

[SEWER WARRANTS]

CITY HALL, DECATUR, ALABAMA, APRIL 15, 2013 - REGULAR MEETING

**EXCERPTS FROM THE MINUTES OF A REGULAR MEETING OF
THE CITY COUNCIL OF THE CITY OF DECATUR, ALABAMA**

The City Council of the City of Decatur met in regular public session at City Hall in the City of Decatur, Alabama, at 10:00 o'clock a.m. on the 15th day of April, 2013.

The meeting was called to order by the Council President, and the roll was called with the following results:

Present: Gary Hammon, Council President
Charles Kirby
Chuck Ard
Billy Jackson
Roger Anders

Absent: None

The Council President stated that a quorum was present and that the meeting was open for the transaction of business, and that Mayor Don Kyle was also present.

* * *

The following resolution of the Municipal Utilities Board was presented to the Council:

RESOLUTION

BE IT RESOLVED by the MUNICIPAL UTILITIES BOARD OF DECATUR, MORGAN COUNTY, ALABAMA, as follows:

(1) The Utilities Board hereby requests that the City Council of the City of Decatur, Alabama (the "City"), borrow approximately \$37,985,000 for the purpose of acquiring and constructing capital improvements to the sewer system and that the City evidence such borrowing by selling and issuing approximately \$37,985,000 principal amount of its Sewer Revenue Bonds, Series 2013, dated April 1, 2013.

(2) The General Manager is hereby authorized and directed to deliver a certified copy of this resolution to the appropriate officials of the City, to attach thereto a copy of the then most recent draft of

(i) the proposed City ordinance authorizing the sale and issuance of the said Series 2013 Warrants, and

(ii) an Official Statement of the City with respect to such Series 2013 Warrants, and to advise the appropriate officials of the City that the Utilities Board recommends the adoption and approval of such documents by the City Council on or before April 23, 2013, in, substantially those forms, as they may hereafter be modified and changed by the City's bond counsel.

CERTIFICATE

I, the undersigned Secretary of the MUNICIPAL UTILITIES BOARD OF DECATUR, MORGAN COUNTY, ALABAMA, hereby certify that the foregoing is a true, correct and complete copy of a resolution duly adopted by the said Municipal Utilities Board at a meeting thereof held on March 20, 2013, and that such resolution has not been amended, altered, repealed or revoked or altered and is still in full force and effect.

WITNESS my signature, as said Secretary, this 20th day of March, 2013.

/s/ Richard Grace
Secretary of the MUNICIPAL UTILITIES BOARD OF
DECATUR, MORGAN COUNTY, ALABAMA

The following Ordinance was introduced in writing:

ORDINANCE NO. 13-4145

BE IT ORDAINED by the City Council of the CITY OF DECATUR, ALABAMA, as follows:

**ARTICLE 1
DEFINITIONS AND USE OF PHRASES**

Section 1.1 Definitions. The following words and phrases and others evidently intended as the equivalent thereof shall, in the absence of clear implication herein otherwise, be given the following respective interpretations herein:

"**ADEM**" means The Alabama Department of Environmental Management, an agency of the State of Alabama created pursuant to Chapter 22A of Title 22 of the CODE OF ALABAMA 1975, as amended.

"**Annual Debt Service Requirements**" means, with respect to Series 2013 Warrants and any Parity Securities, the amount of principal and interest maturing with respect thereto in the Fiscal Year in question; provided, that the principal amount of any such Series 2013 Warrants or Parity Securities required, by the terms hereof or of any Parity Securities Ordinance (as the case may be), to be redeemed during any Fiscal Year out of a sinking or other similar fund shall, for purposes of this definition, be considered as maturing in the Fiscal Year during which such redemption is required and not in the Fiscal Year in which their stated maturity occurs.

"**Annual Net Income**" means the total revenues derived from the operation of the System during a Fiscal Year (including, without limitation, interest and other income earned on investments, but excluding interest and other income derived by the City from the investment of money borrowed by it), less the total of the Operating Expenses during such Fiscal Year, all determined in accordance with generally accepted accounting standards except as otherwise specifically provided herein.

"**Authority**" means The Alabama Water Pollution Control Authority, a public corporation under the laws of the State of Alabama.

"**Authorized Collateral**" means any Federal Securities that (a) are in "book-entry" form, or (b) in the case "certificated" Federal Securities, are in bearer form or are registered in the name of the Major Bank (or its nominee) with whom deposited and pledged.

"**Authorized Denominations**" means with respect to all Series 2013 Warrants the amount of \$5,000 and any integral multiple thereof for each maturity.

"**Beneficial Owner**" shall have the meaning set forth in Section 4.3.

"**Bond Counsel**" means Independent Counsel (or firm thereof) whose opinions respecting the legality or validity of securities issued by or on behalf of states or political subdivisions thereof and the exclusion of the interest thereon from gross income for Federal income tax purposes are nationally recognized.

"**Book-Entry System**" means a book-entry only system of evidence of purchase and transfer of beneficial ownership interests in the Series 2013 Warrants.

"Callable Series 2013 Warrants" means those of the Series 2013 Warrants having stated maturities in 2023 and thereafter.

"Capital Improvements" means improvements, extensions and additions to the System that are properly chargeable to fixed capital (or asset) account by generally accepted accounting standards and includes real estate (and easements and other interests therein) on, under or over which any such improvements, extensions or additions are, or are proposed to be, located.

"City" means the City of Decatur, Alabama, and, subject to the provisions of Section 9.8 hereof, includes its successors in title and assigns and any municipal corporation resulting from or surviving any consolidation or merger to which it or its successors may be a Party.

"Construction Fund" means the construction fund established pursuant to Section 3.7 hereof.

"Council" means the City Council, or other governing body, of the City.

"Counsel" means an attorney duly admitted to practice before the highest court in the State of Alabama.

"Current Maximum Required Improvement Fund Balance" means the sum of \$500,000 (or such greater amount as shall have theretofore been established by Resolution of the Utilities Board as the then "Current Maximum Required Improvement Fund Balance").

"Current Maximum Required Reserve Fund Balance" means as of any time subsequent to the issuance of the Series 2013 Warrants and until such time as the Warrants are fully paid, whichever of the following is the least:

(1) the maximum Annual Debt Service Requirements with respect to the Series 2013 Warrants and Parity Securities then outstanding;

(2) one hundred twenty-five percent (125%) of the sum obtained by dividing (i) the total amount of principal and interest maturing in each Fiscal Year (not including, however, any Fiscal Year during which no such principal matures) with respect to those of the Series 2013 Warrants and any Parity Securities then outstanding; (ii) the number of Fiscal Years from the first Fiscal Year in which any such principal matures until and including the last Fiscal Year in which any such principal matures; or

(3) 10% of the original stated principal amount of the Series 2013 Warrants and any Parity Securities or the maximum amount that can (under the provisions of Section 148 of the Tax Code and any applicable regulations) be invested without restriction as to yield as part of a reasonably required reserve or replacement fund for those of the Series 2013 Warrants and Parity Securities outstanding immediately following the issuance of those Parity Securities then most recently issued, without causing any of such Series 2013 Warrants or Tax-Exempt Parity Securities to be "arbitrage bonds" within the meaning of said Section 148 (and applicable regulations, if any);

provided, that for all purposes of this definition, the principal amount of any Series 2013 Warrants or Parity Securities required, by the terms hereof or of any Parity Securities Ordinance (as the case may be), to be redeemed during any Fiscal Year out of a sinking or other similar fund shall be considered as maturing in the Fiscal Year during which such redemption is required and not in the Fiscal Year in which their stated maturity occurs.

"Debt Service Fund" means the Sewer System Principal and Interest Fund created in Section 8.2 hereof.

"Direct Participant" or **"Direct Participants"** means securities brokers and dealers, banks, trust companies, clearing corporations and other financial institutions which have access to the Book-Entry System.

"Eligible Deposits" means time deposits in, and certificates of deposit issued by, any bank organized under the laws of the United States of America or any state thereof and the deposits in which are insured by the Federal Deposit Insurance Corporation or other agency of the United States of America that may succeed to its functions, but only if (a) the bank in which such deposit is made secures such deposit or certificate by depositing and pledging with a Major Bank (other than itself), for the benefit of the City (or, in the case of a time deposit or certificate of deposit made with Debt Service Fund or Reserve Fund moneys, for the benefit of the Paying Agent in its capacity as depository for the Reserve Fund), Authorized Collateral having at all times a market value (exclusive of accrued interest) not less than the then outstanding face amount of such deposit or certificate (as the case may be) plus the interest accrued but unpaid thereon; provided, however, that such deposit or certificate need not be secured as specified in, the preceding clause (a) if and to the extent payment of the principal thereof and the interest thereon is insured by the Federal Deposit Insurance Corporation or other agency of the United States of America that may succeed to its functions.

"Eligible Investments" means (a) Federal Securities, (b) Eligible Deposits, and (c) a trust or money market fund, including those managed by the Paying Agent, that invests solely in Federal Securities and is rated "AAm" or "AAm-G" or better by S&P and customarily utilized by the Paying Agent for the investment of public funds or repurchase agreements with respect to Federal Securities customarily utilized by the Paying Agent for the investment of public funds.

"Federal Securities" means (a) any debt securities that are direct general obligations of the United States of America and (b) any debt securities payment of the principal of and the interest on which is unconditionally guaranteed by the United States of America.

"Fiscal Year" means (a) the period of twelve consecutive calendar months beginning on October 1 of one calendar year and ending on September 30 of the then next succeeding calendar year, and (b) any other period of twelve consecutive calendar months that is duly established by either the City or the Utilities Board as the fiscal year of the System (including any so-called "irregular" fiscal year necessitated by a change in fiscal years).

"Holder," when used in conjunction with a Series 2013 Warrant or a Parity Security, means the person in whose name such Series 2013 Warrant or Parity Security is registered on the registry books of the Paying Agent pertaining to the Series 2013 Warrants.

"Improvement Fund" means the Sewer System Replacement, Extension and Improvement Fund created in Section 8.4 hereof.

"Independent Auditor" means a public accountant, or firm thereof, not employed full-time by the City (or any agency or department thereof) and regularly engaged in the auditing of financial records.

"Independent Counsel" means Counsel who is not employed full-time by the City (or any agency or department thereof) or the Paying Agent.

"Independent Engineer" means a person at the time registered or licensed under the laws of Alabama as a professional engineer and not employed full-time by the City (or any agency or department thereof).

"Letter of Representation" shall mean and include (i) the Letter of Representation with respect to the Series 2013 Warrants, and (ii) any other or subsequent agreement by whatever name or identification with respect to the Series 2013 Warrants among said parties from time to time in effect.

"Major Bank" means (a) any Federal Reserve Bank or branch thereof, (b) Regions Bank [i.e., the bank named in clause (a) of the definition of the term "Paying Agent" hereinbelow], and (c) any bank or trust company organized under the laws of the United States of America or any state thereof and having combined capital and surplus of not less than \$100,000,000.

"Moody's" means Moody's Investors Service, Inc. (or any successor by merger, consolidation or otherwise).

"MSRB" means the Municipal Securities Rulemaking Board.

"Operating Expenses" means, for the applicable period or periods, (a) the reasonable and necessary expenses of efficiently and economically administering and operating the System and maintaining it in good repair and operating condition (not including, however, interest, depreciation, payments into any of the special funds created herein or with respect to the Parity SRF Obligation or Subordinated SRF Obligations or any expenses for items properly chargeable by generally accepted accounting principles to fixed asset account), (b) the fees and charges of the Paying Agent and of any other depositories for any of the special funds created herein, (c) any Required Rebates and related penalties and other similar payments referred to in Section 8.10 and 9.14 hereof and (d) any other charges herein expressly stated to constitute an Operating Expense.

"Parity Securities" means any securities issued (under the provisions of Article 6 hereof) on a parity with the Series 2013 Warrants as respects the pledge of revenues derived from the operation of the System made herein for the benefit of the Series 2013 Warrants.

"Parity Securities Ordinance" means an ordinance or resolution adopted by the Council and authorizing the issuance of any Parity Securities that are issued by the City subsequent to the issuance of the Series 2013 Warrants.

"Parity SRF Obligation" means the Sewer Revenue Warrant, Series 2010-SRF, which Warrant refunded the City's Subordinated Sewer Revenue Warrant, Series 2000-SRF, originally issued in the aggregate principal amount of \$15,590,000.

"Permitted Encumbrances" means, as of any particular time, (a) liens for ad valorem taxes and special assessments not then delinquent, (b) easements, restrictions and exceptions that an Independent Engineer certifies will not interfere with or impair the operation of the System, and (c) such other minor defects, irregularities, encumbrances, easements, rights-of-way and clouds on title (including zoning and other similar restrictions and regulations) as customarily exist with respect to properties of a size and character similar to those comprising the System and as do not, in the opinion of Counsel, in the aggregate materially impair the use of such properties in the operation of the System.

"Quinquennial Series 2013 Warrant Year" means the fifth Series 2013 Warrant Year and each succeeding fifth Series 2013 Warrant Year occurring thereafter until and including the fifth Series 2013

Warrant Year next preceding the Series 2013 Warrant Year during which the Series 2013 Warrants were fully retired.

"Paying Agent" means (a) Regions Bank (a state banking corporation having its principal corporate trust office in the City of Birmingham, Alabama), and its successors and any banking association or corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party, and (b) any other bank or trust company then acting as registrar, paying agent and transfer agent for the City in respect of the Series 2013 Warrants.

"Required Rebate" means any amount that is required, by the provisions of Section 148(f) of the Tax Code and any applicable regulations, to be paid by the City to the United States of America in order that the Series 2013 Warrants or any Tax-Exempt Parity Securities shall not be treated as "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Tax Code and any applicable regulations.

"Reserve Fund" means the Sewer System Debt Service Reserve Fund created in Section 8.3 hereof.

"Reserve Fund Increase" means, in the case of the issuance of any Parity Securities, the excess (if any) of the Current Maximum Required Reserve Fund Balance applicable immediately following the issuance of such Parity Securities over the Current Maximum Required Reserve Fund Balance applicable immediately prior to the issuance of such Parity Securities.

"Resolution" means (a) a resolution or ordinance duly adopted by the Council, or (b) a resolution adopted by the Utilities Board, whichever of the foregoing (a) or (b) is, in the context hereof, appropriate.

"Revenue Account" means the Sewer System Gross Revenue Account created in Section 8.1 hereof.

"S&P" means Standard & Poor's Ratings Group (a division of McGraw Hill), or any successor.

"SEC" means the Securities and Exchange Commission.

"Securities Depository" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and the successors and assigns thereof, and any substitute securities depository therefor that maintains a Book-Entry System for the Series 2013 Warrants.

"Securities Depository Nominee" means the Securities Depository or the nominee of such Securities Depository in whose name there shall be registered on the Warrant Register the Series 2013 Warrants to be delivered to such Securities Depository during a period in which the Series 2013 Warrants are held pursuant to the Book-Entry System.

"Series 2013 Improvements" means the capital sewer improvements to be made to the System as described on Exhibit A attached hereto and incorporated herein by reference.

"Series 2013 Warrants" means the warrants bearing the designation Sewer Revenue Warrants, Series 2013 and referred to and authorized to be issued in Section 3.1. hereof.

"Series 2013 Warrant Year" means (a) the period beginning on the date the Series 2013 Warrants were issued and ending at the close of business on August 15, 2013, and (b) each period of one

year ending at the close of business on August 15 in the year 2014, and in each calendar year thereafter; provided, however, that if, in the opinion of Bond Counsel, any other date may be required or permitted, pursuant to the Tax Code, to be used as either the first day or the last day (as the case may be) of a so-called "bond year" in connection with the calculation or payment of Required Rebates, then the term "Series 2013 Warrant Year" shall mean (1) the period beginning or ending (as the case may be) on such date or dates, and (2) each succeeding period (whether of one year or otherwise) beginning or ending (as the case may be) on such date or dates.

"Subordinated SRF Obligations" means the following four obligations payable to the Authority: (a) Subordinated Sewer Revenue Warrant, Series 1997-SRF originally issued in the aggregate principal amount of \$2,850,000, pursuant to that certain resolution adopted by the City Council on November 3, 1997, (b) Subordinated Sewer Revenue Warrant, Series 1994-SRF, issued in the aggregate principal amount of \$15,270,000 and currently designated Subordinated Sewer Revenue Warrant, Series 2004-SRF, outstanding in the principal amount of \$4,265,000, (c) Subordinated Sewer Revenue Warrant, Series 2009-CWSRF/ARRA-DL dated September 15, 2009, issued pursuant to Ordinance No. 2009-4003 adopted by the City Council on September 21, 2009, and (d) Subordinated Sewer Revenue Warrant, Series 2012-CWSRF-DL (Partial Principal Forgiveness Loan) originally issued in the principal amount of \$855,000 pursuant to Ordinance No. 12-4129 adopted by the City Council on September 17, 2012.

"System" means the entire sanitary sewer and wastewater system of the City, as it now exists and as it may be hereafter extended and improved, including all plants, systems, buildings, facilities or properties used or useful in connection with the treatment of wastewater and any integral part thereof, including but not limited to sewer treatment plants, lagoons, sewer collection lines, office and storage facilities, meters, valves, vehicles, land, buildings, equipment and all properties, rights, easements and franchises relating thereto and all other property, real, personal or mixed, now owned by the City or hereafter acquired by it, by construction or otherwise, less any parts thereof sold or disposed of pursuant to the provisions hereof.

"Tax Code" means the Internal Revenue Code of 1986, as amended.

"Tax-Exempt Parity Securities" means Parity Securities issued by the City on the basis or representation that the interest thereon is excludible from gross income for Federal income tax purposes generally.

"Utilities Board" means the Municipal Utilities Board of Decatur, Morgan County, Alabama, created by Act No. 89 enacted at the 1939 Regular Session of the Legislature of Alabama, as amended.

"Warrants" means the Series 2013 Warrants and any Parity Securities hereafter issued hereunder.

Section 1.2 Use of Phrases, etc. "Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to this ordinance as an entirety and not solely to the particular portion thereof in which any such word is used. The definitions set forth in Section 1.1 hereof include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders. Any percentage of Series 2013 Warrants or Parity Securities (if any), specified herein for any purpose, is to be figured on the unpaid principal amount thereof then outstanding and shall exclude any Series 2013 Warrants or Parity Securities held by the City (it being understood and agreed, however, that any Series 2013 Warrants or Parity Securities held by the City shall not, solely on account of their acquisition by the City, be deemed to have been paid).

**ARTICLE 2
REPRESENTATIONS AND FINDINGS**

Section 2.1 Representations. The City represents, as a basis for the undertakings herein contained, (a) that it owns and operates the only wastewater treatment plant and wastewater collection system in the City and in certain nearby unincorporated areas and (b) that the Parity SRF Obligation and the Subordinated SRF Obligations presently constitute the only outstanding funded obligations of the City payable from, or secured by a special pledge of, the revenues derived from the operation of the System.

Section 2.2 Findings. The Council has heretofore ascertained and does hereby declare as follows:

(a) it is necessary and desirable, and in the best interests of the City and its inhabitants, that the City now provide for the acquisition and construction of the Series 2013 Improvements through the issuance of the Series 2013 Warrants; and

(b) the City believes that the weighted average maturity (11.60 years) of the Series 2013 Warrants does not exceed 120% of the average expected economic life of the Series 2013 Improvements.

(c) the City has obtained the consent of the Authority and ADEM to the issuance of the Series 2013 Warrants and the adoption of this Ordinance.

(d) The only notes, warrants or other securities presently payable from, and secured by a pledge of, revenues of the System are the Parity SRF Obligation, the Subordinated SRF Obligations and the Series 2013 Warrants.

(e) The City and its Utilities Board heretofore conducted on Tuesday, April 9, 2013, a public sale of the Series 2013 Warrants. The winning bid was submitted by Robert W. Baird and Co., Inc. with the True Interest Cost being 3.056682%. Pursuant to a right reserved by the City, the City adjusted the initial principal amount of the Series 2013 Warrants from \$38,130,000 to \$37,125,000 in order to account for the original issue premium bid by the successful bidder. Robert W. Baird & Co., Inc. (the "Underwriter") shall purchase the Series 2013 Warrants from the City for a purchase price of \$37,544,034.42 (consisting of the principal amount of \$37,125,000 less underwriter's discount of \$677,560.58 plus a net original issue premium of \$1,096,595.00).

**ARTICLE 3
THE SERIES 2013 WARRANTS**

Section 3.1 Authorization of the Series 2013 Warrants. Pursuant to applicable provisions of the constitution and laws of the State of Alabama, including particularly Section 11-47-2 of the Code of Alabama 1975, as amended, and for the respective purposes hereinafter set out, the City is hereby authorized to issue the Series 2013 Warrants.

Section 3.2 Description of the Series 2013 Warrants. The Series 2013 Warrants shall be dated April 23, 2013, shall be appropriately numbered, and shall be issuable as fully registered warrants without coupons, in the denomination of any integral multiple of \$5,000 (subject, however, to the limitation that each single Series 2013 Warrant issuable hereunder shall have only one maturity date and shall bear interest until its maturity at only one rate). The Series 2013 Warrants shall mature and become payable on August 15 as follows and shall bear interest at the per annum rate set forth opposite each year:

<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2014	\$1,400,000	2.00%	2024	\$1,850,000	3.000%
2015	1,430,000	2.00	2026	3,865,000	3.000
2016	1,460,000	3.00	2027	2,020,000	3.000
2017	1,505,000	3.00	2028	2,080,000	3.250
2018	1,550,000	3.00	2029	2,150,000	3.250
2019	1,595,000	3.00	2030	2,220,000	3.375
2020	1,645,000	3.00	2031	2,295,000	3.375
2021	1,695,000	3.00	2032	2,370,000	3.500
2022	1,745,000	3.00	2033	2,455,000	3.500
2023	1,795,000	3.00			

The Series 2013 Warrants shall bear interest from April 23, 2013 (except as otherwise provided in Section 3.4 hereof), until their respective maturities at such per annum rate or rates, as set forth above. Such interest shall be computed on the basis of a 360-day year of twelve (12) calendar months of thirty (30) days each, and shall be payable on August 15, 2013, and semiannually on each succeeding February 15 and August 15 after the respective dates of the authentication and registration of the Series 2013 Warrants until and at their respective maturities. The principal of and the interest on the Series 2013 Warrants shall, to the extent permitted by law, bear interest after their respective maturities until paid or until moneys sufficient for payment thereof shall have been made available for that purpose by the City, whichever first occurs, at the rate of 3% per annum.

The principal of and the interest (and premium, if any) on the Series 2013 Warrants shall be payable in lawful money of the United States of America. Said principal and premium (if any) shall be payable at the designated corporate trust office of Regions Bank, Birmingham, Alabama (which bank is hereby designated and appointed as the paying agent, registrar and transfer agent for the City in respect of the Series 2013 Warrants). Said interest shall be payable in accordance with the requirements and procedures of the Book-Entry System and the Letter of Representations so long as such system is in effect. If the Book-Entry System is not in effect, then interest shall be remitted by the Paying Agent by check or draft mailed or otherwise delivered to the then registered holders of the Series 2013 Warrants at their respective addresses as they appear on the registry books of the Paying Agent pertaining to the Series 2013 Warrants (except for final payment of such interest, which shall be made only upon surrender of the appropriate Series 2013 Warrant to the Paying Agent). Interest payments that are due with respect to the Series 2013 Warrants and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Paying Agent no later than the due date of such interest.

In the event that the Paying Agent (or any successor paying agent, registrar and transfer agent for the City that may be hereafter designated as herein provided) should at any time decline to act as paying agent, registrar and transfer agent for the City in respect of the Series 2013 Warrants, or should resign as such, 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 duties), or should cease to be duly qualified and doing business within the State of Alabama, then the Council shall by resolution designate a successor to such registrar; provided that any successor registrar so designated shall be and remain a member of the Federal Deposit Insurance Corporation (or any agency of the United States of America that may succeed to its duties) and shall be and remain duly qualified and doing business in the State of Alabama.

Section 3.3 Optional and Mandatory Redemption Provisions. The Callable Series 2013 Warrants may be redeemed and paid prior to their respective maturities, at the option of the City, as a whole or in part, on August 15, 2022, and on any date thereafter [but if the Callable Series 2013 Warrants are to be redeemed in part, only in installments of \$5,000 or any integral multiple thereof, and if less than all the Callable Series 2013 Warrants of a single maturity of such Series 2013 Warrants are to be redeemed, those (or portions of the principal thereof) to be redeemed to be selected in accordance with the requirements of the Book-Entry System or if it is not in effect, then by the Paying Agent by lot], at and for a redemption price, with respect to each such Callable Series 2013 Warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount (or portion thereof) plus accrued interest thereon to the date of redemption without premium or penalty. Any redemption of Callable Series 2013 Warrants of any series shall be effected in the manner provided in Article 5 hereof. The Series 2013 Warrants maturing on August 15, 2026 are required to be mandatorily redeemed on August 15, 2025 in the principal amount of \$1,905,000 at a redemption price equal to the applicable principal amount thereof (or portion thereof) to be redeemed plus accrued interest thereon, without premium or penalty. The remainder of the 2026 Term Warrants will mature on August 15, 2026 in the principal amount of \$1,960,000.

Section 3.4 Date from Which Series 2013 Warrants Bear Interest. Each Series 2013 Warrant shall bear interest from whichever of the following dates is applicable:

(a) if the date of its authentication and registration is prior to August 15, 2013, it shall bear interest from April 23, 2013; or

(b) if the date of its authentication and registration is August 15, 2013, or thereafter, it shall bear interest from the interest payment date next preceding the date of its authentication and registration or, if the date of its authentication and registration is an interest payment date, from the date of its authentication and registration (except that if at the time of such authentication and registration the City is in default in payment of the interest on such Series 2013 Warrant, it shall bear interest from the date to which interest has previously been paid or made available for payment thereon).

Section 3.5 Forms of Series 2013 Warrants, etc. The Series 2013 Warrants, the Paying Agent's Certificate of Authentication and Registration and the provisions for recordation and assignment thereof shall be in substantially the following forms, with appropriate insertions and variations therein to conform to the provisions hereof:

[FORM OF SERIES 2013 WARRANT]

No. _____

\$_____

**UNITED STATES OF AMERICA
STATE OF ALABAMA
CITY OF DECATUR
SEWER REVENUE WARRANT
SERIES 2013**

Maturity Date

Interest Rate

CUSIP

The CITY OF DECATUR, a municipal corporation in the State of Alabama (the "City"), hereby acknowledges that it is obligated (to the limited extent hereinafter set out) to CEDE & CO., INC. or registered assigns in the principal sum of

_____ **THOUSAND DOLLARS**

and hereby orders and directs its City Treasurer (upon presentation and surrender of this warrant) to pay to the aforesaid named payee, or registered assigns, solely out of the revenues hereinafter referred to, said principal sum on the maturity date specified above (unless the principal of this warrant is subject to redemption prior to its stated maturity and shall have been called for previous redemption and payment duly provided for), together with interest thereon from the applicable date described in the next succeeding sentence and at the per annum interest rate specified above, such interest [computed on the basis of a 360-day year of twelve (12) calendar months of thirty (30) days each] being payable on each February 15 and August 15 after the date of authentication and registration hereof until and at the maturity hereof. If the date of authentication and registration of this warrant is prior to August 15, 2013, it shall bear interest from April 23, 2013; and if the date of authentication and registration of this warrant is August 15, 2013 or thereafter, it shall bear interest from the interest payment date next preceding the date of authentication and registration shown below or, if the date of authentication and registration is an interest payment date, from the date of authentication and registration (except that if at the time of such authentication and registration the City is in default in payment of the interest on this warrant, it shall bear interest from the date to which interest has previously been paid or made available for payment hereon).

The principal of and the interest (and premium, if any) on this warrant are payable in lawful money of the, United States of America. Said principal (and premium, if any) is payable at the designated corporate trust office of Regions Bank, Birmingham, Alabama (which bank has been designated as paying agent, registrar and transfer agent for the City in respect of this warrant, and the others of the issue of which it is one, and is herein called the "Paying Agent"). Said interest shall be remitted by the Paying Agent in accordance with the requirements and procedures of the Book-Entry System as described in the Warrant Ordinance hereafter defined. If the Book-Entry System is not in effect, then interest shall be payable by check or draft mailed or otherwise delivered to the then registered holder hereof at his address shown on the registry books of the Paying Agent [except for final payment of such interest, which shall be made only upon the surrender of this warrant to the Paying Agent and except that any interest hereon not paid on the due date thereof shall be paid to the person in whose name this warrant (or one or more warrants issued in exchange for, or as a result of a transfer of, this warrant) is registered on the date on which moneys sufficient to pay such interest are made available to the Paying Agent, rather than to the person in whose name this warrant is registered on the due date of such interest]. Interest payments that are due with respect to this warrant and that are made by check or draft shall be deemed timely made if such check or draft is mailed by the Paying Agent no later than the due date of such interest. Both the principal of and the interest (and premium, if any) on this warrant shall, to the extent permitted by law, bear interest after their respective maturities or due dates until paid or until moneys sufficient for payment thereof have been made available for that purpose by the City, whichever first occurs, at the rate of 3% per annum.

This warrant is one of a duly authorized issue of sewer revenue warrants aggregating \$37,125,000 in principal amount, dated April 23, 2013 (the "Warrants"). The Series 2013 Warrants have been issued pursuant to applicable provisions of the constitution and laws of Alabama, including particularly Section 11-47-2 of the Code of Alabama 1975, as amended, and an ordinance duly and legally adopted by the governing body of the City (the "Warrant Ordinance") for the purpose of acquiring and constructing certain capital sewer improvements to the City's wastewater plant and collection system hereinafter referred to.

Those of the Series 2013 Warrants having stated maturities in 2023 and thereafter are subject to optional redemption and payment prior to their respective maturities, at the option of the City, as a whole or in part, on August 15, 2022, and on any date thereafter [but if such Warrants are to be redeemed in

part, only in installments of \$5,000 or any integral multiple thereof, and if less than all the Series 2013 Warrants of a single maturity are to be redeemed, those (or portions of the principal thereof) to be redeemed to be selected in accordance with the procedures of the Book-Entry System and if such system is not in effect then by the Paying Agent by lot], at and for a redemption price, with respect to each such Series 2013 Warrant (or portion of the principal thereof) to be redeemed, equal to the principal amount (or portion thereof) to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium or penalty.

Those of the Series 2013 Warrants maturing on August 15, 2026 are required to be mandatorily redeemed on August 15, 2025 in the principal amount of \$1,905,000 at a redemption price equal to the applicable principal amount thereof (or portion thereof) to be redeemed plus accrued interest thereon, without premium or penalty. The remainder of the 2026 Term Warrants will mature on August 15, 2026 in the principal amount of \$1,960,000.

If less than all of the Series 2013 Warrants are to be optionally redeemed during a period in which the Book-Entry System is in effect for the Series 2013 Warrants, the City shall designate the order and amount of maturities of the Series 2013 Warrants (or portions thereof) to be redeemed not less than 45 nor more than 60 days prior to the redemption date. In accordance with the Letter of Representations, the Securities Depository may determine the amount of the interest of each Direct Participant in those of such Series 2013 Warrants to be redeemed, on the basis of the smallest Authorized Denomination of such Series 2013 Warrants, by lot or by such other method as the Securities Depository shall deem fair and appropriate. If less than all the Series 2013 Warrants are to be redeemed during a period in which the Book-Entry System is not in effect for the Series 2013 Warrants, any optional redemption shall be in such order and amount of their maturities as the City shall direct. In the event that less than all of the principal of the Series 2013 Warrants of a maturity is to be redeemed, the Paying Agent shall assign numbers to each \$5,000 principal portion of all the Series 2013 Warrants of such maturity and shall, by process of random selection based upon such numbers, select the principal portion of Series 2013 Warrants of such maturity to be redeemed. Notice of any intended redemption shall be given by United States registered or certified mail not less than thirty (30) nor more than sixty (60) days prior to the proposed redemption date to the registered owner of each Series 2013 Warrant, all or a portion of the principal of which is to be redeemed or, if the Securities Depository or Securities Depository Nominee is the Holder, at the times and in the manner as provided in the Letter of Representations.

The principal of and the interest on the Series 2013 Warrants are payable, on a parity of lien with the City's Sewer Revenue Warrant, Series 2010-SRF (the "Parity SRF Obligation") issued to the Alabama Water Pollution Control Authority (the "Authority") and on a superiority of lien to the (a) Subordinated Sewer Revenue Warrant, Series 1997-SRF, issued to the Authority, (b) Subordinated Sewer Revenue Warrant, Series 1994-SRF and currently designated Subordinated Sewer Revenue Warrant, Series 2004-SRF, issued to the Authority (c) Subordinated Sewer Revenue Warrant, Series 2009-CWSRF/ARRA-DL dated September 15, 2009, issued to the Authority, and (d) Subordinated Sewer Revenue Warrant, Series 2012-CWSRF-DL (Partial Principal Forgiveness Loan), issued to the Authority, solely out of revenues derived by the City from the operation of its sanitary sewer and wastewater system, as presently or hereafter constituted (the "System"), remaining after payment of the expenses of administering, operating, maintaining and repairing the same, and are secured, pro rata and without priority of one Warrant over another, by a valid pledge of the revenues out of which they are payable. The City has, in the Warrant Ordinance, reserved the right to issue from time to time additional securities, without express limit as to principal amount, secured on a parity with the Series 2013 Warrants and the Parity SRF Obligation by a pledge of the said net revenues from the System, upon compliance with the applicable terms and conditions set forth in the Warrant Ordinance.

This warrant is not a general obligation of the City, and neither its full faith and credit nor any of its taxing powers are pledged for payment of the principal hereof or the interest hereon. The covenants and representations contained herein or in the Warrant Ordinance do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the City, and in the event of breach of any such covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the City shall arise therefrom. No holder of any of the Series 2013 Warrants shall ever have the right to compel the exercise of the taxing power of the City for the payment of the principal of or the interest on the Series 2013 Warrants, and this warrant does not constitute a debt of the City within any state constitutional provision or statutory limitation.

It is hereby certified and recited that the obligation evidenced and ordered paid by this warrant is lawfully due without condition, abatement or offset of any description; that all conditions, actions and things required by the constitution and laws of the State of Alabama to exist, be performed or happen precedent to and in the issuance of this warrant do exist, have been performed and have happened; and that provision has been made in the Warrant Ordinance for the deposit into a special fund of net revenues from the operation of the System in amounts sufficient to provide for timely payment of the principal of and the interest on the Series 2013 Warrants, all on a parity of lien with the Parity SRF Obligation.

Execution by the Paying Agent of its authentication and registration certificate hereon is essential to the validity hereof and is conclusive of the due issuance hereof under and pursuant to the Warrant Ordinance.

IN WITNESS WHEREOF, the City has caused this warrant to be manually executed by its Mayor, has caused its official seal to be imprinted hereon, has caused this warrant to be attested by the manual signature of its City Clerk and has caused this warrant to be dated April 23, 2013.

CITY OF DECATUR

By _____
Mayor

Attest:

City Clerk

[FORM OF RECORDATION CERTIFICATE FOR SERIES 2013 WARRANTS]

It is hereby certified that this warrant was at the time of issuance thereof recorded as a claim against the net revenues derived by the City of Decatur, Alabama, from the operation of the "System" referred to in said warrant and out of which net revenues this warrant is, under the provisions of the "Warrant Ordinance" referred to in said warrant, payable.

City Treasurer

[FORM OF ASSIGNMENT]

For value received, _____ hereby sell(s), assign(s) and transfer(s) unto _____ the within warrant and the moneys

ordered paid thereby 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 Paying Agent.

DATED this _____ day _____, 20__.

NOTE: The name signed to this assignment must correspond with the name of the payee written on the face of the within warrant in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:*

Name of Guarantor

By _____

(Authorized Officer)

* Signatures must be guaranteed by an eligible guarantor institution that is a member of a recognized signature guarantee program, such as (for example) Securities Transfer Agents Medallion Program (STAMP), Stock Exchange Medallion Program (SEMP) or New York Stock Exchange Medallion Signature Program (MSP).

Section 3.6 Application of Proceeds from Sale of the Series 2013 Warrants. The proceeds derived by the City from the sale of the Series 2013 Warrants shall be applied as follows:

(a) that portion of such proceeds that is allocable to any net original issue premium (\$1,096,595) received by the City on the sale of the Series 2013 Warrants shall be paid into the Construction Fund, simultaneously with the issuance and delivery of the Series 2013 Warrants, and thereafter applied to the acquisition and construction of the Series 2013 Improvements;

(b) there shall be deposited in the Construction Fund the additional sum of \$36,250,237; and

(c) the balance of such proceeds \$197,202.42, shall initially also be deposited in the Construction Fund and shall be used and applied, as promptly as practicable, for payment of costs and expenses heretofore or hereafter incurred by the City in connection with the issuance and sale of the Series 2013 Warrants and described on Exhibit B attached hereto; provided, however, that any such proceeds and income remaining after payment in full of all such costs and expenses shall remain deposited in the Construction Fund and applied to the acquisition and construction of the Series 2013 Improvements.

The City shall also deposit in the Reserve Fund from available sewer revenues and not from Series 2013 Warrant proceeds, the amount of \$2,542,832.00 and the sum of \$3,168 into the Construction Fund.

Section 3.7 Construction Fund.

(a) There is hereby established a special trust fund in the name of the City which shall be designated the "Series 2013 Construction Fund." Regions Bank shall be the depository, custodian and disbursing agent for the Series 2013 Construction Fund.

(b) There shall be deposited in the Series 2013 Construction Fund the amounts specified therefor in Section 3.6 hereof. The money in the Series 2013 Construction Fund shall be paid out by Regions Bank for the purposes of paying the (a) approved issuance costs identified on Exhibit B attached hereto and incorporated herein by reference and (b) costs of acquiring and constructing the Series 2013 Improvements.

(c) The requisitions and payment requests for withdrawals from the Series 2013 Construction Fund, in substantially the form of the requisition which is attached hereto as Exhibit C and incorporated herein by reference, shall be signed by the General Manager and the Business Manager and Chief Financial Officer and shall (i) state the amount requested to be paid and the name and address of the person to whom payment is to be made, (ii) describe in reasonable detail the particular cost, (iii) certify that the purpose for which such payment is to be made is one for which Series 2013 Construction Fund moneys are authorized under this Ordinance to be expended and (iv) certify that such payment is not to be used to reimburse the City for any expenditures made prior to February 25, 2013 except for engineering and other de minimus expenditures recognized as qualified reimbursable expenses under Section 1-150.2 of the applicable Treasury Regulations issued in connection with Section 103 of the Code. Each requisition or payment request shall be accompanied by a certification by the City of the cost paid or incurred by the City for any material or labor supplied for the Series 2013 Improvements showing that the amount requested to be paid is or was due and payable for the purpose stated in such requisition or payment request.

(d) In addition to the documents required by this Section, Regions Bank may require as a condition precedent to any payment or withdrawal further evidence with respect thereto or with respect to the application of any money previously disbursed or as to the correctness of any statement made in any requisition or payment request. Upon the written request of the registered owners of at least 10% of the Warrants, Regions Bank shall require such evidence. Regions Bank shall, however, be under no duty to require such evidence unless so requested.

(e) Regions Bank shall not be liable for any misapplication of moneys in the Construction Fund if disbursed pursuant to the provisions of this Section and without knowledge or reason to believe that such disbursement constitutes a misapplication of funds.

(f) The City may cause any or all of the money deposited in the Construction Fund to be invested in Eligible Investments as more fully set forth in Section 8.7 hereof.

Section 3.8 Concerning Certain Series 2013 Warrant Proceeds. The City may, to the extent it deems practicable, invest in Eligible Investments. In the event of any such investment, the securities or certificates in which such moneys are so invested, together with the income or gain therefrom, shall become a part of the particular special account from which moneys were withdrawn for such investment, to the same extent as if they were moneys originally deposited therein.

Anything herein to the contrary notwithstanding, the City

(1) will not invest, or continue the investment of, any Series 2013 Warrant proceeds or sell or otherwise convert into cash any such investments, if as a result thereof any of the Series 2013 Warrants would be considered "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Tax Code and any applicable regulations,

(2) without in any way limiting the generality of the foregoing, will not invest, or continue the investment of, any such Series 2013 Warrant proceeds or income or gain in any "higher yielding investments" [within the meaning of Section 148(b)(1) of the Tax Code and any applicable regulations]

after the expiration of any "temporary period" [as such term is used in Section 148(c)(1) of the Tax Code and any applicable regulations] applicable to such Series 2013 Warrant proceeds or income or gain, and will not take any other action (such as, e.g., the sale or other conversion into cash of any such investments) that would result in the investment of such Series 2013 Warrant proceeds or income or gain in "higher yielding investments" (defined as aforesaid) after the expiration of any "temporary period" (defined as aforesaid) applicable thereto, if and to the extent that such investment, continued investment or other action would result in any of the Series 2013 Warrants being considered "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Tax Code and any applicable regulations, and

(3) without in any way limiting the generality of the foregoing, will not make any investment of any such Series 2013 Warrant proceeds or income or gain or take any other action with respect to any thereof, (i) that would constitute an "abusive arbitrage device" within the meaning of Treas. Reg. § 1.148-10(a)(2), or that would have the effect of allocating any such Series 2013 Warrant proceeds or income or gain to a payment for an investment in an amount greater than, or to a receipt from the sale or other conversion into cash of an investment in an amount less than, the "fair market value" [within the meaning of Treas. Reg. § 1.148-5(d)(6)] of such investment in a manner contrary to the provisions of Treas. Reg. § 1.148-6(c) (it being understood, however, that the "fair market value" of a United States Treasury obligation purchased directly from the United States Treasury shall, for purposes of this sentence, be the purchase price of such obligation), and (ii) that would result in any of the Series 2013 Warrants being considered "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Tax Code and any applicable regulations.

The City and Regions Bank will keep and maintain such records respecting the aforesaid Series 2013 Warrant proceeds and income or gain (including, without limitation, records relating to the receipt and disbursement of funds, the purchase, sale, redemption or other conversion into cash of investments and the income, gain or loss on investments), and for such period of time, as shall be necessary in order to determine whether the Series 2013 Warrants meet the requirements of paragraphs (2) and (3) of Section 148(f) of the Tax Code and any applicable regulations thereunder.

ARTICLE 4

EXECUTION AND TRANSFER OF THE SERIES 2013 WARRANTS; BOOK-ENTRY SYSTEM

Section 4.1 Execution, Recordation and Authentication of the Series 2013 Warrants.

The Series 2013 Warrants shall be executed on behalf of the City with the signature of the Mayor, and the corporate seal of the City shall be imprinted on each of the Series 2013 Warrants. The Series 2013 Warrants shall be attested by the City Clerk, who shall execute each of the Series 2013 Warrants. The Series 2013 Warrants shall be recorded by the City Treasurer, in the records of the City maintained by her, as claims against the net revenues derived by the City from the operation of the System and out of which the Series 2013 Warrants are, pursuant to this ordinance, payable. Such recordation shall be made simultaneously with respect to all the Series 2013 Warrants, and the City Treasurer shall certify, over her signature to be on each of the Series 2013 Warrants, the fact of such recordation. Said officers are hereby directed so to execute, attest and record the Series 2013 Warrants and to make such certification. Signatures on the Series 2013 Warrants by persons who were officers of the City at the time such signatures were written shall continue effective although such persons cease to be such officers prior to the authentication or the delivery of the Series 2013 Warrants. A duly executed authentication and registration certificate, manually executed by an authorized officer of the Paying Agent and showing the date of authentication and registration, shall be appended to each of the Series 2013 Warrants and shall be essential to its validity. Such authentication and registration certificate shall be conclusive of the due issue of such Series 2013 Warrant hereunder.

Section 4.2 Replacement of Mutilated, Lost, Stolen or Destroyed Series 2013 Warrants.

In the event any Series 2013 Warrant is mutilated, lost, stolen or destroyed, the City shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Series 2013 Warrant of the same Series 2013 and otherwise of like tenor as that mutilated, lost, stolen or destroyed; provided that (a) in the case of any such mutilated Series 2013 Warrant, such Series 2013 Warrant is first surrendered to the City and the Paying Agent, and (b) in the case of any such lost, stolen or destroyed Series 2013 Warrant, there is first furnished to the City and the Paying Agent 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 Holder with the expense of issuing any such new Series 2013 Warrant.

Section 4.3 Book-Entry System.

(i) The Warrants shall be issued pursuant to a Book-Entry System administered by the Securities Depository with no physical distribution of any Warrant to any person. One Warrant for each maturity will be issued, registered in the name of the Securities Depository Nominee, and immobilized in the custody of the Securities Depository. Beneficial ownership interests in Warrants held by the Securities Depository may be purchased by or through Direct Participants. The holders of these beneficial ownership interests in such Warrants are referred to as the "Beneficial Owners." The Beneficial Owners will not receive certificated warrants representing their beneficial ownership interests. Ownership of the interests in Warrants in Authorized Denominations will be evidenced on the records of the Securities Depository and the Direct Participants and Indirect Participants pursuant to rules and procedures established by the Securities Depository. During a period in which the Book-Entry System is in effect for the Warrants the City and the Paying Agent shall treat the Securities Depository or the Securities Depository Nominee as the only registered owner of such Warrants for all purposes under this Ordinance, including, without limitation, receipt of all principal of, premium (if any) and interest on the Warrants, receipt of notices, voting, and requesting or directing the Paying Agent or City to take or not to take, or consenting to, certain actions under this Ordinance. In the event the Securities Depository or the Securities Depository Nominee assigns its rights to consent or vote under this Ordinance to any Direct Participant or Indirect Participant, the City and the Paying Agent shall treat such assignee or assignees as the only registered owner or owners of the Warrants for the purpose of exercising such rights so assigned.

(ii) During a period in which the Book-Entry System is in effect for the Warrants, payments of principal, interest, and redemption premium, if any, with respect to such Warrants will be paid by the Paying Agent directly to the Securities Depository, or the Securities Depository Nominee, as Holder, and as provided in the Letter of Representation; provided, that payment of the principal of (and premium, if any, on) such Warrants due at final maturity or upon redemption in whole of any of such Warrants shall be made only upon surrender thereof at the designated corporate office of the Paying Agent. The Securities Depository and the Direct Participants and the Indirect Participants shall be responsible for the disbursement of such payments to the Beneficial Owners. All such payments to the Securities Depository or the Securities Depository Nominee, as Holder, of principal of, premium (if any) and interest on such Warrants on behalf of the City or the Paying Agent shall be valid and effectual to satisfy and discharge the liability of the City and the Paying Agent to the extent of the amounts so paid, and the City and the Paying Agent shall not be responsible or liable for payment to any Beneficial Owner by the Securities Depository or by any Direct Participant or by any Indirect Participant, or for sending transaction statements or for maintaining, supervising or reviewing records maintained by the Securities Depository or Direct Participants or Indirect Direct Participants.

(iii) Transfers of ownership interests in the Warrants by the Beneficial Owners thereof, and conveyance of notices and other communications by the Securities Depository to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners of the Warrants, will be governed by arrangements among the Securities Depository,

Direct Participants, Indirect Participants and the Beneficial Owners, subject to any statutory and regulatory requirements as may be in effect from time to time. For every transfer and exchange of beneficial ownership in such Warrants, the Beneficial Owners may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

(iv) Redemption notices respecting Warrants held by the Securities Depository shall be sent to the Securities Depository Nominee by the Paying Agent and redemption of Warrants shall be effected as provided in Section 5 and Section 7.

(v) In the event that the Securities Depository ceases to act as the securities depository for the Warrants, the City shall discontinue the Book-Entry System for such Warrants. If the City fails to appoint another qualified securities depository to replace the then acting Securities Depository, the City will cause the Paying Agent to authenticate and deliver fully registered certificated Warrants to each Beneficial Owner in evidence of the ownership interests thereof. If the Book-Entry System is discontinued for the Warrants, payments to, and transfers of Warrants by, the Beneficial Owners shall be governed by the provisions set forth in this Authorizing Ordinance with respect thereto.

(vi) The City may enter into a custody agreement with any bank or trust company serving as custodian (which may be the Paying Agent serving in the capacity of custodian) to provide for a Book-Entry System or similar method for the registration and transfer of the Warrants.

(vii) During a period in which the Book-Entry System is in effect for the Warrants in accordance herewith, the provisions of this Ordinance and such Warrants shall be construed in accordance with the Letter of Representation and to give full effect to such Book-Entry System.

(viii) The Beneficial Owners of all the Warrants, by their acquisition of any beneficial interest in a Warrant or Warrants, and the Securities Depository, the Securities Depository Nominee, and all Direct Participants and all Indirect Participants, severally agree that the City and the Paying Agent shall not have any responsibility or obligation to any Direct Participant or any Indirect Participant or any Beneficial Owner with respect to (1) the accuracy of any records maintained by the Securities Depository or any Direct Participant or any Indirect Participant; (2) the payment by the Securities Depository or any Direct Participant or any Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of, premium (if any) and interest on the Warrants; (3) the delivery or timeliness of delivery by the Securities Depository or any Direct Participant or any Indirect Participant of any notice due to any Beneficial Owner which is required or permitted under the terms of this Ordinance to be given to Beneficial Owners; or (4) any consent given or other action taken by the Securities Depository, or the Securities Depository Nominee, as owner.

(ix) In Release No. 34-47978; File No. SR-DTC-2003-02, the SEC approved DTC's Rule change clarifying that only DTC Participants with a position in that issue can request withdrawal of those securities from DTC. The City has no legal or beneficial interest in securities held by Participants at DTC and therefore the City has no basis to request the withdrawal of those securities.

(b) Discontinuation of Book-Entry System; Registration, Transfer, and Exchange of Warrants; Replacement of Mutilated, Lost, Destroyed or Stolen Warrants.

(i) The Securities Depository may determine to discontinue the Book-Entry System with respect to the Warrants at any time upon notice to the City and the Paying Agent and upon discharge of its responsibilities with respect thereto under applicable law. Upon such notice and compliance with law the Book-Entry System for the Warrants will be discontinued unless a successor securities depository is appointed by the City.

(ii) In the event the Book-Entry System for the Warrants is discontinued, Warrants in certificated form in Authorized Denominations will be physically distributed to the Beneficial Owners thereof and such Warrants will be registered in the names of the owners thereof on the Warrant Register, the Paying Agent will make payments of principal of, premium (if any) and interest on such Warrants to the registered owners thereof as provided in the Warrants and this Authorizing Ordinance, and the following provisions with respect to registration, transfer and exchange of such Warrants by the registered owners thereof shall apply:

(1) Upon surrender for transfer of any Warrant at the designated corporate office of the Paying Agent, the City shall execute, and the Paying Agent shall authenticate, register and deliver, in the name of the designated transferee or transferees, one or more new Warrants of the same series, of any Authorized Denominations and in a principal amount equal to the unpaid or unredeemed portion of the principal of the Warrant so presented.

(2) If and to the extent so provided with respect to the Warrants, at the option of the Holder, Warrants of such series may be exchanged for other Warrants of the same series, of any Authorized Denominations and of a like aggregate principal amount, upon surrender of the Warrants to be exchanged at the designated corporate office of the Paying Agent. Whenever any Warrants are so surrendered for exchange, the City shall execute, and the Paying Agent shall authenticate, register and deliver, the Warrants which the Holder making the exchange is entitled to receive.

(3) All Warrants surrendered upon any exchange or transfer provided for in this Authorizing Ordinance shall be cancelled.

(4) All Warrants issued upon any transfer or exchange of Warrants shall be the valid obligations of the City and be entitled to the same security and benefits under this Authorizing Ordinance as the Warrants surrendered upon such transfer or exchange.

(5) Every Warrant presented or surrendered for transfer or exchange shall (if so required by the City or the Paying Agent) be duly endorsed or be accompanied by a written instrument of transfer in form satisfactory to the City and the Paying Agent duly executed by the Holder thereof or his attorney duly authorized in writing.

(6) No charge shall be made to the Holder for any transfer or exchange of Warrants, but the City may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Warrants.

(7) The Paying Agent shall not be required to transfer or exchange any Warrant during the period between the Record Date and the then next succeeding interest payment date; and, in the event that any Warrant (or any part thereof) is duly called for redemption, the Paying Agent shall not be required to transfer or exchange any such Warrant during the period of forty-five (45) days next preceding the date fixed for such redemption.

(8) If (i) any mutilated Warrant is surrendered to the Paying Agent, or the City and the Paying Agent receive evidence to their satisfaction of the destruction, loss or theft of any Warrant, and (ii) there is delivered to the City and the Paying Agent such security or indemnity as may be required by them to save each of them harmless, then, in the absence of notice to the City or the Paying Agent that such Warrant has been acquired by a bona fide purchaser, the City shall execute and the Paying Agent shall authenticate, register and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Warrant, a new Warrant of the same series and of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(9) Upon the issuance of any new Warrant under this Section, the City may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith.

(10) Every new Warrant issued pursuant to this Section in lieu of any destroyed, lost or stolen Warrant shall constitute an original additional contractual obligation of the City, whether or not the destroyed, lost or stolen Warrant shall be at any time enforceable by anyone.

(11) The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Warrants.

ARTICLE 5 GENERAL PROVISIONS RESPECTING REDEMPTION OF CALLABLE SERIES 2013 WARRANTS

Section 5.1 Notice; Selection and Manner of Effecting Redemption of Callable Series 2013 Warrants. Any optional or mandatory redemption of any Series 2013 Warrants or of any Parity Securities hereafter issued shall be effected in the following manner. If the Book-Entry System is in effect, then redemption shall be made as herein described in Section 3.5 in accordance with the provisions of the Letter of Representation, the requirements and procedures of the Book-Entry System and this Ordinance. If less than all of the Warrants at the time outstanding are optionally redeemed at the time the Book-Entry System is not in effect, then any optional redemption shall be in such amount and order of maturities as the City shall determine in its sole discretion. In the event that less than all of the principal of the Warrants of a maturity is to be redeemed, the Paying Agent shall assign a number to each \$5,000 principal portion of all of the Warrants of such maturity and shall, by process of random selection based upon such numbers, select the principal portion of Warrants of such maturity to be redeemed. Notice of any intended redemption shall be given by United States registered or certified mail not less than 30 days prior to the proposed redemption date to the registered owner of each Warrant, all or a portion of the principal of which is to be redeemed, at the address thereof as it last appears on the registration books of the Paying Agent pertaining to the Warrants. Notice having been so given and payment of the redemption price duly made or provided, Warrants (or portions thereof) so called for redemption shall cease to bear interest from and after the redemption date unless default is made in the payment of the redemption price.

ARTICLE 6 PARITY SECURITIES

Section 6.1 Parity Securities - In General. While the City is not in default in payment of the principal of or the interest on any of the Series 2013 Warrants, it may at any time and from time to time issue Parity Securities, within the limitations of and upon compliance with the provisions of this Article 6 and Section 9.9 hereof, for any of the following purposes:

(a) for the purpose of financing costs of acquiring and constructing any Capital Improvements,

(b) for the purpose of refunding or otherwise retiring any of the Series 2013 Warrants or any Parity Securities at the time outstanding, and

(c) for the combined purpose of financing costs of acquiring and constructing Capital Improvements and of refunding or otherwise retiring any of the Series 2013 Warrants or Parity Securities.

Any such Parity Securities shall be considered to have been issued for one of the aforesaid purposes notwithstanding (1) the fact that a part of the proceeds derived by the City from the sale thereof is required to be paid into the Reserve Fund but if and only to the extent that there is required to be paid into the Reserve Fund out of said proceeds a sum not in excess of the Reserve Fund Increase resulting from the issuance of such Parity Securities, or (2) the fact that a part of the proceeds derived from the sale thereof is required to be paid into the Debt Service Fund but if and only to the extent that there is required to be paid into the Debt Service Fund an aggregate sum not in excess of the interest accruing on such Parity Securities from their date until the estimated date of completion of any Capital Improvements for the financing of costs of which such Parity Securities were issued.

The Parity Securities may be in such denomination or denominations, shall bear interest at such rate or rates, shall mature in such amounts and at such times, and may contain such provisions for redemption prior to maturity, all as may be provided in the Parity Securities Ordinance required by the provisions of subsection (a) of Section 6.2 hereof; provided that

(i) all Parity Securities shall have stated maturities on August 15 in each of the years that may be fixed for their maturities and shall contain an appropriate series designation;

(ii) interest on each series of Parity Securities shall be computed on the basis of a 360-day year of twelve (12) calendar months of thirty (30) days each, and shall be payable, at such per annum rate or rates as shall be fixed prior to their issuance, on each February 15 and August 15 until and at their respective maturities; provided, however, that, if so provided in the Parity Securities Ordinance authorizing their issuance, the first interest payment date with respect to any series of Parity Securities need not be the February 15 or the August 15 next following the date of such series but may be deferred to the February 15 or the August 15 next succeeding the February 15 or the August 15 next following the date of such series; and provided further, that the preceding proviso to the contrary notwithstanding, such first interest payment date may not be deferred for a period longer than nine months following the date of such series;

(iii) any redemption of Parity Securities prior to maturity shall be subject to the provisions of Article 5 hereof; and

(iv) the form of Parity Securities shall be substantially identical to that of the Series 2013 Warrants, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof and of the Parity Securities Ordinance under which such Parity Securities are issued.

Section 6.2 Conditions Precedent to Issuance of Parity Securities. Parity Securities may be issued only after compliance with the following conditions:

(a) **Parity Securities Ordinance.** The Council shall have adopted a Parity Securities Ordinance authorizing the sale and issuance of the Parity Securities proposed to be issued and containing the following: (1) a description of the Parity Securities proposed to be issued, including the date, the aggregate principal amount, the numbers (if any) and series designation, the denomination or denominations, the interest rate or rates and the maturity or maturities thereof, the provisions for redemption thereof prior to maturity, and the forms of such Parity Securities and the certificate of registration applicable thereto; (2) a statement of the sale price of such Parity Securities; (3) a general statement of the purpose for which such Parity Securities are proposed to be issued; (4) a statement that such Parity Securities are being issued on a parity with the Series 2013 Warrants (and any other Parity

Securities then outstanding) under the provisions of this Article 6; (5) provisions for the funding of the Reserve Fund Increase (if any) resulting from the issuance of such Parity Securities, whether through payment into the Reserve Fund (simultaneously with the issuance of such Parity Securities) of proceeds from the sale of such Parity Securities, or through payments into the Reserve Fund out of other available moneys of the City in accordance with the provisions of Section 8.3 hereof, or any combination thereof that may be specified by the City; (6) a statement that the City is not at the time in default in payment of the Series 2013 Warrants or any Parity Securities; (7) a list of all Parity Securities previously issued by the City under the provisions of this Article 6 and at the time outstanding; and (8) any other provisions that do not conflict with the provisions hereof.

(b) Reports and Other Certificates. There shall have been placed on file in the office of the City Clerk of the City one of the following:

(1) Auditor's Report. A report signed by an Independent Auditor certifying that the average Annual Net Income for the two Fiscal Years next preceding the Fiscal Year during which such Parity Securities are issued was not less than 125% of the maximum Annual Debt Service Requirements with respect to the Parity SRF Obligation, the Subordinated SRF Obligations, the Series 2013 Warrants and Parity Securities that will be outstanding immediately following the issuance of the Parity Securities proposed to be issued (and with respect, to which such report is made); or

(2) Auditor's and Engineer's Report. A report or opinion signed by an Independent Auditor and an Independent Engineer stating that the City has, prior to the date of issuance of such Parity Securities, put into effect revised rates, charges and fees for service furnished from the System, and that had such revised rates, charges or fees been in effect during the two Fiscal Years next preceding the Fiscal Year during which such Parity Securities are issued, the average Annual Net Income for such two Fiscal Years would have been not less than 135% of the maximum Annual Debt Service Requirements with respect to the Parity SRF Obligation, the Subordinated SRF Obligations, the Series 2013 Warrants and Parity Securities that will be outstanding immediately following the issuance of the Parity Securities proposed to be issued (and with respect to which such report is made), which such report or opinion may contain a statement by such Auditor that he assumes responsibility only for the correctness of the computations on which the conclusions in such report or opinion are based; or

(3) Special Auditor's Report in the Case of Certain Refundings. If such Parity Securities are being issued solely for the purpose of refunding any Series 2013 Warrants or Parity Securities then outstanding and of funding (to the extent permitted in Section 6.1 hereof) any Reserve Fund Increase resulting from the issuance of such Parity Securities, a report or opinion of an Independent Auditor stating either (i) that the Annual Debt Service Requirements for the then current Fiscal Year, or for any Fiscal Year thereafter until and including the Fiscal Year during which the last maturity of the Series 2013 Warrants and Parity Securities (if any) then outstanding occurs, with respect to the Series 2013 Warrants and Parity Securities that will be outstanding immediately following the issuance of such Parity Securities, do not exceed 110% of the Annual Debt Service Requirements for the same Fiscal Year with respect to the Series 2013 Warrants and Parity Securities outstanding immediately prior to the issuance of such Parity Securities, or (ii) that the maximum Annual Debt Service Requirements with respect to the Series 2013 Warrants and Parity Securities that will be outstanding immediately following the issuance of such Parity Securities will not be greater than the maximum Annual Debt Service Requirements with respect to the Series 2013 Warrants and Parity Securities outstanding immediately prior to the issuance of such Parity Securities [it being understood and agreed that in the determination of Annual Debt Service Requirements for purposes of this subparagraph (3), there may be disregarded any interest paid or anticipated to be paid from the proceeds of either the Series 2013 Warrants or any Parity Securities (including the Parity Securities with respect to which such report or opinion is given) that are or are anticipated to be on deposit in the Debt Service Fund].

(c) Opinion of Bond Counsel. There shall also have been placed on file in the office of the City Clerk of the City an opinion dated the date of issuance of such Parity Securities, signed by Bond Counsel, approving the validity and legality of such Parity Securities and stating that the issuance thereof will not result in the interest on any then outstanding Series 2013 Warrants or any then outstanding Tax-Exempt Parity Securities being or becoming includible in gross income for Federal income tax purposes generally.

ARTICLE 7
SOURCE OF PAYMENT OF THE SERIES 2013 WARRANTS,
PLEDGE FOR PAYMENT THEREOF, AND SEVERANCE
OF REVENUES FROM PHYSICAL PROPERTIES

Section 7.1 Source of Payment of the Series 2013 Warrants. The principal of and the interest on the Series 2013 Warrants shall be payable, on a parity of lien with the Parity SRF Obligation and on a superiority of lien with the Subordinated SRF Obligations, solely out of revenues derived from the operation of the System remaining after payment of the expenses of administering, operating, maintaining and repairing the same. The general faith and credit of the City are not pledged for payment of the principal of or the interest on the Series 2013 Warrants, and the Series 2013 Warrants shall not be general obligations of the City. Neither this ordinance nor any of the Series 2013 Warrants shall be deemed to impose upon the City any obligation to pay the principal of or the interest on the Series 2013 Warrants, or any other sum, except with revenues derived from the operation of the System, and the Series 2013 Warrants shall not constitute indebtedness of the City within the meaning of any state constitutional provision or statutory limitation. None of the agreements, representations or warranties made or implied in this ordinance, or in the Series 2013 Warrants or the issuance thereof, 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 respect to the moneys herein provided and in the event of a breach of any such agreement, representation or warranty, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the City shall arise therefrom. Nothing contained in this section shall, however, relieve the City from the performance and observance of the several agreements and covenants on its part herein contained so long as such performance or observance does not impose a personal or general liability or charge upon the City.

Section 7.2 Pledge of Revenues. The revenues out of which the Parity SRF Obligation, the Series 2013 Warrants and the Parity Securities (if any) are payable (as provided in Section 7.1 hereof) are hereby irrevocably pledged, to the extent herein set out, (a) for payment of the principal of and the interest on the Parity SRF Obligation, the Series 2013 Warrants and any Parity Securities hereafter issued (if any), pro rata, and without preference or priority of any one over another, (b) for the payments into the special funds created in Article 8 hereof, to the extent herein provided, and (c) after satisfaction of the payments required under the preceding subsections (a) and (b), to the payment of the principal of and interest on the Subordinated SRF Obligations. The City represents that (a) the pledge and agreements herein made will, immediately following the issuance of the Series 2013 Warrants, constitute the only outstanding pledge and agreements with respect to the revenues derived from the operation of the System other than the parity pledge with the Parity SRF Obligation and the subordinated pledges to the Subordinated SRF Obligations and (b) immediately following the issuance of the Series 2013 Warrants, the Series 2013 Warrants, the Parity SRF Obligation and the Subordinated SRF Obligations will constitute the only outstanding securities of the City payable out of revenues derived from the operation of the System.

Section 7.3 Severance of Revenues. In order to safeguard the aforesaid pledge and the performance and observance of the agreements and covenants of the City herein contained, the City does hereby declare its intention that the revenues derived from the operation of the System shall be and the

same hereby are severed from the physical properties comprising the System to such extent as shall be necessary to fulfill and preserve inviolate the said pledge and to fulfill the said agreements and covenants.

**ARTICLE 8
DISPOSITION OF REVENUES FROM THE
SYSTEM AND CREATION OF SPECIAL FUNDS**

Section 8.1 Revenue Account. There is hereby created a special fund, the full name of which shall be the "Sewer System Gross Revenue Account" and which shall be maintained, on the books of the Utilities Board, until the principal of and the interest on the Series 2013 Warrants, the Parity SRF Obligation and any Parity Securities hereafter issued shall have been paid in, full. The City will transfer and debit, or cause to be transferred and debited, on a parity of lien with the payments of debt service on the Parity SRF Obligation, to the Revenue Account all revenues derived from the operation of the System, as such revenues, are received by it. The City will first apply the moneys in the Revenue Account to payment of the Operating Expenses incurred with respect to the System, during the then current and any then preceding calendar month and will thereafter transfer the moneys then remaining in the Revenue Account to the Debt Service Fund, the Reserve Fund and the Improvement Fund, in the order named, at the times and to the respective extents provided herein and in any Parity Securities Ordinance and to the extent that moneys sufficient therefor shall be available in the Revenue Account. No payments or withdrawals shall at any time be made from the Revenue Account except for payment of Operating Expenses and for the payments, withdrawals and uses provided for and authorized

(a) in this section and in Section 8.2 hereof (and in equivalent provisions, of each Parity Securities Ordinance), and

(b) in Sections 8.3, 8.4 and 8.5 hereof (and in any provision of any Parity Securities Ordinance requiring payments into the Improvement Fund over and above and in excess of those provided for in Section 8.4 hereof).

Nothing contained in this ordinance shall be construed to require that, in order to provide for any transfer, debit or payment of moneys into the Revenue Account required hereby, or for any transfer, withdrawal or disbursement of moneys therefrom authorized hereby, moneys be actually paid or deposited into, or transferred or withdrawn from, any one particular or special bank or other similar account, it being understood that it shall be a full compliance by the Utilities Board and the City with the agreements contained in this section for those transfers to and from the Revenue Account provided for in the preceding provisions of this section to be made only on the books of account of the Utilities Board.

The City may invest moneys in the Revenue Account only in Eligible Investments that shall mature, or are redeemable at the option of the holder thereof, on such dates and in such amounts as may be necessary to provide moneys to make the transfers, payments or withdrawals hereinabove required to be made, at the times and in the amounts hereinabove specified. All Eligible Investments in which any Revenue Account moneys are invested, together with all income or gain therefrom, shall become a part of the Revenue Account, to the same extent as if they were moneys on deposit therein. In any determination of the amount of money at any time forming a part of the Revenue Account, all Eligible Investments in which any portion of the moneys in such Account is at the time so invested shall be included therein at their then market value.

Section 8.2 Debt Service Fund. There is hereby created a special fund, the full name of which shall be the "Sewer System Principal and Interest Fund" and which shall be continued until the principal of and the interest on the Series 2013 Warrants and any Parity Securities shall have, been paid in

full. There shall (subject to succeeding provisions of this section) be paid into the Debt Service Fund, on a parity of lien with payments required to be made with respect to the Parity SRF Obligation, the following:

(a) Simultaneously with the issuance and sale of the Series 2013 Warrants or any issue or series of Parity Securities and out of the proceeds derived from such sale, the City will pay into the Debt Service Fund that part of the proceeds from such sale that is allocable to accrued interest, if any;

(b) On or before April 25, 2013, May 25, 2013, June 25, 2013 and July 25, 2013, the City will pay into the Debt Service Fund, out of the moneys in the Revenue Account, an amount which, when added to any amount paid into the Debt Service Fund pursuant to the provisions of subsection (a) of this section, will equal one-fourth ($1/4^{\text{th}}$) of the interest coming due with respect to the Series 2013 Warrants on August 15, 2013;

(c) On or before August 25, 2013, and on or before the 25th day of each succeeding month thereafter until the principal of and the interest on the Series 2013 Warrants and any Parity Securities shall have been paid in full, the City will pay into the Debt Service Fund, out of the moneys in the Revenue Account: (1) an amount equal to the sum of (i) one-sixth ($1/6^{\text{th}}$) of the interest that will mature with respect to the then outstanding Series 2013 Warrants and Parity Securities (if any) on the then next succeeding interest payment date with respect thereto, plus (ii) one-twelfth ($1/12^{\text{th}}$) of the principal (if any) that will mature or become subject to mandatory redemption with respect to the then outstanding Series 2013 Warrants and Parity Securities (if any) on the then next succeeding August 15;

(d) Simultaneously with the issuance of any of the Parity Securities, the City will pay into the Debt Service Fund such additional sums as, when added to (1) the sum that will be on deposit in the Debt Service Fund immediately following such issuance, and (2) the subsequent payments that are herein required to be made into the Debt Service Fund between the time of such issuance and the then next succeeding August 15, will make available (i) on the then next succeeding August 15 an amount equal to the principal (if any) maturing or required to be redeemed, and the interest maturing, on that date with respect to the Series 2013 Warrants and any Parity Securities that will then be outstanding hereunder and (ii) on February 15th (if any) occurring between the date of issuance of such Parity Securities and the then next succeeding August 15, an amount equal to the interest maturing on that date with respect to the Series 2013 Warrants, and the Parity Securities; provided that the sums provided in this paragraph to be paid into the Debt Service Fund shall be paid therein out of moneys in the Revenue Account, except to the extent that such sums are provided herein or in the Parity Securities Ordinance authorizing such Parity Securities to be paid out of the proceeds derived from the sale of such Parity Securities; and

(e) In the event that the moneys paid or transferred into the Debt Service Fund with respect to any calendar month shall be less than the amount required by the provisions of this section to be paid therein with respect to such calendar month, then on or before the 25th day of the next succeeding calendar month and on or before the 25th day of each calendar month thereafter until such time as the payments into the Debt Service Fund are current, the City will pay into the Debt Service Fund [in addition to the monthly payments provided for in subsection (c) of this section] all moneys remaining in the Revenue Account on the 25th day of each of said months after compliance with the then applicable provisions of Section 8.1 hereof and this section and after payment of the amount required in subsection (c) of this section to be paid into the Debt Service Fund with respect to such month.

The aforesaid monthly payments that the City is required to make into the Debt Service Fund shall be increased or decreased to such extent as may be necessary to compensate for any loss or gain resulting from any investment of moneys in the Debt Service Fund made in accordance with the provisions of Section 8.7 hereof.

All moneys paid into the Debt Service Fund shall, subject to the provisions of Sections 8.7 and 8.10 hereof, be used only for payment of the principal of and the interest on the Series 2013 Warrants and any then outstanding Parity Securities upon or after the respective maturities of such principal and interest; provided, that if at the final maturity of the Series 2013 Warrants and all Parity Securities (if any), there shall be in the Debt Service Fund moneys in excess of what shall be required to pay in full the principal of and the interest on the Series 2013 Warrants and the Parity Securities (if any), then any such excess shall thereupon be returned to the City. When the amount of money on deposit in the Debt Service Fund equals or exceeds the aggregate of the principal and interest then remaining unpaid with respect to the Series 2013 Warrants and all then outstanding Parity Securities (if any), no further payments need thereafter be made into the Debt Service Fund except to make good moneys paid therein which may become lost or which may not be immediately available for withdrawal under the provisions of this section; provided, however, that in the event any Parity Securities should thereafter be issued, monthly payments shall be resumed into the Debt Service Fund in accordance with the applicable provisions of this section.

Section 8.3 Reserve Fund. There is hereby created a special trust fund, the full name of which shall be the "Sewer System Debt Service Reserve Fund," for the purpose of providing a reserve or cushion for payment of debt service on the Series 2013 Warrants and any Parity Securities.

(a) The City will, simultaneously with the issuance of the Series 2013 Warrants, pay and deposit into the Reserve Fund, out of available sewer revenues and not from proceeds derived from the sale of the Series 2013 Warrants, the amounts specified in Sections 3.6 hereof. The City will also pay and deposit into the Reserve Fund the following:

(1) If the City issues any Parity Securities and if the Reserve Fund Increase (if any) resulting from the issuance of such Parity Securities is not fully funded and deposited into the Reserve Fund simultaneously with such issuance, the City will, on the 25th day of each calendar month, commencing with the month next succeeding that during which such Parity Securities were issued and continuing for fifty-nine (59) calendar months thereafter, also transfer and pay into the Reserve Fund, out of the moneys on deposit in the Revenue Account remaining after first making any payments required by the provisions of Sections 8.1 and 8.2 hereof, the least of (i) one-sixtieth (1/60th) of the Reserve Fund Increase, or (ii) if a portion (but less than all) of the Reserve Fund Increase (if any) resulting from the issuance of such Parity Securities was funded or otherwise deposited into the Reserve Fund simultaneously with the issuance of such Parity Securities, an amount equal to one-sixtieth (1/60th) of the excess of such Reserve Fund Increase over the portion thereof so funded or otherwise so deposited into the Reserve Fund, or (iii) an amount which, when added to the amount then on deposit in the Reserve Fund, will result in the amount on deposit in the Reserve Fund aggregating the then Current Maximum Required Reserve Fund Balance.

(2) If any moneys are transferred from the Reserve Fund into the Debt Service Fund pursuant to subsection (c) of this section, the City will transfer and pay into the Reserve Fund, in addition to any monthly payment therein required by the preceding subparagraph (1), on the 25th day of the calendar month next succeeding that during which such transfer was made and continuing for eleven (11) calendar months thereafter, out of the moneys remaining in the Revenue Account after compliance with the then applicable provisions of Sections 8.1 and 8.2 hereof and the preceding subparagraph (1), the lesser of (i) an amount equal to one-twelfth (1/12th) of the amount so transferred into the Debt Service Fund, or (ii) an amount which, when added to the amount then on deposit in the Reserve Fund, will result in the amount on deposit in the Reserve Fund aggregating the then Current Maximum Required Reserve Fund Balance.

(b) The Paying Agent shall, as of the 25th day of each August (commencing with the month of August, 2014), ascertain and determine (or cause to be ascertained and determined), in accordance with the criteria specified in the last paragraph of Section 8.7 hereof, the amount on deposit in the Reserve Fund. If, according to such determination, there is on deposit in the Reserve Fund an amount in excess of the then Current Maximum Required Reserve Fund Balance, the Paying Agent shall promptly transfer such excess to the City, which in turn will promptly deposit such excess into the Revenue Account. If, however, according to such determination, there is on deposit in the Reserve Fund an amount less than the then Current Maximum Required Reserve Fund Balance, the Paying Agent shall promptly so notify the City, whereupon the City will take the following actions:

(i) if and to the extent the deficiency in the Reserve Fund is the result of a Reserve Fund Increase resulting from the issuance of Parity Securities, the City will continue to make the payments into the Reserve Fund as provided in subparagraph (1) of subsection (a) of this section;

(ii) if and to the extent the deficiency in the Reserve Fund is the result of a transfer of moneys out of the Reserve Fund into the Debt Service Fund pursuant to the next succeeding paragraph of this section, the City will continue to make the payments into the Reserve Fund as provided in subparagraph (2) of subsection (a) of this section; and

(iii) if and to the extent the deficiency in the Reserve Fund is the result of any circumstance other than as described in the preceding clause (i) or (ii), the City will transfer and pay into the Reserve Fund, in addition to any monthly payments therein required by subsection (a) of this section, on the 25th day of each of the then next succeeding eleven (11) calendar months thereafter, all moneys remaining in the Revenue Account after compliance with the then applicable, provisions of Sections 8.1 and 8.2 hereof and subsection (a) of this section, until (A) there has been paid into the Reserve Fund during the then current calendar month a sum at least equal to one-twelfth (1/12th) of the amount by which the sum required to be on deposit in the Reserve Fund as of the date of such determination exceeded the amount on deposit therein as of such date, all to the end that such deficiency be fully restored within not more than twelve (12) months, or (B) there is on deposit in the Reserve Fund an amount at least equal to the then Current Maximum Required Reserve Fund Balance, whichever of the foregoing (A) or (B) will result in the lesser payment.

(c) The moneys forming a part of the Reserve Fund shall be transferred to the Debt Service Fund for payment of principal of or interest on the Series 2013 Warrants or any Parity Securities but may be so transferred only when the moneys on deposit in the Debt Service Fund shall not be sufficient to pay a maturing installment of such principal or interest and only to such extent as shall be necessary to prevent a default in the payment of such principal or interest. Subject to the provisions of Sections 8.7 and 8.10 hereof, until such time as the principal of and the interest (and premium, if any) on the Series 2013 Warrants and all Parity Securities (if any) are paid in full, moneys forming a part of the Reserve Fund may be transferred therefrom only to the Debt Service Fund or to the City and only for the purposes and to the extent specified in this section.

(d) The City will, in order to facilitate

(1) the computation and determination of any Required Rebates that may be due with respect to those portions of the Reserve Fund that constitute "gross proceeds" [within the meaning of Section 148(f) of the Tax Code and any applicable regulations] of the Series 2013 Warrants or any issue or series of Tax Exempt Parity Securities, and

(2) compliance by the City with the agreements on its part contained in Section 9.14 hereof, keep and maintain (or cause to be kept and maintained) separate records relating to all moneys paid,

deposited and transferred into the Reserve Fund referable or with respect to the Series 2013 Warrants and each issue or series (if any) of Parity Securities and to the investment of such moneys, all to the end that there may be determined at any time the amount on deposit in the Reserve Fund with respect to the Series 2013 Warrants and each such issue or series of Parity Securities. Nothing herein contained shall, however, be construed to limit the use of any moneys on deposit in the Reserve Fund for the benefit of the Series 2013 Warrants or any issue or series of Parity Securities in such a way as to accord any such series or issue preference or priority over any other, it being specifically provided that, insofar as this ordinance and state law are concerned, all moneys in the Reserve Fund may be used, in the amounts and under the circumstances provided herein, for payment of debt service on all the Series 2013 Warrants and Parity Securities (if any), pro rata and without preference or priority of any one series or issue over another.

Section 8.4 Improvement Fund. There is hereby created a special fund, the full name of which shall be the "Sewer System Replacement, Extension and Improvement Fund." Simultaneously with the issuance of the Series 2013 Warrants, the City will pay and transfer (or cause to be so paid and transferred) into the Improvement Fund the sum of \$500,000. On or before the 25th day of April, 2013, and on or before the 25th day of each successive calendar month thereafter until the amount on deposit in the Improvement Fund equals or exceeds the Current Maximum Required Improvement Fund Balance, the City will pay into the Improvement Fund, out of the moneys remaining in the Revenue Account after compliance with the then applicable provisions of Sections 8.1, 8.2 and 8.3 hereof, the sum of \$5,000.

The moneys on deposit in the Improvement Fund shall, subject to the provisions of Sections 8.7 and 8.10 hereof, be used solely for the purpose of replacing any portion of the System that has become worn out or inadequate for the rendition of efficient service and of constructing or acquiring Capital Improvements. Whenever the moneys on deposit in the Improvement Fund shall equal or exceed the Current Maximum Required Improvement Fund Balance, the City may discontinue making further payments therein, but whenever and as often as any of said moneys are used to such an extent that the amount thereof remaining on deposit therein shall be less than the Current Maximum Required Improvement Fund Balance, then the City shall resume monthly payments therein, out of the moneys remaining in the Revenue Account after compliance with the then applicable provisions of Sections 8.1, 8.2 and 8.3 hereof, at the rate of \$5,000 per month until such time as the total of the moneys on deposit in the Improvement Fund shall again equal or exceed the Current Maximum Required Improvement Fund Balance. So long as the City shall not be in default hereunder, the moneys forming a part of the Improvement Fund may be withdrawn by the Utilities Board from time to time as it in its sound discretion deems it advantageous to the System that such withdrawal be made for use for any purpose for which the Improvement Fund was created.

Section 8.5 Disposition of Surplus Revenues. After compliance with the then applicable provisions of Sections 8.1 to 8.4 hereof, the balance remaining in the Revenue Account on the 25th day of each calendar month thereafter shall, to the extent necessary, be paid into the Debt Service Fund, the Reserve Fund and the Improvement Fund, in the order named, for the purpose of making good any delinquency or deficit existing in any of said funds by reason of the failure to pay therein any amounts required to be paid therein by the provisions of Sections 8.2, 8.3 and 8.4, respectively, of this ordinance. Thereafter and while all Operating Expenses then due and payable have been paid in full, and all monthly and other payments herein provided to be made into the Debt Service Fund, the Reserve Fund and the Improvement Fund are current and each of said funds is in a current condition, the balance remaining on deposit in the Revenue Account on the 25th day of each calendar month thereafter may be withdrawn and used for any lawful purpose.

Section 8.6 Security for Special Funds. The moneys at any time on deposit in the Revenue Account, the Debt Service Fund, the Reserve Fund and the Improvement Fund shall be and at all times shall remain public funds impressed with a trust for the purposes for which said account and funds were

respectively created. The depository for each such fund and account shall at all times keep the moneys on deposit in the account or fund for which it is depository continuously secured, for the benefit of the City and the Holders of the Series 2013 Warrants and the Parity Securities (if any), either

(a) by holding on deposit, as collateral security, Federal Securities, or other marketable securities eligible as security for the deposit of trust funds under regulation of the Comptroller of the Currency, having a market value (exclusive of accrued interest) not less than the amount of moneys on deposit in the account or fund being secured, or

(b) if the furnishing of security in the manner provided by the foregoing clause (a) of this section is not permitted by the then applicable laws and regulations, then in such other manner as may be required or permitted by the then applicable state and Federal laws and regulations respecting the security for, or granting a preference in the case of, the deposit of trust funds;

provided, however, that it shall not be necessary for any such depository so to secure any portion of the moneys on deposit in any such account or fund that is insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions; and provided further, that in the event any moneys in the Debt Service Fund, the Reserve Fund or the Improvement Fund shall be invested as authorized in Section 8.7 hereof, it shall not be necessary for any such investment to be secured (in any case where security for such moneys might otherwise be required) so long as such moneys shall remain so invested.

Section 8.7 Investment of Debt Service Fund, Reserve Fund, Construction Fund and Improvement Fund Moneys. The City shall, to the extent practicable, cause the moneys on deposit in the Debt Service Fund that will not be needed, during the then next ensuing five (5) days, for payment of any maturing installment of principal of or interest on the Series 2013 Warrants and any Parity Securities, to be kept continuously invested in Eligible Investments 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 2013 Warrants and the Parity Securities, as such principal and interest respectively become due and payable (whether at maturity, upon earlier call for redemption or otherwise). In addition, so long as the City shall not be in default hereunder, it may at any time and from time to time at its option cause any or all of the moneys in the Reserve Fund to be invested in any Eligible Investments maturing (or being redeemable at the option of the holder at a stated price) not later than five (5) years from the date of such investment. In the event of any such investment of moneys in the Debt Service Fund or the Reserve Fund, such Eligible Investments, together with all income therefrom, shall become a part of the fund from which moneys were used to make such investment and shall be held by the depository therefor to the same extent as if they were moneys on deposit therein. The City may likewise from time to time cause any such Eligible Investments to be sold or otherwise converted into cash [provided that such sale or other conversion shall not jeopardize payment of the principal of or the interest (or premium, if any) on the Series 2013 Warrants and any Parity Securities], if and to the extent that such sale or conversion is necessary to obtain funds to prevent a default in payment of the principal of or the interest on the Series 2013 Warrants or any Parity Securities. In the event of any such sale or conversion, the net proceeds derived therefrom (including any income or other gain realized therefrom) shall become a part of the fund of which such Eligible Investments formed a part.

Anything herein to the contrary notwithstanding, the City

(a) will not invest (or continue any investment of), or request the investment (or continued investment) of, any moneys in either the Debt Service Fund, the Construction Fund or the Reserve Fund, or any sale or other conversion into cash of investments forming a part of either thereof, if as a result thereof any of the Series 2013 Warrants or any issue or series of Tax-Exempt Parity Securities would be

considered "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Tax Code and any applicable regulations,

(b) without in any way limiting the generality of the foregoing, will not invest (or continue any investment of), or request the investment (or continued investment) of, any moneys in either the Debt Service Fund, the Construction Fund or the Reserve Fund in any "higher yielding investments" [within the meaning of Section 148(b)(1) of the Tax Code and any applicable regulations] after the expiration of any "temporary period" [as such term is used in Section 148(c)(1) of the Tax Code and any applicable regulations] then applicable to moneys in such fund, and will not take (or request the taking of) any other action (such as, e.g., the sale or other conversion into cash of investments forming a part of either such fund) that would result in the investment of moneys in either such fund in "higher yielding investments" (defined as aforesaid) after the expiration of any "temporary period" (defined as aforesaid) applicable to such fund, if and to the extent that such investment, continued investment or other action would result in any of the Series 2013 Warrants or any issue or series of Tax-Exempt Parity Securities being considered "arbitrage bonds," within the meaning of Sections 103(b)(2) and 148 of the Tax Code and any applicable regulations, and

(c) without in any way limiting the generality of the foregoing, will not invest (or continue any investment of), or request the investment (or continued investment) of, any moneys in either the Debt Service Fund, the Construction Fund or the Reserve Fund, and will not take (or request the taking of) any other action, (1) that would constitute an "abusive arbitrage device," within the meaning of Treas. Reg. § 1.148-10(a)(2), or that would have the effect of allocating any such moneys to a payment for an investment in an amount greater than, or to a receipt from the sale or other conversion into cash of an investment in an amount less than, the "fair market value" [within the meaning of Treas. Reg. § 1.148-5(d)(6)] of such investment, in a manner contrary to the provisions of Treas. Reg. § 1.148-6(c) (it being understood, however, that the "fair market value" of a United States Treasury obligation purchased directly from the United States Treasury shall, for purposes of this sentence, be the purchase price of such obligation), and (2) that would result in any of the Series 2013 Warrants or any issue or series of Tax-Exempt Parity Securities being considered "arbitrage bonds" within the meaning of Sections 103(b)(2) and 148 of the Tax Code and any applicable regulations,

nor shall the Paying Agent be obligated to make any such investment, continued investment, sale or other conversion, or be obligated to take any such other action, even if requested by the City, or have any affirmative obligation to determine whether any request by the City would constitute (or, if honored, would result in) a violation of the preceding provisions of this paragraph, and the Paying Agent shall be fully protected in making any investment of any moneys in such fund or any sale or other conversion into cash of any such investments, and in taking any other investment-related action with respect to such fund, in accordance with the provisions hereof.

The City will keep and maintain (or cause to be kept and maintained) such records respecting the Debt Service Fund, the Construction Fund and the Reserve Fund (including, without limitation, records relating to the receipt and disbursement of funds, the purchase, sale, redemption or other conversion into cash of investments and the income, gain or loss on investments) for such period of time as shall be necessary in order to determine whether the Series 2013 Warrants or any issue or series of Tax-Exempt Parity Securities meet the requirements of paragraphs (2) and (3) of Section 148(f) of the Tax Code and any applicable regulations thereunder.

The City may invest moneys in the Improvement Fund only in Eligible Investments that mature (or are redeemable at the option of the holder thereof) on such dates and in such amounts as may be necessary to provide moneys for the purposes for which such moneys may, pursuant to the provisions hereof, be expended. All Eligible Investments in which any Improvement Fund moneys are invested,

together with all income or gain therefrom, shall become a part of the Improvement Fund, to the same extent as if they were moneys on deposit therein; provided, that

(i) any income or gain from any such investments shall, not less often than once during each calendar year, be paid and transferred into the Revenue Account [unless, at the time of any such proposed transfer, there would thereafter remain on deposit in the Improvement Fund an amount less than the then Current Maximum Required Improvement Fund Balance, in which event there shall be retained in, and considered a part of, the Improvement Fund such portion of such income and gain (which may be all) as will result in the amount on deposit therein being equal to the then Current Maximum Required Improvement Fund Balance]; and

(ii) the City may sell or otherwise convert into cash Eligible Investments forming a part of the Improvement Fund if and to the extent such sale or conversion is necessary to obtain moneys for use for any purpose for which moneys in the Improvement Fund may, pursuant to the provisions hereof, be expended.

Anything herein to the contrary notwithstanding, no investment of moneys on deposit in any of the special funds created in this article, nor any sale or other conversion into cash of investments forming a part of any such fund, shall be made if as a result thereof any Series 2013 Warrant or Parity Security would be considered an "arbitrage bond" within the meaning of Sections 103(b)(2) and 148 of the Tax Code, but otherwise the depository for any such fund shall be fully protected in making any such investment, sale or conversion of any such securities upon directions given in a Resolution of the Utilities Board. In the event any of said moneys shall be so invested it shall not be necessary for the depository therefor to secure any such investment (in any case where security for such moneys might otherwise be required) so long as such moneys shall remain so invested. In any determination of the amount of moneys at any time forming a part of the Debt Service Fund, the Reserve Fund or the Improvement Fund, all securities and investments in which any portion thereof is at the time so invested shall (except as otherwise specifically provided herein) be included, in the respective fund from which moneys were used to make such investment, at their then market value less the excess of the accrued interest thereon over the amount of any accrued interest paid upon acquisition thereof; provided, however, that any Federal Securities of the series or type customarily referred to as "State and Local Government Series" in which any part of the moneys in any such fund is at the time invested shall be included, in the respective fund from which moneys were used to make such investment, at their face value. For purposes of this section, the amount of any accrued interest paid upon the acquisition of any securities or investments in which any portion of said Debt Service Fund, Reserve Fund or Improvement Fund moneys is invested shall be considered as part of the cost thereof and not as income derived therefrom.

Section 8.8 Conditions under which Series 2013 Warrants and Parity Securities Are Deemed Fully Paid and Moneys in Special Funds May Be Withdrawn. Any installment of the principal of or the interest on the Series 2013 Warrants and any Parity Securities shall be deemed fully paid if there shall be placed on file in the office of the City Clerk of the City each of the following:

(a) a trust agreement (1) making provision for the retirement of such installment by creating for that purpose an irrevocable trust fund sufficient to provide for payment thereof (in the case of principal, either by redemption prior to maturity, by payment at maturity, or by payment of part thereof at maturity and redemption of the remainder prior to maturity), and (2) containing an acknowledgment by the trustee thereunder that such trust fund has been fully funded and consists solely of (i) Federal 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 so to provide for payment of such installment, or (ii) both cash and such

Federal Securities which together will produce funds sufficient for such purpose, or (iii) cash sufficient for such purpose;

(b) in the case of Series 2013 Warrants or Parity Securities (i.e., principal thereof, as distinguished from interest) to be redeemed prior to their respective maturities, a certified copy of a Resolution of the Council calling such Series 2013 Warrants or Parity Securities (as the case may be) for redemption;

(c) evidence that notice of any such redemption has been given pursuant to the requirements of Article 5 hereof (or corresponding provision of any applicable Parity Securities Ordinance) or that irrevocable powers for the giving of such redemption notice have been conferred on the bank or trust company holding the said trust fund; and

(d) an opinion of Bond Counsel to the effect that the execution and effectuation of the trust agreement referred to in the preceding clause (a) will not result in subjecting to Federal income taxation generally the interest income on any then outstanding Series 2013 Warrants or Tax-Exempt Parity Securities.

Any such trust agreement shall be between the City and the Paying Agent [or between the City and any other bank or trust company that is qualified to administer trusts, that is a member of the Federal Reserve System or of any other agency of the United States of America (if there be any such agency) that may succeed to its functions, and that has combined capital and surplus of not less than \$100,000,000].

If, as the result of the creation of one or more such trust funds, all the Series 2013 Warrants and Parity Securities have been deemed fully paid,

(A) the City may withdraw the moneys and securities at the time in the Revenue Account, the Debt Service Fund, the Reserve Fund and the Improvement Fund and use the same for any lawful purpose,

(B) the City may discontinue making any further payments into any of the said special funds, and

(C) the City may not thereafter issue any Parity Securities.

Section 8.9 Depositories for Special Funds. The Paying Agent shall be the depository, custodian and disbursing agent for the Debt Service Fund, the Construction Fund and the Reserve Fund. The Utilities Board may at any time and from to time designate any banking institution or institutions as depository or depositories for the Improvement Fund and for each account in which moneys herein required to be paid into the Revenue Account are deposited, provided that each such depository so designated shall at all times while acting as such 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, if there be any such, and shall be and remain duly qualified and doing business in the State of Alabama. Each such other depository shall be fully protected in paying out moneys from the account or fund for which it is the depository on checks, vouchers or drafts signed by any duly authorized officer, employee or agent of the Utilities Board and shall not be liable for the misapplication by the City or the Utilities Board of any moneys so withdrawn if such moneys shall be so withdrawn without knowledge or reason on the part of such other depository to believe that such disbursement constitutes a misapplication of funds. Any charges for exchange, fees or expenses which may be made by any depository for Revenue Account moneys or for the Improvement Fund shall constitute and be paid as an Operating Expense.

Section 8.10 Miscellaneous. Any of the preceding provisions of this Article 8 to the contrary notwithstanding, moneys on, deposit in the Debt Service Fund, the Reserve Fund and the Improvement Fund may be used and applied to make any Required Rebates and related penalty or other similar payments to the United States of America if and to the extent necessary to preserve the exclusion of the interest on the Series 2013 Warrants or any issue or series of Tax-Exempt Parity Securities from gross income for Federal income tax purposes generally; provided, however, that such moneys may be so used and applied only if and to the extent that the City does not have available for payment of any such Required Rebates and related penalty or other similar payments any other moneys derived from the operation of the System (including particularly, but without limitation, any moneys then in the Revenue Account and available for payment of such Required Rebates and related penalty or other similar payments); and provided further, that moneys in the Debt Service Fund may be so used and applied only if and to the extent that such use and application will not jeopardize payment of any maturing installment of principal of or interest on the Series 2013 Warrants or any Parity Securities or the making of any required redemption of Series 2013 Warrants or Parity Securities prior to maturity.

ARTICLE 9 PARTICULAR COVENANTS OF THE CITY

Section 9.1 To Pay the Series 2013 Warrants. The City will pay, out of the net revenues derived from the operation of the System and pledged to the payment thereof as hereinabove provided, the principal of and the interest on the Series 2013 Warrants and any Parity Securities as specified herein, and it will otherwise perform all obligations which, either expressly or by reasonable implication, are imposed on it in this ordinance and will not default hereunder.

Section 9.2 To Maintain Books, Records and Accounts. The City will establish and maintain proper books of record and account pertaining to the System and all receipts and disbursements with respect thereto, which shall be kept separate and apart from all other records of the City and in accordance with generally accepted accounting standards, and full and complete entries shall be made therein with respect to all transactions pertaining to the operation of the System.

Section 9.3 To Furnish Annual Audits and Other Periodic Reports. The City will operate the System on a fiscal year basis. The City will, within thirty (30) days following the close of each Fiscal Year, cause to be commenced an audit of its books with respect to the System for such Fiscal Year, and it will cause such audit to be completed, and an audit report with respect thereto delivered, within one hundred twenty (120) days following the close of such Fiscal Year. Each such audit shall be made by an Independent Auditor and shall include, in addition to whatever other matters may be thought proper by such Independent Auditor to be included therein, the following matters with respect to the System:

(a) statements in reasonable detail of revenues from, and expenditures made with respect to, the System for such Fiscal Year;

(b) a balance sheet as of the end of such Fiscal Year;

(c) a statement catalyzing each of the special funds or accounts created or referred to herein, including all deposits and withdrawals therefrom and the balances in each such fund or account at the beginning and ending of such Fiscal Year, including particularly (but without limiting the generality of the foregoing) a statement of any moneys withdrawn from the Reserve Fund and thereafter transferred into the Debt Service Fund during such Fiscal Year;

(d) a list of the insurance policies and fidelity bonds in force with respect to the System at the end of such Fiscal Year, setting out with respect to each such policy the amount thereof, the risk covered thereby, the name of the insurer and the expiration date of the policy;

(e) the comments of such Independent Auditor regarding the manner in which the City has carried out the requirements of this ordinance, and the Independent Auditor's recommendations for any changes or improvements in the financial operation of the System;

(f) a statement showing the schedule of rates charged for sewer service (and each class, if any, thereof) at the end of such Fiscal Year;

(g) a list of the names and titles of the officers of the Utilities Board at the end of such Fiscal Year;

(h) a general comment concerning any event or circumstance known to such Auditor that might materially affect the financial status of the System; and

(i) the following information as of the end of such Fiscal Year as the same shall be disclosed by the records of the City, and without any requirement for physical verification thereof by the Independent Auditor: the number of properties connected with and served by the System, and the number of customers served by the System.

Each such audit shall be conducted, and the annual audited financial statements included in the audit report shall be prepared, in accordance with generally accepted accounting standards and the standards for financial audits contained in the *Governmental Auditing Standards* issued by the Comptroller General of the United States (as such standards may at the time be in effect). The statements of revenue and expense and the balance sheet included in such audit report shall be accompanied by a certificate or opinion of such Independent Auditor in a standard form approved by the American Institute of Certified Public Accountants or successor body thereto (if any). All expenses incurred in the making of each such audit shall constitute and be paid as an Operating Expense. Within ten (10) days of receipt thereof, the City will file a copy of such an audit report with respect to that Fiscal Year on the EMMA System of the MSRB and provide a copy, if requested in writing, to the original purchaser or purchasers of the Series 2013 Warrants or any issue of Parity Securities from the City, and each of them is granted the right to discuss the contents of the audit with the Independent Auditor making the same and to secure from the Independent Auditor such additional information respecting the matters herein or therein set out as may be reasonably required.

Section 9.4 Grant of Franchise to Receiver. In the event a receiver or receivers should be appointed by any court of competent jurisdiction to administer and operate the System following any default hereunder on the part of the City, the City agrees that such receiver or receivers and any successor thereto may use the streets, avenues, alleys and other public ways within the corporate limits of the City for the construction, operation and maintenance of the System therein and thereover. Upon request so to do by any such receiver or receivers, the City will thereupon forthwith grant to such receiver or receivers franchises conveying said rights with respect to the System in all respects as if such franchise was presently granted to become effective on the date of the appointment of such receiver or receivers.

Section 9.5 To Furnish No Free Service. The City will not furnish or permit to be furnished by or from the System any free sewer service of any kind to any other incorporated municipality, to any county, or to any agency, instrumentality, person, firm or corporation whatsoever. All sewer service of any kind furnished from the System shall be charged for at the rates at the time established therefor. The

reasonable cost and value of all sewer service rendered to the City by the System shall be charged against the City and paid for from current funds monthly as the said services accrue.

Section 9.6 To Maintain Adequate Rates. The City will, to the fullest extent permitted by law, fix and maintain such rates and charges for sewer services supplied from the System and will make collections from the users thereof in such manner as shall produce

(a) revenues sufficient (1) to provide for timely payment of all Operating Expenses, (2) to provide for payment of the principal of and the interest on the Parity SRF Obligation, the Series 2013 Warrants, the Parity Securities (if any), and the Subordinated SRF Obligations as and when the same become due and payable, and to make (on a timely basis) the required payments into the Debt Service Fund therefor, (3) to make, on a timely basis, the required payments into the Reserve Fund in order to build up a reserve for payment of the principal of and the interest on the Series 2013 Warrants and any Parity Securities, and (4) to make, on a timely basis, the required payments into the Improvement Fund in order to build up a reserve for improvements, betterments and extensions to the System (other than those necessary to maintain the same in good repair and working order), and

(b) in each Fiscal Year, Annual Net Income in an amount not less than 120% of the then maximum Annual Debt Service Requirements with respect to the Parity SRF Obligation, the Subordinated SRF Obligations, the Series 2013 Warrants and any then outstanding Parity Securities.

The City will, from time to time and to the fullest extent permitted by law, make such increases and other changes in such rates and charges as may be necessary to enable it to satisfy the requirement of the preceding provisions of this section. Each schedule of rates shall provide that all charges for sewer service supplied from the System shall become due not less often than once during each calendar month.

Section 9.7 To Discontinue Service on Non-Payment of Bills. If the account of any sewer user shall remain unpaid for a period of thirty (30) days after such account shall become due, the City thereupon will (after giving such notice and following such procedures as may be required to satisfy any applicable due process or other constitutional standards) promptly discontinue furnishing sewer service to such user whose account shall, so remain unpaid, but upon subsequent payment of such account, including any penalties or charges for connection or disconnection, or either of them, which may be provided for in the schedule of rates of the City, the City may thereafter furnish sewer service to such user until such time as his said account shall again remain unpaid for a period of thirty (30) days after it becomes due, whereupon the furnishing of sewer service shall (after the City has given notice and followed procedures as aforesaid) again be discontinued.

Section 9.8 To Continue Operation of the System and to Keep System in Repair. Not to Sell, Lease or Otherwise Dispose of System Except under Certain Conditions. The City will, so long as the principal of or the interest on any of the Series 2013 Warrants or Parity Securities (if any) remains unpaid, continuously operate the System and keep it in good repair and in efficient operating condition, making from time to time all needful repairs thereto and replacements thereof, or it will cause the System so to be operated and kept in good repair and operating condition. Further, the City will not, prior to full payment of the Series 2013 Warrants and the Parity Securities (if any), sell, lease or otherwise dispose of

(a) all or substantially all the System (either in a single transaction or in a series of related transactions), or

(b) any integral part of the System (either in a single transaction or in a series of related transactions), other than in the ordinary course of business, unless such disposition is made pursuant to a merger, consolidation or transfer permitted by the provisions of the next succeeding paragraph.

If the laws of Alabama at the time shall permit such action to be taken, nothing contained in this section shall prevent the consolidation of the City with, or the merger of the City, into, any municipal or other public entity having authority to carry on the business of operating the System, or the transfer by the City of the System as an entirety to a public corporation or instrumentality whose property and income are not subject to taxation; provided

(1) that upon any such consolidation, merger or transfer, the due and punctual payment of the principal of and the interest (and premium, if any) on the Series 2013 Warrants, the Parity SRF Obligation, the Subordinated SRF Obligations and the Parity Securities (if any) according to their tenor and the due and punctual performance and observance of all the agreements and conditions of this ordinance to be kept and performed by the City shall be expressly assumed in writing by the body resulting, from or surviving such consolidation or merger or to which the System shall be transferred as an entirety;

(2) that such consolidation, merger or transfer shall not cause or result in any mortgage or other lien (other than Permitted Encumbrances) being affixed to, imposed on or becoming a lien on the System, or on the revenues derived by the City from the operation of the System, that will be prior to the pledge thereof made herein; and

(3) that there is placed on file in, the office of the City Clerk of the City, prior to or simultaneously with such consolidation, merger or transfer, an opinion of Bond Counsel to the effect that such consolidation, merger or transfer will not result in the interest on the Series 2013 Warrants or any then outstanding Tax-Exempt Parity Securities becoming includible in gross income for Federal income tax purposes generally or subject to Alabama income taxation.

Any of the foregoing provisions of this section to the contrary notwithstanding, while the City is not in default hereunder, the City may at any time and from time to time sell, abandon or otherwise dispose of any property used (or intended for use) as a part of the System that shall have been or become inadequate, obsolete, worn out, or unsuitable, undesirable or unnecessary for such use, provided that one of the following conditions is met:

(i) promptly following such sale, abandonment or other disposition, it replaces such property with, or substitutes for the same, free from all prior liens (other than Permitted Encumbrances), other property useful as a part of the System, and having equal or greater utility (though not necessarily the same value or function) in the operation of the System; or

(ii) such sale, abandonment or other disposition does not materially impair the revenue-producing capacity of the System.

Section 9.9 To Respect Priority of Pledge of Revenues. The pledge of revenues derived from the operation of the System herein made shall be on a parity of lien with the Parity SRF Obligation and on a superiority of lien with the Subordinated SRF Obligations and prior and superior to any pledge thereof hereafter made for the benefit of any securities hereafter issued (other than Parity Securities) or any contract hereafter made by the City (other than contracts relating to the issuance of Parity Securities), and the City will, in the event it should hereafter issue any securities (other than Parity Securities) or make any contract payable out of the revenues derived from the operation of the System or for which any part of said revenues may be pledged or any part of the System may be mortgaged (other than contracts relating to the issuance of Parity Securities), recognize in the proceedings under which any such securities or contract are hereafter authorized the priority of the pledge of said revenues made herein for the benefit of the Parity SRF Obligation, the Series 2013 Warrants and the Parity Securities. Except as provided in

Section 9.10 hereof, the City will not itself hereafter place any mortgage or create any lien on the System or any substantial part thereof, or subject the System or any substantial part thereof to any so-called "statutory mortgage lien," unless (a) such mortgage or instrument creating such lien (as the case may be) shall expressly recognize the priority of the pledge herein contained and of the lien or charge herein created and imposed on the revenues from the System, or (b) such mortgage or instrument creating such lien (as the case may be) shall be for the effective and pro rata benefit of the Holders of the Parity SRF Obligation, the Series 2013 Warrants and all Parity Securities at any time outstanding (whether issued before or after the imposition of such mortgage or lien). The City will not under any circumstances itself hereafter subject all or substantially all the System to the lien of a foreclosable mortgage.

Section 9.10 To Keep System Free from Prior Liens. The City will keep the System free from all liens and encumbrances prior to the pledge herein made (other than Permitted Encumbrances) but it may defer payment pending the bona fide contest of any claim unless by such action any part of the System shall be subject to loss or forfeiture, in which event any such payment then due shall not be deferred. Nothing herein contained shall be construed to prevent the City from hereafter purchasing, for use in connection with or as a part of the System, additional property on conditional or lease sale contract or subject to vendor's lien or purchase money mortgage, and as to all property so purchased the pledge herein made shall be subject and subordinate to such conditional or lease sale contract, vendor's lien or purchase money mortgage.

Section 9.11 To Permit Inspection of the System by Holders of Series 2013 Warrants and Parity Securities. The City will permit the Holders of any of the Series 2013 Warrants, and the holders of any issue or series of Parity Securities, to inspect, at any reasonable time, any and every part of the System and the books and records of the City appertaining thereto and will assist in furnishing facilities for such inspection.

Section 9.12 To Warrant Title. The City warrants its title to each and every part of the System presently in existence as being free and clear of every lien, encumbrance, trust or charge prior hereto, other than Permitted Encumbrances; warrants that it has power and authority to subject the System and the revenues therefrom to the lien of the pledge herein made and that it has done so hereby; and warrants that said revenues are not subject to any lien or charge that is prior to the charge thereon created herein for the benefit of the Series 2013 Warrants, the Parity SRF Obligation and the Parity Securities (if any).

Section 9.13 No Competing Systems. The City will not grant to any person, firm or corporation the right, privilege or franchise to use the streets or other public ways in the City for the purpose of operating thereover, therein or thereunder a sewer system that will result in competition with the business conducted through the System; it will not permit the said streets or other public ways to be used by others for said purposes in competition with the business conducted through the System; and it will not conduct or operate another sewer system in competition with the business conducted through the System.

Section 9.14 Special Tax Covenants of the City. The City will (a) in a timely manner, make all Required Rebates with respect to the Series 2013 Warrants and take such other lawful actions as shall be necessary, under the provisions of Section 103 of the Tax Code and any applicable regulations, to preclude the interest on any of the Series 2013 Warrants from being or becoming includible in gross income for Federal income tax purposes generally, and (b) refrain from taking any action that would, under the provisions of Section 103 of the Tax Code and any applicable regulations, result in the interest on any of the Series 2013 Warrants being or becoming includible in gross income for Federal income tax purposes generally. Further, and without in any way limiting the generality of the foregoing,

(1) the City will comply with those covenants and agreements on its part contained in Section 3.8 hereof and in Section 8.7 hereof;

(2) the City will, within fifty (50) days following the end of each Quinquennial Series 2013 Warrant Year, furnish to the Paying Agent a certificate or opinion of an Independent Auditor, together with such other evidence as the Paying Agent may reasonably request (as, for example, certificates and computations of officers or employees of the City or the Utilities Board and opinions of Bond Counsel), indicating that all Required Rebates that are due for the five-year period ending on the last day of such Quinquennial Series 2013 Warrant Year with respect to the Series 2013 Warrants have been made; and

(3) the City will, within fifty (50) days following the date on which the last of the Series 2013 Warrants was fully retired, place (or cause to be placed) on file in the office of the City Clerk a certificate or opinion of an Independent Auditor, together with such other evidence as the Mayor of the City (with the advice of the City Attorney and Bond Counsel) may deem advisable (as, for example, certificates and computations of officers or employees of the City or the Utilities Board and opinions of Bond Counsel), indicating that all Required Rebates that are due sixty (60) days after such date with respect to the Series 2013 Warrants have been made;

provided, however, that the City shall not be required to make any Required Rebate, to take any other action required by preceding provisions of this section, or to refrain from taking any action prohibited by preceding provisions of this section, if it furnishes to the Paying Agent and places on file in the office of the City Clerk an opinion of Bond Counsel stating that the failure to make such Required Rebate or to take (or to refrain from taking) such other action will not adversely affect the exclusion of the interest on the Series 2013 Warrants from gross income for Federal income tax purposes generally.

All the covenants and agreements on the part of the City contained in this section shall, notwithstanding any contrary provision of this ordinance (including, without limitation, Section 8.8 hereof),

(i) survive any so-called "constructive" retirement and payment of the Series 2013 Warrants, and

(ii) continue in full force and effect until (A) the Series 2013 Warrants shall have become due and payable in accordance with their terms, at maturity, through proceedings for redemption or otherwise, and (B) the whole amount of principal and interest (and premium, if any) due and payable thereon shall have been paid.

The general faith and credit of the City are not pledged for payment of any Required Rebate or related penalty or other similar payment required hereunder to be paid by the City, and the obligation of the City hereunder to pay or cause to be paid any thereof shall not be a general obligation of the City but any such Required Rebate or related penalty or other similar payment shall instead be payable solely out of revenues derived by the City from the operation of the System (and, to the extent provided in Section 8.10 hereof, any moneys then on deposit in the Debt Service Fund, the Reserve Fund and the Improvement Fund).

Section 9.15 Additional Tax Covenants. In addition to the requirements under Section 9.14 hereof, the City hereby recognizes and acknowledges that the Series 2013 Warrants are being sold on the basis that the interest payable on the Series 2013 Warrants is excludable from gross income of the registered owners thereof for federal income taxation under Section 103 of the Tax Code. The City hereby covenants and agrees with the registered owners from time to time of the Series 2013 Warrants as follows:

(a) the proceeds of the Series 2013 Warrants will be used solely for the governmental purposes for which the Series 2013 Warrants were issued;

(b) none of the proceeds of the Series 2013 Warrants will be applied for any "private business use" nor will any part of the proceeds of the Series 2013 Warrants be used (directly or indirectly) to make or finance loans to persons other than a governmental unit;

(c) the payment of the principal of or interest on the Series 2013 Warrants will not be (under the terms of the Series 2013 Warrants or any underlying arrangements) directly or indirectly (i) secured in any way by any interest in property used or to be used for a "private business use" or by payments in respect of such property or (ii) derived from payments (whether or not to the City) in respect of property, or borrowed money, used or to be used for a "private business use;"

(d) the proceeds of the Series 2013 Warrants shall not be used or applied by the City, and the revenues of the System shall not be accumulated in the Debt Service Fund, the Reserve Fund or the Construction Fund in such a manner, and no investment thereof shall be made, as to cause any of the Series 2013 Warrants to be or become "arbitrage bonds", as that term is defined in Section 148 of the Code;

(e) the City will comply with the requirements of Section 148(f) of the Code with respect to any required rebate to the United States;

(f) the City will make no use of the proceeds of the Series 2013 Warrants that would cause the Series 2013 Warrants to be "federally guaranteed" under Section 149(b) of the Code and the payment of the principal of and interest on the Series 2013 Warrants shall not be (directly or indirectly) "federally guaranteed" (in whole or in part) as described in said Section, except as otherwise permitted in said Section; and

(g) the City has not designated the Series 2013 Warrants as "qualified tax exempt obligations" for purposes of paragraph (3) of subsection (b) of Section 265 of the Code. The Series 2013 Warrants are not "bank qualified."

The City hereby further covenants and agrees with the registered owners of the Series 2013 Warrants that, to the extent permitted by law, it will not take any action, or omit to take any action, with respect to the Series 2013 Warrants that would cause the interest on the Series 2013 Warrants not to be and remain excludable from gross income pursuant to the provisions of Section 103 of the Code. The City will, through its Utilities Board, each six months, prepare a report summarizing the construction status of the Series 2013 Improvements and the amount of Series 2013 Warrant proceeds expended on such Improvements. The report shall also contain a summary of how the Series 2013 Warrant proceeds have been invested and the approximate yield on such investments. If it appears that the Series 2013 Improvements will not be completed as contemplated in the City's Non-Arbitrage Certificate or if it appears that the yield on the investment of the Series 2013 Warrants will be higher than the yield on the Series 2013 Warrants (2.88230514%), then the City shall so notify the Paying Agent and Jones Walker LLP.

Section 9.16 Publicly Issued Obligations Under Prior Documents. The City hereby terminates its rights to issue any obligations under prior ordinances, trust indentures or documents that would result in such obligations having a prior lien position to the Series 2013 Warrants and any Parity Securities hereafter issued hereunder.

ARTICLE 10
PROVISIONS RESPECTING CONTINUING DISCLOSURE

Section 10.1 In accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the City agrees to provide, or cause to be provided to MSRB in an electronic format prescribed by the MSRB,

(i) within 180 days of the end of the City's fiscal year, an audited financial statement, prepared in accordance with generally accepted accounting principles, pertaining to the Municipal Utilities Board. The City will also include such operating data, customer counts and usage charges as set forth in Section 9.3 hereof.

(ii) within ten Business Days after the occurrence of a reportable event, notice of the occurrence of any of the following events with respect to the Series 2013 Warrants: (a) principal and interest payments 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 their failure to perform, (f) adverse tax opinions or events affecting the tax-exempt status of the Series 2013 Warrants, (g) modifications to rights of holders of the Series 2013 Warrants, (h) calls for redemption, (i) defeasances, (j) release, substitution or sale of property securing repayment of the securities, (k) rating changes, if any are then in effect, (l) bankruptcy, insolvency, receivership or similar events, (m) merger, consolidation, acquisition or sale of assets involving an obligated party, and (n) appointment of a successor or additional trustee or the change of name of a trustee.

(iv) in a timely manner, notice of any failure by the City to provide the required annual financial information on or before the date specified above. The City acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the registered and beneficial owners of the Series 2013 Warrants

The City reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the City, provided that any such modification may be done only in a manner consistent with the Rule. The City reserves the right to terminate its obligations to provide the annual operating information and financial information and Notices of material events, as set forth above, if and when the City no longer remains an "obligated person" with respect to the Series 2013 Warrants, within the meaning of the Rule. The City acknowledges that its undertaking pursuant to the Rule described under this heading is intended to be for the benefit of the registered and beneficial owners of the Series 2013 Warrants and shall be enforceable by the holders of the Series 2013 Warrants; provided that such holders' rights to enforce the provisions of such undertaking shall be limited to a right to obtain specific enforcement of the City's obligations under this Ordinance and any failure by the City to comply with the provisions of such undertaking shall not be an event of default with respect to the Series 2013 Warrants and shall not subject the City to money damages in any amount, whether compensatory, penal or otherwise. The name, address and telephone number of the initial contact person at the City are as follows:

Stephen A. Pirkle, or successor as Business Manager/CFO
Municipal Utilities Board of Decatur, Alabama
PO Box 2232
Decatur, Alabama 35609
Phone: (256) 552-1407
Email: spirkle@decaturutilities.com

Effective July 1, 2009, The Securities and Exchange Commission (SEC) made two procedural changes to the way in which these annual reports and event notices are filed. They are as follows: (1) the Municipal Securities Rulemaking Board (MSRB) must receive all continuing disclosure filings, and (2) continuing disclosure filings must also be submitted in electronic pdf format to the Electronic Municipal Market Asset (EMMA) system, which may be accessed at emma.msrb.org. Effective January 1, 2010, submissions to the EMMA System must be in word-searchable pdf format and must not be password protected for viewing, saving and printing. Rule 15c2-12 was further amended by Release No. 34-62184 adopted on May 26, 2010 and MSRB Notice 2010-32 approved by the SEC on August 19, 2010. The City will comply with these changes and further agrees to comply with all future SEC regulations, several of which are presently under consideration, which may affect the City's continuing obligations hereunder.

Section 10.2 Utilities Board to Be "Designated Agent" of the City Under Article 10.

The City hereby appoints the Utilities Board as the so-called "designated agent" of the City to provide all the information and documents and to take all other action, required by this Article 10 to be provided or taken (as the case may be) by the City, such agency relationship to continue so long as the responsibility for operating the System is by applicable law or otherwise vested in the Utilities Board. The City hereby represents that the Utilities Board has accepted such appointment and has agreed that it will, so long as the responsibility for operating the System is by applicable law or otherwise vested in it, provide such information and documents and take such action, all on a timely basis and otherwise as herein required. The Utilities Board shall notify the City by March 1 of each calendar year, beginning March 1, 2014, that it has filed with the EMMA System its financial statement as required by Section 10.1 hereof.

Section 10.3 Limitation of Remedies. The failure of the City (or the Utilities Board as its "designated agent" as aforesaid) to comply with any of the preceding provisions of this Article 10 shall not, any provisions of Section 12.1 hereof to the contrary notwithstanding, constitute a default or an event of default by the City hereunder. However, the Holder of any Series 2013 Warrant (and, if the Holder of such Series 2013 Warrant is not also a beneficial owner thereof, any beneficial owner of such Warrant) may bring suit against the City (or the Utilities Board as its "designated agent" as aforesaid) in the event of any such failure that continues for more than ten (10) days after written notice thereof to the City (or to the Utilities Board as its "designated agent" as aforesaid) by such Holder or beneficial owner (as the case may be). The only remedies available hereunder to any such Holder or beneficial owner, in the event of any such failure by the City (or by the Utilities Board as its "designated agent" as aforesaid), shall be (a) to obtain specific performance by the City (or by the Utilities Board as its "designated agent" as aforesaid) of the agreements on the part of the City in Sections 10.1 and 10.2 hereof, and (b) to obtain mandamus against the appropriate officials of the City (or the Utilities Board as its "designated agent" as aforesaid) to compel compliance by the City (or by the Utilities Board as its "designated agent" as aforesaid) with any such agreement. In no event shall the City (or the Utilities Board as its "designated agent" as aforesaid) be subject to money damages in any sum or amount, whether compensatory, punitive or otherwise, for its failure to comply with any of the provisions of either Section 10.1 or Section 10.2 hereof.

ARTICLE 11 PROVISIONS RESPECTING INSURANCE

Section 11.1 Insurance on the System. The City will keep all insurable portions of the System that are of a character and type customarily insured by organizations operating a business similar to the System, insured in responsible insurance companies against loss by fire, including extended

coverage, tornado and windstorm, to the extent of the full insurable value thereof. All proceeds of such insurance shall be applied by the City for one or more of the following purposes:

- (a) to the repair, restoration or renewal of the property damaged or destroyed;
- (b) to the acquisition, purchase or construction of other property deemed by the City to have utility in the operation of the System at least equal to that of the property damaged or destroyed;
- (c) to redemption of principal of any Series 2013 Warrants or of any then outstanding Parity Securities (all in accordance with the provisions of Section 3.3 hereof or the provisions of the Parity Securities Ordinance under which such Parity Securities were authorized to be issued, as the case may be); and
- (d) to payment into the Debt Service Fund for use (1) to pay the principal of any then outstanding Series 2013 Warrants or Parity Securities, or (2) to effect any required redemption of any then outstanding Parity Securities prior to their respective maturities in accordance with any sinking fund or similar schedule.

Section 11.2 Other Insurance. The City will also carry worker's compensation insurance and insurance against liability for the death of or injury to persons, and for damage to property of others, resulting from the operation of the System, including without limitation vehicular liability insurance, in such amounts and to such extent as is customarily carried by like organizations engaged in the business of operating properties similar to the System in size and character, it being understood that the City may, at its election, be self-insured with respect to any such insurance coverage to the extent customary at the time in organizations engaged in the business of operating properties similar in size and character to those at the time comprising the System.

Section 11.3 Fidelity Bonds. The City will at all times carry fidelity bonds on all of its officers and employees who may handle funds of the, City appertaining to the System, such bonds to be in such amounts as are customarily carried by organizations engaged in the business of operating properties similar to the System in size and character.

Section 11.4 Premiums to Be Operating Expenses. The premiums payable on all insurance and fidelity bonds required to be carried by the provisions hereof shall constitute Operating Expenses.

ARTICLE 12 EVENTS OF DEFAULT AND REMEDIES

Section 12.1 Events of Default Defined. Any of the following shall constitute default hereunder by the City:

- (a) failure by the City to pay the principal of or the interest on any of the Series 2013 Warrants or any Parity Securities when such principal or interest respectively become due and payable, whether by maturity or otherwise;
- (b) failure by the City to perform and observe any of the agreements and covenants on its part herein contained [other than (1) its agreement to pay the principal of, the interest on and the premium (if any) on the Series 2013 Warrants and the Parity Securities, if any, and (2) its agreements contained in Article 10 hereof], which such failure shall have continued for a period of not less than sixty (60) days after written notice of such failure has been given to the City by the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Series 2013 Warrants and Parity Securities (if any)

then outstanding, unless during such period or any extension thereof the City has commenced and is diligently pursuing appropriate corrective action; or

(c) appointment by a court having jurisdiction of a receiver for all or a substantial part of the System, or the approval by a court of competent jurisdiction of any petition for reorganization of the System or rearrangement or readjustment of the obligations of the City under any provisions of the bankruptcy laws of the United States.

Section 12.2 Remedies on Default. Upon any default by the City in any one of the ways defined in Section 12.1 hereof, the Holders of the Series 2013 Warrants and the Parity Securities (if any) shall, to the fullest extent permitted by law, have the following rights and remedies:

(a) Acceleration. The Holders of a majority in aggregate principal amount of the Series 2013 Warrants and any Parity Securities then outstanding may, by written notice to the City, declare the principal of the Series 2013 Warrants and such Parity Securities (if any) forthwith due and payable, and thereupon they shall so be, anything herein or therein to the contrary notwithstanding. If, however, the City shall make good that default and every other default hereunder (except the principal so declared payable), with interest on all overdue payments of principal and interest, then the Holders of a majority in principal amount of the Series 2013 Warrants and such Parity Securities, by written notice to the City, may waive such default and its consequences, but no such waiver shall affect any subsequent default or right relative thereto.

(b) Receivership. The Holders of not less than twenty-five percent (25%) in principal amount of the Series 2013 Warrants and Parity Securities then outstanding are empowered to proceed, either at law or in equity, by suit, action, mandamus or other proceeding to enforce and compel performance and observance of all agreements and covenants of the City herein contained, including the fixing of rates, the collection and proper segregation of the revenues from the System and the proper application thereof, and in addition shall be entitled to and shall have, regardless of the sufficiency of any security or the availability of any other remedy, the appointment of a receiver to administer and operate the System and perform and observe the agreements and covenants on the part of the City herein contained. Any receiver so appointed shall be entitled to take over and administer all of the following then on hand which shall be applicable to the System: cash on hand or on deposit, accounts and notes receivable, stocks, evidences of indebtedness, choses in action, customers' service and extension deposits, and other property held for sale in the ordinary course of business or for consumption in the operation of the System.

Nothing herein contained, however, shall be construed to give any authority to the Holders of any of the Series 2013 Warrants or Parity Securities to compel a sale of the System or any part thereof, and no foreclosure proceedings or sale shall ever be had with respect to the System or any part thereof under the authority of this ordinance.

Section 12.3 Disposition of Receivership Moneys. Any moneys received from the operation of the System by a receiver appointed pursuant to the provisions of subsection (b) of Section 12.2 hereof shall, after applying such moneys for payment of any charges thereon prior to the charge thereon for the benefit of the Series 2013 Warrants and the Parity Securities (if any), be applied to the payment of the following items in the following order:

(a) all costs of the receivership, including receiver's fees and the fees and charges of his attorneys and the costs of administration and operation of the System and the maintenance thereof in good repair and good working order;

(b) all due and unpaid installments of interest on the Series 2013 Warrants and the Parity Securities (if any), in the order of the maturity of such installments, with interest on overdue installments of interest;

(c) all amounts of the principal of the Series 2013 Warrants and the Parity Securities (if any) which are due (whether by maturity or otherwise) and unpaid, with interest on all overdue principal;

(d) all amounts required by this ordinance to be paid into the special funds created or referred to in Article 8 hereof, in order that there shall be on deposit in each of said funds the amount at the time required to be maintained therein and that each of said funds shall, be in a current condition; and

(e) the surplus, if any there be, to the City.

Section 12.4 Delay No Waiver. No delay or omission by the Holder of any Series 2013 Warrant or Parity Security to exercise any available right, power or remedy hereunder shall impair or be construed a waiver thereof or an acquiescence in the circumstances giving rise thereto; every right, power or remedy given herein to the Holder of any Series 2013 Warrant or Parity Security may be exercised from time to time and as often as deemed expedient.

ARTICLE 13 MISCELLANEOUS PROVISIONS

Section 13.1 Disclaimer of General Liability. It is hereby expressly made a condition of this ordinance that any agreements or representations herein contained or contained in the Series 2013 Warrants do not and shall never constitute a personal or pecuniary liability or charge against the general credit of the City, and in the event of a breach of any such agreement or representation no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the City shall arise therefrom. Nothing contained in this section, however, shall relieve the City from the observance and performance of the several covenants, representations and agreements on its part herein contained.

Section 13.2 Series 2013 Warrants Payable at Par. The Paying Agent, by acceptance of its duties as such, shall be considered to have agreed thereby with the Holders of the Series 2013 Warrants that all payments made by it of the principal of and the interest (and premium, if any) on the Series 2013 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 2013 Warrants that it will pay all charges for exchange, fees or expenses which may be made by the Paying Agent in the making of such payments in bankable funds.

Section 13.3 Utilities Board. The City acknowledges and recognizes (a) the existence of the Utilities Board, and (b) that while legal title to the System is vested in the City of Decatur, Alabama, the power to operate the System has by law been vested in the Utilities Board, subject to certain limitations. References herein to the City (including, to the extent effectively provided in Article 10 hereof, pertaining to the City's agreements to, provide certain information or notices on a continuing basis with respect to the Series 2013 Warrants) shall therefore be construed to mean the Utilities Board as and to the extent required or provided by law or the context hereof, and any actions herein required or specified to be taken by the City and the Council may, to the extent permitted by law, be taken by the Utilities Board; provided, however, that

(1) only the City and the Council shall have authority to call Callable Series 2013 Warrants for redemption and to authorize the issuance of Parity Securities, although the City and the Council will

(so long as operational control of the System is vested in the Utilities Board) do so only if the Utilities Board so requests or consents in writing, and

(2) nothing contained in this section shall relieve the City or its officers from the performance and observance of the several agreements, representations and covenants on the part of the City contained in this ordinance so long as such performance and observance does not impose a personal, pecuniary or general liability or charge upon the City.

Further, any reference herein to the Utilities Board shall, if and to the extent that it is no longer vested with operational control of the System, be construed to mean the City or the Council, as appropriate under the circumstances.

Section 13.4 Provisions Constitute Contract. The provisions of this ordinance shall constitute a contract between the City and the Holders of the Series 2013 Warrants and any Parity Securities.

Section 13.5 Severability. The provisions of this ordinance are hereby declared to be severable. In the event any court of competent jurisdiction should hold any provision hereof to be invalid or unenforceable, such holding shall not invalidate, render unenforceable or otherwise affect any other provision of this ordinance.

Section 13.6 Repeal of Inconsistent and Conflicting Proceedings. All ordinances and resolutions of the City inconsistent or in conflict with the provisions of this ordinance are, to the extent of such inconsistency or conflict, hereby repealed.

Section 13.7 Official Statements. The Preliminary Official Statement and final Official Statement (the "Official Statements"), with respect to the Series 2013 Warrants, in substantially the form and of substantially the content as the form of Preliminary Official Statement and final Official Statement presented to and considered at this meeting, are each hereby approved and adopted. The Council does hereby find and determine that the Official Statements are correct and do not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The Mayor of the City is hereby authorized to execute and deliver the final Official Statement for, on behalf, and in the name of, the City, with such changes or additions thereto, or deletions therefrom, as he may deem necessary or desirable in order to state fully and correctly the pertinent facts concerning the City and the Series 2013 Warrants offered thereby. The Mayor of the City is authorized and directed to cause distribution of the final Official Statement to be made to purchasers of the Series 2013 Warrants.

Section 13.8 Sale of Series 2013 Warrants and Execution of Related Documents.

The Series 2013 Warrants are hereby sold to Robert W. Baird & Co., Inc. (the "Underwriter") at and for a purchase price of \$37,544,034.42 (representing the par amount of \$37,125,000 less an underwriting discount of \$677,560.58 and plus a net original issue premium of \$1,096,595.00). The Mayor or City Treasurer shall issue a receipt acknowledging payment of the purchase price of said Series 2013 Warrants and said receipt shall be full acquittal to the purchaser for the payment of the purchase price, and the purchaser shall be under no obligation or duty to inquire as to the application of the proceeds of the Series 2013 Warrants. The proceeds of the Series 2013 Warrants shall nevertheless be held in trust and disposed of only as provided herein. The officers of the City or any one or more of them are hereby authorized and directed to execute and deliver such closing papers as may be required by Jones Walker LLP, Bond Counsel, including, without limitation, United States Treasury Form 8038-G and a Non-Arbitrage Certificate and such other certificates containing such recitals as may be required to

demonstrate the validity and legality of the Series 2013 Warrants and the Warrant Ordinance and the absence of any pending or threatened litigation affecting the Series 2013 Warrants or any agreement or instrument relating thereto or used or contemplated by the Official Statement relative to the Series 2013 Warrants.

ADOPTED this 15th day of April, 2013.

President of the City Council

Authenticated:

City Clerk

APPROVED this 15th day of April, 2013.

Mayor

Councilmember _____ moved that unanimous consent be given for the immediate consideration of and action on said Ordinance, which motion was seconded by Councilmember _____, and upon said motion being put to vote, the following vote was recorded:

Yeas: Gary Hammon, Council President
Charles Kirby
Chuck Ard
Billy Jackson
Roger Anders

Nays: None

Council President Hammon thereupon declared that the motion for unanimous consent for the immediate consideration of and action on said Ordinance had been carried. Councilmember _____ thereupon moved that said Ordinance be finally adopted, which motion was seconded by Councilmember _____, and, upon said motion being put to vote, the following vote was

Yeas: Gary Hammon, Council President
Charles Kirby
Chuck Ard
Billy Jackson
Roger Anders

Nays: None

Council President Hammon thereupon announced that the motion for adoption of said Ordinance had been carried.

There being no further business to come before the Council, the meeting was duly adjourned.

CERTIFICATE OF CITY CLERK

The undersigned duly elected, qualified and acting Clerk of the City of Decatur, Alabama, hereby certifies that the foregoing pages constitute a complete, verbatim and compared copy of extracts from all those portions of the minutes of a special meeting of the Council of said City duly held on the 15th day of April, 2013, pertaining to the matters therein referred to, the original of which is on file and of record in the Minute Book of the City in my custody.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official corporate seal of the City, this the 15th day of April, 2013.

City Clerk

CITY SEAL

EXHIBIT A

Series 2013 Improvements

The Series 2013 Improvements shall consist of the following:

- (a) Emergency generator for Wastewater Treatment Plant;
- (b) Lift stations 2, 4 and 8;
- (c) Lift station force mains;
- (d) Mallard Fox Industrial Park lift station reinforcements;
- (e) Mallard Fox Industrial Park force main reinforcements; and
- (f) Clark spring collector system upgrade.

EXHIBIT B

Issuance Expenses

The Paying Agent is authorized to begin disbursing the following approved issuance expenses from the Cost-of-Issuance Account on the Closing Date, and is further authorized to deposit any sums remaining after the payment of all issuance expenses into, or to withdraw additional sums necessary to pay all issuance expenses from, the Construction Fund:

(1)	Bond Counsel Jones Walker L.L.P.	\$62,500.00
(2)	Rating Agency Standard & Poor's	\$22,500.00
(2)	Rating Agency Moody's	\$28,500.00
(3)	Paying Agent Acceptance Fee and Annual Fee Regions Bank	\$2,500.00
(4)	Parity Financial Services	\$2,000.00
(5)	Financial Advisor Joe Jolly & Co., Inc.	\$75,000.00
(6)	Printing, CUSIP and miscellaneous expenses, including actual out-of-pocket expenses of any of the above parties	<u>\$4,202.42</u>
	TOTAL	<u>\$197,202.42</u>

EXHIBIT C
Requisition Form