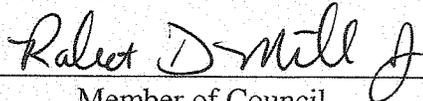
(b) the City will comply with the requirements of Section 148 of the Code in order that the Series 2010 Warrants will not be "arbitrage bonds" within the meaning of said Section 148.

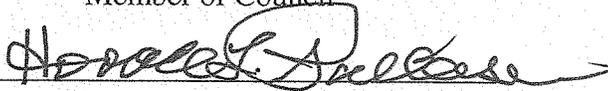
Section 13. Severability. The various provisions of this Ordinance are hereby declared to be severable. In the event any provision hereof shall be held invalid by a court of competent jurisdiction, such invalidity shall not affect any other portion of this Ordinance.

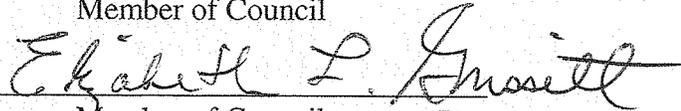
Section 14. This Ordinance a Contract. The provisions of this Ordinance shall constitute a contract between the City and each holder of the Series 2010 Warrants until they shall have been paid in full or provision made for the payment thereof as provided in the Indenture, and all the agreements on the part of the City herein and therein contained with respect thereto shall have been performed, then upon the happening of such events the obligations of the City hereunder shall thereupon cease.

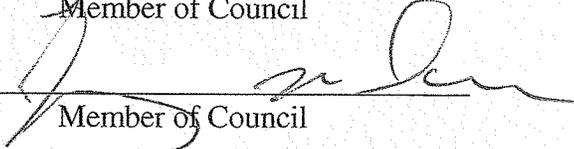
Section 11. Severability Provisions. The various provisions of this Ordinance are hereby declared to be severable. In the event any provision hereof shall be held invalid by a court of competent jurisdiction, such invalidity shall not affect any other portion of this Ordinance.

APPROVED and ADOPTED this 21st day of October, 2010.


Member of Council


Member of Council


Member of Council

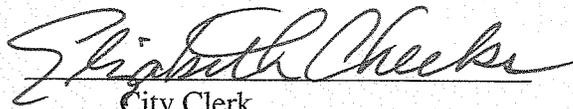

Member of Council

Member of Council

APPROVED this 21st day of October, 2010.


City Manager

ATTESTED this 21st day of October, 2010.


City Clerk

Certificate

I, Elizabeth Cheeks, City Clerk of the City of Talladega, Alabama do hereby certify that the forgoing is a true and correct copy of ORDINANCE NO. 1681 which resolution was duly and legally adopted at a special called meeting of the City Council of the City of Talladega on October 21, 2010.


City Clerk