

**EXCERPTS FROM THE MINUTES OF A REGULAR MEETING OF THE CITY
COUNCIL OF THE CITY OF CHELSEA**

The City Council of the City of Chelsea met in regular public session at City Hall in the City of Chelsea at 6:00 o'clock 6.m. on Tuesday the 15th day of September, 2009.

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

Present: S. Earl Niven, Sr. Mayor
 Juanita Champion
 Robert Barnes
 Ricky King
 Tony Picklesimer

Absent: Mike Denton

The Mayor stated that a quorum was present and that the meeting was open for the transaction of business.

* * *

Councilmember _____ moved for unanimous consent of the Council to suspend the rules of procedure to allow for the immediate consideration of the following Ordinance:

ORDINANCE NO. 09-09-15-474

AN ORDINANCE AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF THE CITY OF CHELSEA'S \$3,420,000 PRINCIPAL AMOUNT GENERAL OBLIGATION WARRANTS, SERIES 2009, DATED SEPTEMBER 1, 2009 TO JOE JOLLY & CO., INC. AND PROVIDING FOR THE PAYMENT THEREOF

BE IT ORDAINED BY THE CITY COUNCIL (the "City Council") OF THE CITY OF CHELSEA (the "City") as follows:

Section 1. Definitions and Use of Phrases.

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:

Authorized Denominations means with respect to all Series 2009 Warrants the amount of \$5,000 and any integral multiple thereof for each maturity.

Bank Loans means the City's three outstanding bank loans to M&F Bank in the aggregate amount of \$915,158.94 as of September 23, 2009, as more fully described in Section 2 hereof.

Book-Entry System means a book-entry only system of evidence of purchase and transfer of beneficial ownership interests in the Series 2009 Warrants.

Business Day shall mean a day, other than a Saturday or a Sunday, on which commercial banking institutions are open for business in the state where the designated corporate trust office of the Paying Agent is located and a day on which the payment system of the Federal Reserve System is operational.

City means the City of Chelsea, and any successor to its functions.

City Council means the City Council of the City, the governing body thereof.

Code means the Internal Revenue Code of 1986, as amended, and all references to specific sections of the Code shall be deemed to include any and all respective successor provisions to such sections.

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 Certificates means (a) interest bearing certificates of deposit issued by any bank organized under the laws of the United States of America or any state thereof having a combined capital, surplus and undivided profits of not less than \$50,000,000, or (b) interest bearing certificates of deposit issued by any bank organized under the laws of the United States of America or any state thereof that are secured by the issuing bank by depositing and pledging with a Federal Reserve Bank Government Obligations having a market value (exclusive of accrued interest) not less than the face amount of such certificates.

Fiscal Year shall mean the period beginning on October 1 of one calendar year and ending on September 30 of the next succeeding calendar year or such other fiscal year as may hereafter be adopted by the City.

Government Obligations means direct general obligations of the United States of America or any securities on which the payment of the principal of and interest on which are unconditionally guaranteed by the United States of America.

Holder when used with respect to any Series 2009 Warrant shall mean the person in whose name such Series 2009 Warrant is registered in the Warrant Register.

Indirect Participant or Indirect Participants means securities brokers and dealers, banks, trust companies, clearing corporations and other financial institutions for which the Securities Depository holds Series 2009 Warrants as securities depository through a Direct Participant.

Interest Payment Date means May 1 and November 1 in each calendar year, first interest payable November 1, 2009.

Letter of Representation means and includes (a) the Letter of Representation with respect to the Series 2009 Warrants from the City to the Securities Depository and (b) any other or subsequent agreement by whatsoever name or identification with respect to the Series 2009 Warrants between said parties from time to time in effect.

Outstanding when used with respect to Series 2009 Warrants shall mean, as of the date of determination, all Series 2009 Warrants theretofore authenticated and delivered under this ordinance, except (a) Series 2009 Warrants theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation; and (b) Series 2009 Warrants for whose payment money in the necessary amount has been theretofore deposited with the Paying Agent in trust for the Holders thereof, and (c) Series 2009 Warrants for the payment of which provisions have been made in accordance with Section 14; and (d) Series 2009 Warrants in exchange for or in lieu of which other warrants have been authenticated and delivered under this ordinance.

Parity Obligations means those bonds, warrants or other obligations of the City authorized to be issued equally and ratably and on a parity of lien with the Series 2009 Warrants and the Series 2003 Warrants with respect to the pledge of the Special Tax, subject to the terms and conditions of Section 15 hereof and the Series 2003 Warrants Authorizing Ordinances (as hereafter defined).

Paying Agent means The Bank of New York Mellon Trust Company, N.A., Birmingham, Alabama, the bank designated as (a) the place of payment of the Series 2009 Warrants, (b) the registrar and authenticating agent of the Series 2009 Warrants and (c) the depository for the Series 2009 Warrant Fund, and any successor bank thereto designated by the City pursuant to the provisions of Section 13 hereof.

Qualified Investments shall mean:

- (a) Government Obligations; or
- (b) Eligible Certificates; or
- (c) any mutual fund or money market fund invested solely in Government Obligations, customarily utilized for the investment of public funds and rated "AAAm" or "AAAm-G" or better by Standard & Poor's Rating Group.

Record Date means, with respect to the Series 2009 Warrants, that date which is 15 calendar days before any date on which interest is due and payable on the Series 2009 Warrants.

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 2009 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 2009 Warrants to be delivered to such Securities Depository during a period in which the Series 2009 Warrants are held pursuant to the Book-Entry System.

Series 2003-A Warrants means the City's General Obligation Warrants, Series 2003-A, dated May 1, 2003.

Series 2003-B Warrants means the City's General Obligation Warrants, Series 2003-B, dated May 1, 2003.

Series 2003 Warrants means collectively the Series 2003-A Warrants and Series 2003-B Warrants.

Series 2003 Warrants Authorizing Ordinances means collectively the respective ordinances authorizing the Series 2003-A Warrants and Series 2003-B Warrants duly adopted on May 6, 2003.

Special Tax means the City's privilege license and excise taxes (commonly called a sales and use tax) levied against persons, firms or corporations engaged or continuing within the corporate limits of the City in the business of selling at retail or storing, using or otherwise consuming any tangible personal property whatsoever or the business of operating places of amusement, now being levied and collected, and any privilege license or excise tax that may be levied by the City in lieu of, substitution for, or in continuation of said tax.

Series 2009 Warrants means the City's General Obligation Warrants, Series 2009, dated September 1, 2009, authorized to be issued on a parity of lien with the Series 2003 Warrants pursuant to the Series 2003 Warrants Authorizing Ordinances.

Series 2009 Warrants Authorizing Ordinance means this ordinance of the City authorizing the Series 2009 Warrants.

Series 2009 Warrant Fund means the Series 2009 General Obligation Warrant Fund, established pursuant to Section 8 hereof.

Warrant Register means the register or registers for the registration and transfer of Series 2009 Warrants maintained by the City pursuant to Section 5.

Warrant Registrar means the agent of the City appointed as such pursuant to Section 5 for the purpose of registering Series 2009 Warrants and transfers of Series 2009 Warrants.

The definitions set forth in this section shall be deemed applicable whether the words defined are used herein in the singular or the plural. Wherever used herein, any pronoun or pronouns shall be deemed to include both singular and plural and to cover all genders.

Section 2. Findings and Representations.

The City, by and through its City Council, does hereby find, determine, represent and warrant as follows:

(a) It is necessary and in the public interest for the City to (1) construct certain capital improvements in the City described on Exhibit A attached hereto and incorporated herein by reference (the “Series 2009 Improvements”), (2) retire the Bank Loans and (3) pay all issuance expenses in connection the issuance of the Series 2009 Warrants.

(b) The Bank Loans, all owed to M&F Bank in Kosciusko, Mississippi, are more particularly described as follows and shall be retired in full on September 23, 2009:

(1)	Loan Number	95802798
	Principal Remaining	282,083.38
	Interest to September 23, 2009	1,564.54
	Probate Release	<u>11.00</u>
	Total to be sent on September 23, 2009	\$283,658.92

The collateral for this loan is the Foothills of Chelsea. The original proceeds of such loan were used for property to be used for the City's Senior Center.

(2)	Loan Number	95802127
	Principal Remaining	494,015.47
	Interest to September 23, 2009	2,880.65
	Probate Release	<u>11.00</u>
	Total to be sent on September 23, 2009	\$496,907.12

The collateral for this loan is Shelby County lot 34-19-1W. The original proceeds of such loan were used for the purchase of the property used for the City Hall.

(3)	Loan Number	95801929
	Principal Remaining	133,912.53
	Interest to September 23, 2009	669.37
	Probate Release	<u>11.00</u>
	Total to be sent on September 23, 2009	\$134,592.90

The collateral for this loan is CR 39 and Daysprings Rd. The original proceeds of such loan were used for the purchase of the property used for the City's Recreation Park.

(c) The assessed valuation of the taxable property in the City for the preceding fiscal year (ending September 30, 2008) is not less than \$122,824,340 and the total indebtedness of the City (including the Series 2009 Warrants) chargeable against the debt limitation for the City prescribed by the Constitution of the State of Alabama will not be more than twenty percent of said assessed valuation.

(d) The City has levied and is presently collecting the Special Tax. The levy and collection of the Special Tax is hereby ratified, confirmed and approved.

(e) The Special Tax has not heretofore been pledged for the benefit of any outstanding bonds, notes, warrants or other obligations of the City except the Series 2003 Warrants.

(f) The City is not in default under the Series 2003 Warrants Authorizing Ordinances. No default under any of the foregoing or under any other debt proceedings is imminent.

(g) The proceeds of the Series 2003 Warrants were used as follows:

(1) The Series 2003-A Warrants were issued for the purposes of (i) constructing major water lines along U.S. Highway 280 along with a pump station and a 750,000 gallon water tank, (ii) providing capitalized interest for an approximately one-year period, and (iii) paying the costs of issuing the Series 2003-A Warrants.

(2) The Series 2003-B Warrants were issued for the purposes of (i) constructing a new City Hall and (ii) paying the costs of issuing the Series 2003-B Warrants.

(h) The following expenses incurred in connection with the issuance of the Series 2009 Warrants, as more particularly described on Exhibit B attached hereto and incorporated herein by reference, shall be paid from the principal proceeds of the Series 2009 Warrants. The Paying Agent is hereby authorized and directed to disburse the funds on the date of issuance of the Series 2009 Warrants. Any expenses not paid on the date of issuance shall be paid by the Paying Agent as requisitions are received from the City or in accordance with Section 18(b) hereof.

(i) The proceeds of the Special Tax received by the City during the preceding fiscal year in which the Series 2009 Warrants are to be issued are not less than 130% of the total maximum amount payable in the then current or any subsequent fiscal year as principal of and interest on the Series 2003 Warrants and the Series 2009 Warrants.

Section 3. Authorization and Description of Series 2009 Warrants; Book-Entry System.

(a) Pursuant to the applicable provisions of the laws of the State of Alabama, including particularly ALA. CODE §11-47-2 (1975), as amended and the Series 2003 Warrants Authorizing Ordinances, there is hereby authorized to be issued a series of warrants designated "General Obligation Warrants, Series 2009" in the aggregate principal amount of \$3,420,000. The Series 2009 Warrants shall be dated September 1, 2009, shall be in registered form, without coupons, shall be in the denomination of \$5,000 or any integral multiple thereof, and shall be numbered in such manner as the Paying Agent shall determine will be most useful for the identification thereof. The Series 2009 Warrants shall initially be issued pursuant to a Book-Entry System as hereinafter described. The Series 2009 Warrants shall mature, subject to prior optional and mandatory redemption, on May 1 in years and principal amounts as follows and shall bear interest (computed on the basis of the actual number of days elapsed over a 360-day year of 12 consecutive 30-day months) at the per annum rates set forth below:

<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Interest Rate</u>
2010	\$195,000	1.40%
2011	235,000	1.70
2012	235,000	4.00
2013	245,000	4.00
2014	255,000	4.00
2015	260,000	4.00
2016	270,000	4.00
2017	265,000	3.35
2018	225,000	3.50
2019	230,000	3.65
2020	190,000	3.80
2021	200,000	3.90
2022	190,000	4.00
2024	425,000	4.00

(b) The principal of the Series 2009 Warrants shall be payable only upon presentation and surrender of the Series 2009 Warrants at the designated office of the Paying Agent. Interest on the Series 2009 Warrants shall be remitted as provided under the Book-Entry System or if such system is not in effect, by the Paying Agent to the respective registered owners of the Series 2009 Warrants at the addresses thereof shown on the registration books of the Paying Agent pertaining to the Series 2009 Warrants. Interest shall be payable on May 1 and November 1 in each year, first interest payable on November 1, 2009. The principal of and interest on the Series 2009 Warrants shall be payable in lawful money of the United States at par and without discount, exchange, deduction or charge therefor.

(c) Book-Entry System.

(1) The Series 2009 Warrants shall initially be issued pursuant to a Book-Entry System administered by the Securities Depository with no physical distribution of any Series 2009 Warrant to any person. One Series 2009 Warrant for each maturity of such series 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 Series 2009 Warrants held by the Securities Depository may be purchased by or through Direct Participants. The holders of these beneficial ownership interests in such Series 2009 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 Series 2009 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 Series 2009 Warrants, the City and the Paying Agent shall treat the Securities Depository or the Securities Depository Nominee as the only registered owner of such Series 2009 Warrants for all purposes under the Ordinance, including, without limitation, receipt of all principal of, premium (if any) and interest on the Series 2009 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 the Ordinance. In the event the Securities Depository or the Securities Depository Nominee assigns its rights to consent or vote under the 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 Series 2009 Warrants of such series for the purpose of exercising such rights so assigned.

(2) During a period in which the Book-Entry System is in effect for the Series 2009 Warrants, payments of principal and interest, with respect to such Series 2009 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 Representations; provided, that payment of the principal of such Series 2009 Warrants due at final maturity of such Series 2009 Warrants shall be made only upon surrender thereof at the designated 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, and interest on such Series 2009 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.

(3) Transfers of ownership interests in the Series 2009 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 Series 2009 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 Series 2009 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.

(4) Redemption notices respecting Series 2009 Warrants held by the Securities Depository shall be sent to the Securities Depository Nominee by the Paying Agent.

(5) In the event that the Securities Depository ceases to act as the securities depository for the Series 2009 Warrants, the City shall discontinue the Book-Entry System for such Series 2009 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 Series 2009 Warrants to each Beneficial Owner in evidence of the ownership interests thereof. The Securities Depository shall provide a list of Series 2009 Warrantholders with addresses to the Paying Agent. If the Book-Entry System is discontinued for the Series 2009 Warrants, payments to, and transfers of such Series 2009 Warrants by the Beneficial Owners shall be governed by the provisions set forth in this ordinance with respect thereto.

(6) The City may enter into a custody agreement with any bank or trust company serving as Paying Agent (which may be the Paying Agent serving in the capacity of Paying Agent) to provide for a Book-Entry System or similar method for the registration and transfer of the Series 2009 Warrants.

(7) During a period in which the Book-Entry System is in effect for the Series 2009 Warrants in accordance herewith, the provisions of this ordinance and such Series 2009 Warrants shall

be construed in accordance with the Letter of Representations and to give full effect to such Book-Entry System.

(8) The Beneficial Owners of the Series 2009 Warrants, by their acquisition of any beneficial interest in a Series 2009 Warrant or Series 2009 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 (i) the accuracy of any records maintained by the Securities Depository or any Direct Participant or any Indirect Participant; (ii) 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 Series 2009 Warrants; (iii) 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 the Ordinance to be given to Beneficial Owners or (iv) any consent given or other action taken by the Securities Depository, or the Securities Depository Nominee, as owner.

(d) Discontinuation of Book-Entry System; Registration; Transfer and Exchange of Series 2009 Warrants; Replacement of Lost, Destroyed or Stolen Series 2009 Warrants.

(1) The Series 2009 Warrants may be issued in certificated form, and not pursuant to a Book Entry System, in accordance with the provisions hereof.

(2) The Securities Depository may determine to discontinue the Book-Entry System with respect to the Series 2009 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 such Series 2009 Warrants will be discontinued unless a successor securities depository is appointed by the City.

(3) In the event the Series 2009 Warrants are issued in certificated form and not pursuant to a Book-Entry System or the Book-Entry System for the Series 2009 Warrants is discontinued, Series 2009 Warrants in certificated form in Authorized Denominations will be physically distributed to the Beneficial Owners thereof and such Series 2009 Warrants will be registered in the names of the owners thereof on the registration books of the Paying Agent pertaining thereto, and the Paying Agent will make payments of principal of, premium (if any) and interest on such Series 2009 Warrants to the registered owners thereof as provided in the Series 2009 Warrants and this ordinance and the following provisions with respect to registration, transfer and exchange of such Series 2009 Warrants by the registered owners thereof shall apply:

(i) Each of the Series 2009 Warrants may be transferred by the Holder thereof or his duly authorized attorney, only on the Warrant Register upon surrender of such Series 2009 Warrant to the Warrant Registrar for cancellation. Upon surrender for transfer of any Series 2009 Warrant, 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 Series 2009 Warrants of any Authorized Denominations and in a principal amount equal to the unpaid or unredeemed portion of the principal of the Series 2009 Warrant so presented.

(ii) At the option of the Holder, Series 2009 Warrants may be exchanged for other Series 2009 Warrants of the same series, of any Authorized Denomination and of a like aggregate principal amount, upon surrender of the Series 2009 Warrants to be exchanged at a

designated corporate office of the Warrant Registrar. Whenever any Series 2009 Warrants are so surrendered for exchange, the City shall execute, and the Paying Agent shall authenticate, register and deliver, the Series 2009 Warrants which the Holder making the exchange is entitled to receive.

(iii) All Series 2009 Warrants surrendered upon any exchange or transfer provided for in this ordinance shall be canceled.

(iv) All Series 2009 Warrants issued upon any transfer or exchange of Series 2009 Warrants shall be the valid obligations of the City and be entitled to the same security and benefits under this ordinance as the Series 2009 Warrants surrendered upon such transfer or exchange.

(v) Every Series 2009 Warrant presented or surrendered for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer in form satisfactory to the City and the Warrant Registrar duly executed by the Holder thereof or his attorney duly authorized in writing.

(vi) The Warrant Registrar shall not be required to transfer or exchange any Series 2009 Warrant during the period between the Record Date and the then next succeeding interest payment date; and, in the event that any Series 2009 Warrant (or any part thereof) is duly called for redemption, the Warrant Registrar shall not be required to transfer or exchange any such Series 2009 Warrant during the period of forty-five (45) days next preceding the date fixed for such redemption.

(vii) If (A) any mutilated Series 2009 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 Series 2009 Warrant, and (B) 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 Series 2009 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 Series 2009 Warrant, a new Series 2009 Warrant of like tenor and principal amount, bearing a number not contemporaneously outstanding.

(viii) Upon the transfer or exchange of any Series 2009 Warrant or the issuance of any new Series 2009 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; provided no charge shall be made to the Holder for any transfer or exchange of Series 2009 Warrants.

(ix) Every new Series 2009 Warrant issued pursuant to this Section in lieu of any destroyed, lost or stolen Series 2009 Warrant shall constitute an original additional contractual obligation of the City, whether or not the destroyed, lost or stolen Series 2009 Warrant shall be at any time enforceable by any person.

(x) 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 Series 2009 Warrants.

Section 4. Optional and Mandatory Redemption of Series 2009 Warrants.

(a) Optional Redemption

The Series 2009 Warrants with stated maturities on May 1, 2018 and thereafter shall be subject to prior optional redemption, in whole or in \$5,000 multiples, prior to their stated maturities, at the option of the City on May 1, 2017 or on any date thereafter, at the applicable redemption price (expressed as a percentage of principal amount) for each Warrant (or principal portion thereof) redeemed set forth in the table below, plus accrued interest thereon to the date fixed for redemption:

<u>Redemption Periods</u>	<u>Redemption Price</u>
May 1, 2017 through April 30, 2018	101%
May 1, 2018 through April 30, 2019	100.5%
May 1, 2019 and thereafter	100%

(b) Mandatory Redemption

The Series 2009 Warrants with a stated maturity on May 1, 2024 (the "2024 Term Warrants") are required to be redeemed on May 1, 2023 in the principal amount of \$210,000 at a redemption price equal to the principal amount thereof plus accrued interest thereon, without any premium or penalty:

The remainder of the 2024 Term Warrants in principal amount of \$215,000 will mature on May 1, 2024.

(c) Notice; Selection.

If the Book-Entry System is in effect, then redemption shall be made as herein described under the Book-Entry Only System and in accordance with the provisions of the Letter of Representation. If less than all of the Series 2009 Warrants are to be redeemed during a period in which the Book-Entry System is in effect for the Series 2009 Warrants, the City shall designate the order and amount of maturities of the Series 2009 Warrants (or portions thereof) to be redeemed not less than 45 nor more than 60 days prior to the redemption date and, in accordance with the Letter of Representation, the Securities Depository may determine the amount of the interest of each Direct Participant in those of such Series 2009 Warrants to be redeemed, on the basis of the smallest Authorized Denomination of such Series 2009 Warrants, by lot or by such other method as the Securities Depository shall deem fair and appropriate. If less than all of the Series 2009 Warrants at the time outstanding are redeemed at the time the Book-Entry System is not in effect, then any 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 Series 2009 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 Series 2009 Warrants of such maturity and shall, by process of random selection based upon such numbers, select the principal portion of Series 2009 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 Series 2009 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 Series 2009 Warrants. Notice having been so given and payment of the redemption price duly made or provided, Series 2009 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.

Section 5. Registration of Series 2009 Warrants; Form of Series 2009 Warrants

The City shall cause to be kept at the designated corporate trust office of the Paying Agent a register (the "Warrant Register") in which, subject to such reasonable regulations as it may prescribe, the City shall provide for the registration of Series 2009 Warrants and registration of transfers of Series 2009 Warrants entitled to be registered or transferred as herein provided. The Paying Agent is hereby appointed "Warrant Registrar" for the purpose of registering Series 2009 Warrants and transfers of Series 2009 Warrants as herein provided.

The form of the Series 2009 Warrants and the requisite certificates thereof shall be substantially as follows, with appropriate changes, variations and insertions as provided herein:

(Form of Series 2009 Warrant)

**UNITED STATES OF AMERICA
STATE OF ALABAMA
CITY OF CHELSEA
GENERAL OBLIGATION WARRANT
SERIES 2009**

**MATURITY
DATE**

**INTEREST
RATE**

CUSIP

The CITY OF CHELSEA, a municipal corporation organized and existing under and by virtue of the laws of the State of Alabama (the "City"), for value received, hereby acknowledges itself indebted to CEDE & CO., or registered assigns in the principal sum of

_____ DOLLARS (\$_____)

and hereby orders and directs the Treasurer of the City to pay to said payee or registered assigns solely from the Fund hereinafter designated said sum on the Maturity Date specified above, and to pay from said Fund interest on said sum from the date hereof at the per annum Interest Rate specified above, payable on May 1 and November 1 in each year, first interest payable on November 1, 2009. Interest shall be computed on a 360-day year with twelve months of thirty days each. The Series 2009 Warrants shall initially be issued pursuant to a Book-Entry System, as herein described. The principal of this warrant shall be payable only upon presentation and surrender of this warrant at the designated office of The Bank of New York Mellon Trust Company, N.A. in Birmingham, Alabama. (the "Paying Agent"). If the Book-Entry System is not in effect, interest on this warrant shall be remitted by the Paying Agent to the then registered owner of this warrant at the address thereof shown on the registration books of the Paying Agent. Such interest payments shall be deemed timely made if so mailed on the interest payment date (or if such interest payment date is not a business day, on the business day next following such interest payment date). All such payments shall be valid and effectual to satisfy and discharge the liability of the City and the Paying Agent upon this warrant to the extent of the sum or sums so paid.

Authority for Issuance

This Series 2009 Warrant is one of a duly authorized issue of General Obligation Warrants, Series 2009, (the "Series 2009 Warrants") in an aggregate principal amount of \$3,420,000 issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of ALA. CODE § 11-47-2 (1975), as amended, and an ordinance and proceedings of the City duly held, passed and conducted on September 15, 2009 (the "Authorizing Ordinance"). Capitalized terms used herein without definition shall have the respective meanings assigned thereto in the Authorizing Ordinance.

Security

The indebtedness evidenced by the Series 2009 Warrants is a general obligation of the City, and the full faith and credit of the City are hereby sacredly and irrevocably pledged to the punctual payment of the principal thereof and interest thereon. In the Authorizing Ordinance the City has additionally pledged and assigned to the payment of the principal of and interest on the Series 2009 Warrants, on a parity of lien with the City's General Obligation Warrants, Series 2003-A, dated May 1, 2003 (the "Series 2003 A-Warrants") and the City's General Obligation Warrants, Series 2003-B, dated May 1, 2003 (the "Series 2003-B Warrants") (the Series 2003-A Warrants and Series 2003-B Warrants are collectively referred to as the "Series 2003 Warrants"), a sufficient amount of that privilege license and excise taxes (commonly called a sales and use tax) levied against persons, firms or corporations engaged or continuing within the corporate limits of the City in the business of selling at retail or storing, using or otherwise consuming any tangible personal property whatsoever or the business of operating places of amusement, now being levied and collected, and any privilege license or excise tax that may be levied by the City in lieu of, substitution for, or in continuation of said tax (the "Special Tax").

In the Authorizing Ordinance, the City has reserved the privilege of issuing additional obligations secured by a pledge of the Special Tax on a parity with the aforesaid pledge thereof for the benefit of the Series 2009 Warrants and the Series 2003 Warrants subject to the terms, conditions and limitations set forth in the Series 2009 Authorizing Ordinance.

The City has established in the Authorizing Ordinance a special fund designated "Series 2009 Warrant Fund" for the payment of the principal of and interest on the Series 2009 Warrants and has obligated itself to pay or cause to be paid into said Fund from the Special Tax or other taxes, revenues or other funds of the City sums sufficient to provide for the payment of the principal of and interest on the Series 2009 Warrants as the same mature and come due.

Reference is hereby made to the Authorizing Ordinance, copies of which are on file at the designated office of The Bank of New York Mellon Trust Company, N.A. in Birmingham, Alabama (the "Paying Agent"), for a description of the nature and extent of the security afforded by the Authorizing Ordinance and the rights and duties of the City and the Paying Agent with respect thereto.

Redemption

Optional Redemption

The Series 2009 Warrants with stated maturities on May 1, 2018 and thereafter shall be subject to prior optional redemption, in whole or in \$5,000 multiples, prior to their stated maturities, at the option of the City on May 1, 2017 or on any date thereafter, at the applicable redemption price (expressed as a percentage of principal amount) for each Warrant (or principal portion thereof) redeemed set forth in the table below, plus accrued interest thereon to the date fixed for redemption:

<u>Redemption Periods</u>	<u>Redemption Price</u>
May 1, 2017 through April 30, 2018	101%
May 1, 2018 through April 30, 2019	100.5%
May 1, 2019 and thereafter	100%

Mandatory Redemption

The Series 2009 Warrants with a stated maturity on May 1, 2024 (the "2024 Term Warrants") are required to be redeemed on May 1, 2023 in the principal amount of \$210,000 at a redemption price equal to the principal amount thereof plus accrued interest thereon, without any premium or penalty.

The remainder of the 2024 Term Warrants in principal amount of \$215,000 will mature on May 1, 2024.

If the Book-Entry System is in effect, then redemption shall be made as herein described under the Book-Entry Only System and in accordance with the provisions of the Letter of Representation and the Authorizing Ordinance. If less than all of the Series 2009 Warrants at the time outstanding are redeemed at the time the Book-Entry System is not in effect, then any 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 Series 2009 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 Series 2009 Warrants of such maturity and shall, by process of random selection based upon such numbers, select the principal portion of Series 2009 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 Series 2009 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 Series 2009 Warrants. Notice having been so given and payment of the redemption price duly made or provided, Series 2009 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.

Book-Entry System

The Series 2009 Warrants are initially issued in Authorized Denominations pursuant to a Book-Entry System to be administered by the Securities Depository and registered in the name of and held by the Securities Depository Nominee, all as more particularly provided in the Authorizing Ordinance. Reference is hereby made to the Authorizing Ordinance for the terms and conditions upon which the purchase, transfer and exchange of beneficial ownership interest in the Series 2009 Warrants are to be made by means of the Book-Entry System administered by the Securities Depository, to and by all of which terms, conditions and provisions of the Authorizing Ordinance the owner of any beneficial interest in the Series 2009 Warrant, by the acquisition hereof, hereby assents and agrees to be bound. In the event the Book-Entry System for the Series 2009 Warrants is discontinued, Series 2009 Warrants in certificated form in Authorized Denominations will be physically distributed to the Beneficial Owners thereof, the hereinafter described Series 2009 Warrants will be registered in the names of the owners thereof on the registration books of the Paying Agent pertaining thereto, the Paying Agent shall make payments of principal of and interest on the Series 2009 Warrants to the registered owners thereof as provided in the Series 2009 Warrants and the Authorizing Ordinance, and the provisions of this warrant and of the Authorizing Ordinance with respect to registration, transfer and exchange of warrants by the registered owners thereof shall apply.

The City, the Paying Agent, and any Warrant Registrar may deem and treat the person in whose name this warrant is registered as the absolute owner hereof for all purposes and neither the City, any Paying Agent, nor any Warrant Registrar shall be affected by any notice to the contrary. All payments made to the registered owner hereof shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for money payable on this warrant.

This warrant shall not be valid or become obligatory for any purpose until the Certificate of Authentication and Registration inscribed hereon shall have been executed by the Paying Agent by the manual signature of one of its authorized officers.

It is hereby recited, certified and declared that the indebtedness evidenced and ordered paid by this Series 2009 Warrant is lawfully due without condition, abatement or offset of any description, that this Series 2009 Warrant has been registered in the manner provided by law, that all acts, conditions and things required by the Constitution and laws of the State of Alabama to happen, exist and be performed precedent to and in the execution, registration and issuance of this Series 2009 Warrant, and the adoption of the Authorizing Ordinance have happened, do exist and have been performed as so required and that the principal amount of this Series 2009 Warrant, together with all other indebtedness of the City, are within every debt and other limit prescribed by the Constitution and laws of the State of Alabama.

IN WITNESS WHEREOF, the City has caused this Series 2009 Warrant to be manually executed in its name and on its behalf by its Mayor, has caused its corporate seal to be affixed hereto, has caused the same to be manually attested by the City Clerk of the City, and has caused this Series 2009 Warrant to be dated September 1, 2009.

CITY OF CHELSEA

CITY SEAL

By _____
Its Mayor

Attest _____
City Clerk

AUTHENTICATION AND REGISTRATION DATE:

AUTHENTICATION AND REGISTRATION CERTIFICATE

This Series 2009 Warrant is hereby authenticated and has been registered by the City of Chelsea on the registration books maintained with the Paying Agent in the name of the above registered owner on the Authentication and Registration Date noted above.

**THE BANK OF NEW YORK
MELLON TRUST COMPANY, N.A.
Birmingham, Alabama**

By _____
Its Authorized Officer

REGISTRATION CERTIFICATE

I hereby certify that this Series 2009 Warrant has been duly registered by me as a claim against the City of Chelsea, in the State of Alabama, the Series 2009 Warrant Fund referred to herein and the proceeds of the Special Tax pledged to the payment hereof.

Treasurer of the City of Chelsea, Alabama

ASSIGNMENT

For value received _____ hereby sell(s), assign(s) and transfer(s) unto _____ the within Series 2009 Warrant and hereby irrevocably constitute(s) and appoint(s) _____ attorney, with full power of substitution in the premises, to transfer this Series 2009 Warrant on the books of the within mentioned Paying Agent.

Dated this ____ day of _____, _____.

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Series 2009 Warrant in every particular, without alteration, enlargement or change whatsoever.

Signature Guaranteed:

(Bank, Broker or Firm*)

By _____
Its _____

Medallion Number: _____

* Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

Section 6. Execution, Authentication, and Delivery of Series 2009 Warrants

(a) The Series 2009 Warrants shall be manually executed for and on behalf of the City by the Mayor of the City and manually attested by the signature of the City Clerk, and the corporate seal of the City shall be manually affixed to each Series 2009 Warrant. The Series 2009 Warrants shall be manually registered by the Treasurer of the City as a claim against the City, the Special Tax and the Series 2009 Warrant Fund established with respect to such Series 2009 Warrants, which registrations shall be made simultaneously as to all the Series 2009 Warrants. The Registration Certificate shall be executed by the manual signature of the Treasurer of the City. The Mayor of the City and the City Clerk and Treasurer are hereby authorized and directed to so manually execute and register the Series 2009 Warrants as provided above. In the event that any officer whose signature appears on any of the Series 2009 Warrants or who shall have sealed any of the Series 2009 Warrants shall cease to be such officer before the authentication, registration, and delivery of such Series 2009 Warrants, or in the event that the seal imprinted on the Series 2009 Warrants shall cease to be an accurate representation of the seal of the City, such Series 2009 Warrants may, upon the request of the City, be authenticated, registered, and delivered, as herein provided, as though the person who signed such Series 2009 Warrants had not ceased to be such officer of the City or as though the City had not altered its corporate seal prior to the delivery of such Series 2009 Warrants.

(b) At any time and from time to time after the execution and delivery of this Authorizing Ordinance the City may deliver Series 2009 Warrants executed by the City to the Paying Agent for authentication and the Paying Agent shall authenticate and deliver such Series 2009 Warrants as in this ordinance provided and not otherwise.

(c) No Series 2009 Warrant shall be valid or obligatory for any purpose unless there appears on such Series 2009 Warrant a certificate of authentication and registration substantially in the form provided for herein, executed by the Paying Agent by manual signature, and such certificate upon any Series 2009 Warrant shall be conclusive evidence, and the only evidence, that such Series 2009 Warrant has been duly authenticated, registered, and delivered hereunder.

Section 7. Series 2009 Warrants Are General Obligations.

The indebtedness evidenced and ordered paid by the Series 2009 Warrants shall be a general obligation of the City for the punctual payment of the principal of and interest on which the full faith, credit and taxing power of the City are hereby irrevocably pledged. The Series 2009 Warrants are additionally secured on a parity of lien with the City's Series 2003 Warrants by the Special Tax. The City represents that ad valorem taxes have been levied and hereby covenants and agrees that such taxes will be levied and collected, insofar as such taxes may be permitted by the present or any future provisions of the Constitution of Alabama, on all taxable property in the City, and applied to the maximum extent permitted by law to the payment of the principal of and interest on the Series 2009 Warrants as such principal matures and such interest comes due, in amounts sufficient for such purposes.

Section 8. The Series 2009 Warrant Fund.

(a) There is hereby established a special fund designated the "Series 2009 Warrant Fund," which shall be held by the Paying Agent as paying agent for the Series 2009 Warrants, until the principal of and interest on the Series 2009 Warrants shall have been paid in full or provision for such payment shall have been made as provided in Section 14 hereof. Money in the Series 2009 Warrant Fund shall be used solely for the payment of the principal of and interest on the Series 2009 Warrants. The City shall pay or cause to be paid into the Series 2009 Warrant Fund, on a parity of lien with the payments required by the Series 2003 Warrants Authorizing Ordinances, the following amounts on or before the following dates:

(1) Immediately following the delivery of and payment for the Series 2009 Warrants, the amount received, if any, as accrued interest on the Series 2009 Warrants;

(2) On or before October 25, 2009 the City shall deposit into the Series 2009 Warrant Fund not less than the amount equal to the interest coming due on the Series 2009 Warrants on the first ensuing principal payment date of November 1, 2009;

(3) On or before November 25, 2009 and on or before the 25th day of each calendar month thereafter, to and including April 25, 2024, the City shall deposit into the Series 2009 Warrant Fund an amount equal to one-sixth of the interest coming due on the Series 2009 Warrants on the next ensuing interest payment date.

(4) On or before October 25, 2009, and on or before the 25th day of each calendar month thereafter, to and including April 25, 2010, the City shall deposit an amount equal to one-seventh of the principal on the Series 2009 Warrants maturing on the first ensuing principal payment date of May 1, 2010.

(5) On or before May 25, 2010, and on or before the 25th day of each calendar month thereafter, to and including April 25, 2024, the City shall deposit an amount equal to one-twelfth of the principal on the Series 2009 Warrants maturing on the next ensuing principal payment or mandatory redemption date.

(b) If on any principal or interest payment date the balance in the Series 2009 Warrant Fund is insufficient to pay the principal of and interest on the Series 2009 Warrants due and payable on such date, the City shall forthwith pay any such deficiency into the Series 2009 Warrant Fund.

(c) The City and the Paying Agent shall cause all money deposited in the Series 2009 Warrant Fund to be applied to the payment of principal or interest on the Series 2009 Warrants within thirteen months from the date of such deposit and shall cause all income and profits received from the investment of money in the Series 2009 Warrant Fund to be applied to the payment of principal or interest on the Series 2009 Warrants within twelve months from the date of receipt of such income or profits.

(d) Income and profits received from any investment of money in the Series 2009 Warrant Fund shall be credited against the deposit next required to be made into the Series 2009 Warrant Fund.

Section 9. Pledge of Special Tax

(a) There is hereby appropriated and ordered segregated and the City hereby irrevocably pledges to the punctual payment of the principal of and interest on the Series 2009 Warrants the proceeds of the Special Tax on a parity of lien with the Series 2003 Warrants. The City hereby covenants and agrees, so long as any of the Series 2009 Warrants are outstanding, as a part of the contract whereunder the money is borrowed and the Series 2009 Warrants issued, to continue to levy and collect the Special Tax, to pay into the Series 2009 Warrant Fund, and to apply to the payment of the principal and interest on the Series 2009 Warrants, the proceeds of the Special Tax so pledged. The City represents that upon the issuance of the Series 2009 Warrants there will be no lien, encumbrance, pledge or assignment on or of the proceeds of the Special Tax except for the benefit of the Series 2009 Warrants and the Series 2003 Warrants.

(b) The City does hereby covenant and agree that, except as otherwise provided in Section 15 hereof and the Series 2003 Warrants Authorizing Ordinances, with respect to the issuance of Parity Obligations, the Special Tax shall not hereafter be pledged by it to the payment of any other obligation or obligations of the City unless such pledge or pledges are made subject to and subordinate in all respects to the respective pledges of the Special Tax herein made for the benefit of the Series 2009 Warrants.

Section 10. Transfer of Funds.

(a) The Treasurer of the City shall collect the proceeds of the Special Tax and deposit the same in the Series 2009 Warrant Fund in the amounts and at the times that deposits are required by this ordinance to be made into said Fund.

(b) In the event that the proceeds of the Special Tax shall not be sufficient to pay the principal of and interest on the Series 2009 Warrants and to make the deposits into the Series 2009 Warrant Fund in the amounts and at the times required by this ordinance, the City further covenants and agrees promptly to make up such deficiency from other revenues, income, taxes, assets and resources of the City, and the Treasurer of the City shall promptly deposit into the Series 2009 Warrant Fund from the aforesaid sources all amounts required to make up such deficiency.

Section 11. Security for Series 2009 Warrant Fund.

The money at any time on deposit in the Series 2009 Warrant Fund shall be and at all times remain public funds impressed with a trust for the purpose for which the Series 2009 Warrant Fund is created. The Paying Agent shall at all times keep the money on deposit with it in such Fund continuously secured for the benefit of the City and the registered owners of the Series 2009 Warrants either

(a) by holding on deposit as collateral security Government Obligations having a market value (exclusive of accrued interest) not less than the amount of money on deposit in the Series 2009 Warrant Fund, or

(b) if the furnishing of security in the manner provided in the foregoing clause (a) is not permitted by the then applicable laws and regulations, then in such manner as may be required or permitted by the applicable State of Alabama and federal laws and regulations respecting the security for or granting a preference in the case of the deposit of public trust funds; provided, however, that it shall not be necessary for the Paying Agent so to secure (1) any portion of the money on deposit in the Series 2009 Warrant Fund that may be insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions, or (2) any portion of the money on deposit in such Fund that may be invested as provided in Section 12.

Section 12. Investment of Money in Series 2009 Warrant Fund.

The City may cause any money on deposit in the Series 2009 Warrant Fund not then needed for the payment of principal of or interest on the Series 2009 Warrants to be invested or reinvested by the Paying Agent in Qualified Investments. All such investments must mature or be subject to redemption at the option of the holder on or prior to the respective date or dates when cash funds will be required for the purposes of such Fund. Any such investments shall be held by or under control of the Paying Agent. All interest accruing on such investments and any profit realized therefrom shall be deposited in the Series 2009 Warrant Fund. Any losses resulting from liquidation of investments shall be charged to the Series 2009 Warrant Fund and shall be added to the next ensuing deposit specified herein. The Paying Agent shall sell and reduce to cash a sufficient portion of such investments whenever the cash balance in the Series 2009 Warrant Fund is insufficient to pay the principal and interest requirements on the Series 2009 Warrants.

Section 13. Paying Agent for the Series 2009 Warrant Fund.

(a) The City does hereby designate and appoint The Bank of New York Mellon Trust Company, N.A. in Birmingham, Alabama, as the Paying Agent for the Series 2009 Warrant Fund. The City also hereby designates and appoints the foregoing named depository as paying agent, warrant registrar and authenticating agent for and with respect to the Series 2009 Warrants. In the event the bank so designated should refuse or cease to act as Paying Agent, or should become incapable of so acting, then the City may at any time and from time to time designate as Paying Agent any other banking institution the deposits of which are insured by the Federal Deposit Insurance Corporation (or any successor), which has a designated trust office in the State of Alabama and which is qualified to serve as Paying Agent for the Series 2009 Warrant Fund and as paying agent, warrant registrar, and authenticating agent for and with respect to the Series 2009 Warrants.

(b) The Paying Agent, by acceptance of its duties hereunder, shall be construed to have agreed thereby with the registered owners from time to time of the Series 2009 Warrants that it will make all remittances of principal of and interest on the Series 2009 Warrants out of funds provided by the City for such purpose in bankable funds at par and without discount or deduction for exchange, fees or expenses. The City hereby covenants and agrees with the registered owners of the Series 2009 Warrants and with the Paying Agent that it will pay all charges for exchange, fees or expenses which may be incurred by such Paying Agent in the making of remittances in bankable funds at par.

Section 14. Provision for Payment of Series 2009 Warrants; Termination of Pledge of Special Tax.

(a) The Series 2009 Warrants shall be deemed fully paid for purposes of this ordinance if the City shall have filed with the Paying Agent a fully executed copy of an irrevocable trust agreement between the City and a banking institution with a designated office in the State of Alabama making provision for the retirement of the Series 2009 Warrants by creating for that purpose a trust fund sufficient to provide for payment and retirement of the Series 2009 Warrants then outstanding (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), by payment at their respective maturities, which trust fund shall consist of (1) Government Obligations 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 and retirement of such Series 2009 Warrants, or (2) both cash and such Government Obligations which together will produce funds sufficient for such purpose, or (3) cash sufficient for such purpose; and

(b) Any money on deposit in the Series 2009 Warrant Fund (to the extent that such money is not required for the payment of the principal of and interest on the Series 2009 Warrants previously becoming due and payable, or is not otherwise unavailable for the following use) may at the direction of the City be transferred to and constitute a part of the trust fund created pursuant to the aforesaid trust agreement providing for the retirement of the Series 2009 Warrants.

(c) When the Series 2009 Warrants shall have been paid in full, or shall be deemed paid within the meaning of this section, the pledge of the Special Tax to the payment of the Series 2009 Warrants shall be terminated and released.

Section 15. Authorization of Parity Obligations; Subsequent Pledge of Special Tax.

(a) So long as the City is not in default hereunder or under the Series 2003 Warrants Authorizing Ordinances, other bonds, warrants or obligations ("Parity Obligations") without limit as to aggregate principal amount, payable from and secured by a pledge of the Special Tax equally and ratably with the Series 2009 Warrants and the Series 2003 Warrants, may at any time and from time to time be issued, sold and delivered by the City for any lawful purpose, upon satisfaction of the following conditions:

(1) The governing body of the City shall have adopted an ordinance or ordinances reciting that the City is not at the time in default hereunder or under the Series 2003 Warrants Authorizing Ordinances, and that no such default is imminent, authorizing the issuance, execution, sale and delivery of such Parity Obligations, and setting forth the date thereof, the date or dates of maturity, the rate or rates of interest, the dates of payment thereof, the maximum aggregate principal amount of such Parity Obligations, the redemption provisions, if any, the text of the form of the Parity Obligations, and a brief description of the facilities, if any, that will be constructed or acquired with the proceeds thereof or that have been financed by other obligations of, or assumed by, the City being refunded by the Parity Obligations proposed to be issued. Any such ordinance or ordinances may contain any other or additional statements, materials, provisions, covenants and agreements which the governing body of the City shall elect to include therein.

(2) A certified public accountant or firm thereof shall have certified with respect to the Series 2009 Warrants and Series 2003 Warrants secured by a pledge of the Special Tax that the proceeds of the Special Tax received by the City for the preceding fiscal year are not less than 130% of the total maximum amount payable in the then current or any subsequent fiscal year as the principal and interest payment for such fiscal year with respect to the Series 2009 Warrants and Series 2003 Warrants, the proposed Parity Obligations to be issued and any then outstanding Parity Obligations; provided that the principal amount of any Parity Obligations, subject to a mandatory redemption requirement during such fiscal year 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 maturities occur.

(3) There has been deposited with the City the opinion of nationally recognized bond counsel that the Parity Obligations proposed to be issued, when issued, will be secured, by a valid pledge of the Special Tax equally and ratably and on a parity of lien with the pledge of the Special Tax for the benefit of the Series 2003 Warrants and the Series 2009 Warrants.

(b) Except as provided above for the issuance of Parity Obligations, the City covenants and agrees that the Special Tax shall not hereafter be pledged by it to the payment of any other obligation or obligations of the City unless such pledge or pledges are made subject to and subordinate in all respects to the pledge of the Special Tax for the benefit of the Series 2003 Warrants and the Series 2009 Warrants.

(c) As required by the respective Sections 15 of the Series 2003 Warrants Authorizing Ordinances, the City hereby recites, declares and warrants as follows:

(1) The City is not in default under the Series 2003 Warrants Authorizing Ordinances and such default is imminent;

(2) the issuance, execution, sale and delivery of the Series 2009 Warrants is authorized hereunder;

(3) the dates of maturity and payment and the applicable interest rates on the Series 2009 Warrants are as set forth in Section 3 above;

(4) the maximum aggregate principal amount of the Series 2009 Warrants is \$3,420,000;

(5) the applicable redemption provisions are as set forth in Section 4 above;

(6) the Series 2009 Warrant Form is as set forth in Section 5 above;

(7) a brief description of the facilities that will be constructed or acquired with the proceeds of the Series 2009 Warrants is as set forth on Exhibit A attached hereto and incorporated herein by this reference and by the reference in Section 2 above;

(8) a certified public accountant has certified, with respect to the Series 2009 Warrants and Series 2003 Warrants secured by a pledge of the Special Tax, that the proceeds of the Special Tax received by the City for the preceding fiscal year are not less than 130% of the total maximum amount payable in the then current or any subsequent fiscal year as the principal and interest payment for such fiscal year with respect to the Series 2009 Warrants and Series 2003 Warrants and

(9) Walston, Wells & Birchall, LLP in Birmingham, Alabama, Bond Counsel shall deposit with the City its opinion that the Series 2009 Warrants, when issued, will be secured by a valid pledge of the Special Tax equally and ratably and on a parity of lien with the pledge of the Special Tax for the benefit of the Series 2009 Warrants and Series 2003 Warrants.

Section 16. Expenses of Collection; Interest After Maturity.

The City covenants and agrees that, if the principal of and interest on the Series 2009 Warrants are not paid promptly as such principal and interest matures and comes due, it will pay to the registered owners of the Series 2009 Warrants all expenses incident to the collection of any unpaid portion thereof, including a reasonable attorneys' fee. The Series 2009 Warrants shall bear interest at the rate of 3% per annum or the maximum rate of interest allowed by law, whichever is less, from and after the respective maturity or due dates thereof, if not then paid.

Section 17. Sale and Delivery of Series 2009 Warrants; Closing Papers.

The Series 2009 Warrants shall be sold to Joe Jolly & Co., Inc. in Birmingham, Alabama upon the payment to the City of the purchase price of \$3,417,591.40 (par amount of the Series 2009 Warrants plus net original issue premium of \$48,891.40 and less an underwriting discount of \$51,300.00), plus accrued interest from the date of the Series 2009 Warrants to the date of delivery and payment therefor. The City Council has determined that the sale of the Series 2009 Warrants to such purchaser on such terms will be most advantageous to the City. The Series 2009 Warrants shall be delivered to such purchaser upon the payment to the City of the purchase price. The Mayor and the City Clerk and City Treasurer, or any of them, are hereby authorized and directed to effect such delivery and in connection therewith to deliver such closing papers, documents and contracts (including a Non-Arbitrage Certificate and United States Treasury Form 8038-G) containing such representations as are required to demonstrate the legality and validity of the Series 2009 Warrants and the pledge of the Special Tax thereto as herein provided; the exemption of interest on the Series 2009 Warrants from federal and State of Alabama income taxation; and the absence of pending or threatened litigation with respect to any of such matters. The City Treasurer shall give a receipt to the said purchaser for the purchase price paid, and such receipt shall be full acquittal to the said purchaser and the said purchaser shall not be required to see to, or be responsible for, the application of the proceeds of the Series 2009 Warrants. Nevertheless, the proceeds of the Series 2009 Warrants shall be held in trust and applied solely for the purposes specified in this ordinance.

Section 18. Application of Proceeds of Series 2009 Warrants.

Proceeds from the sale of the Series 2009 Warrants in the amount of \$3,417,591.40 plus accrued interest in the amount of \$7,461.21 (for an aggregate amount received of \$3,425,052.61) shall be disbursed by the Treasurer of the City for the following purposes and in the following order:

(a) Accrued Interest. The amount of \$7,461.21 received as accrued interest on the sale of the Series 2009 Warrants shall be deposited in the Series 2009 Warrant Fund and applied to the first interest payment due November 1, 2009.

(b) Construction Fund. Principal proceeds in the approximate amount of \$2,471,407.46 shall be deposited by the City Treasurer with Frontier Bank in a separate, segregated construction fund and applied to the payment of the cost of acquiring and constructing the Series 2009 Improvements and paying any remaining issuance expenses not paid in accordance with subsection (d) below.

(c) Retirement of Bank Loans. The amount of \$915,158.94 shall be applied on the date of closing to the retirement of the outstanding bank notes described in Section 2(b).

(d) Issuance Expenses. A portion of the principal proceeds of the Series 2009 Warrants in the approximate amount of \$31,025.00 shall be paid by the Paying Agent on the day of closing for the expenses listed on Exhibit B attached hereto and incorporated herein by reference. Any remaining expenses not paid on the date of issuance shall be paid by the Paying Agent as requisitions are received by the City. Any amount not paid within ten business days shall be released to the City and deposited in the Construction Fund.

Section 19. Covenant With Respect to Tax Exemption for Interest.

The City hereby covenants and agrees with the registered owners from time to time of the Series 2009 Warrants that the proceeds of the Series 2009 Warrants shall not be used or applied by it, and the taxes or other revenues of the City shall not be accumulated in the Series 2009 Warrant Fund in such a manner and no investment thereof shall be made, as to cause the Series 2009 Warrants to be or become "arbitrage bonds," as that term is defined in Section 148 of the Code.

With respect to the Code, the City does hereby make the following representations and covenants:

(a) None of the proceeds of the Series 2009 Warrants will be applied for any "private business use" nor will any part of the proceeds of the Series 2009 Warrants be used (directly or indirectly) to make or finance loans to persons other than a governmental unit.

(b) The payment of the principal of and interest on the Series 2009 Warrants is not (1) secured in any way by any property used or to be used for a "private business use" or by payments in respect of such property or (2) to be 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."

(c) The City hereby covenants and agrees with the registered owners of the Series 2009 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 2009 Warrants that would cause the interest on the Series 2009 Warrants not to be and remain excludable from gross income pursuant to the provisions of Section 103 of the Code.

(d) The City will make no use of the proceeds of the Series 2009 Warrants that would cause the Series 2009 Warrants to be or become "arbitrage bonds" under 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 2009 Warrants that would cause the Series 2009 Warrants to be "federally guaranteed" under Section 149(b) of the Code and the payment of the principal of and interest on the Series 2009 Warrants shall not be (directly or indirectly) "federally guaranteed" in whole or in part as described in said Section.

(g) The City designates the Series 2009 Warrants as "qualified tax-exempt obligations" for the purposes of paragraph (3) of subsection (b) of Section 265 of the Code. The Series 2009 Warrants are "bank qualified."

The terms used in this Section in quotation marks shall have the definitions and meanings provided by the Code.

Section 20. Provisions of Authorizing Ordinance a Contract.

The terms, provisions and conditions set forth in this ordinance constitute a contract between the City and the registered owners of the Series 2009 Warrants and shall remain in effect until the principal of and interest on the Series 2009 Warrants shall have been paid in full, or until payment shall have been provided as set forth in Paragraph 14 hereof.

Section 21. Severability.

The provisions of this ordinance are severable. In the event that any one or more of such provisions or the provisions of the Series 2009 Warrants shall, for any reason, be held illegal or invalid, such illegality or invalidity shall not affect the other provisions of this ordinance or of the Series 2009 Warrants, and this ordinance and the Series 2009 Warrants shall be construed and enforced as if such illegal or invalid provision had not been contained herein or therein.

Section 22. Continuing Disclosure Undertaking.

(a) The City hereby agrees, in accordance with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission (the "Commission"), pursuant to the Securities Exchange Act of 1934, to provide, or cause to be provided, in the case of audited financial statements referred to in clause (1) below, when available and in all other cases, within 180 days after the close of each fiscal year of the City, the following:

(1) to the appropriate state information depository ("SID"), if any, for the State of Alabama and to each nationally recognized municipal securities information repository, designated by the Commission in accordance with the Rule, audited general purpose financial statements of the City and notes thereto, prepared in accordance with generally accepted accounting principles; and

(2) unless included in the audited financial statements referred to in clause (1) above, unaudited financial information with respect to the revenues and expenses of the City generally as set forth in the Official Statement.

(b) The City further agrees, in a timely manner, to provide to each nationally recognized municipal securities information repository, or to the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, notice of the occurrence of any of the following events with respect to the Series 2009 Warrants, if, in the judgment of the City, such event is material: (1) principal and interest payments delinquencies, (2) non-payment related defaults, (3) unscheduled draws on debt service reserves reflecting financial difficulties, (4) unscheduled draws on credit enhancements reflecting financial difficulties, (5) substitution of credit or liquidity providers, or their failure to perform, (6) adverse tax opinions or events affecting the tax-exempt status of the Series 2009 Warrants, (7) modifications to rights of holders of the Series 2009 Warrants, (8) calls for redemption, (9) defeasances, (10) rating changes, and (11) release, substitution or sale of property securing repayment of the securities.

(c) 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, the City agrees that any such modification will be done in a manner consistent with the Rule.

(d) The City reserves the right to terminate its obligation to provide 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 2009 Warrants within the meaning of the Rule.

(e) The City agrees that its undertaking pursuant to the Rule set forth herein is intended to be for the benefit of the holders of the Series 2009 Warrants and shall be enforceable by the registered owners; provided that, the registered owners' rights to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the City's obligations hereunder and any failure by the City to comply with the provisions of this undertaking shall not be an event of default with respect to the Series 2009 Warrants and shall not subject the City to money damages in any amount, whether compensatory, penal or otherwise.

(f) The City agrees that one or more individuals shall be designated as the contact person on behalf of the City from whom the foregoing information, data, and notices can be obtained. The name, address and telephone number of the initial contact person are:

Becky C. Landers, City Clerk
Karen Henderson, City Treasurer
Chelsea City Hall
P.O. Box 111
Chelsea, Alabama 35043
Telephone: (205) 678-8455
Facsimile: (205) 678-7260
blanders@cityofchelsea.com
khenderson@cityofchelsea.com

(g) The City agrees, in a timely manner, to provide to the SID, if any, and to each nationally recognized municipal securities information repository, or to the MSRB, notice of the failure by the City to provide the information as herein required.

(h) 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 electronically in pdf format to the Electronic Municipal Market Asset (EMMA) system. 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 obligations hereunder.

Section 23. Repeal of Conflicting Provisions.

All ordinances, resolutions and orders or parts thereof in conflict with this ordinance are to the extent of such conflict, hereby repealed.

Section 24. Approval of Preliminary Official Statement and Final Official Statement.

(a) The Preliminary Official Statement and the final Official Statement (collectively, the "Official Statements") with respect to the Series 2009 Warrants in substantially the form and of substantially the content as the Official Statements presented to and considered by the City Council, are hereby authorized, approved and adopted.

(b) The City Council does hereby find and determine that the Official Statements are true and 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.

(c) The Mayor of the City is hereby authorized to execute and deliver the final Official Statement for and on behalf of 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 2009 Warrants.

(d) The Mayor is authorized and directed to cause distribution of the final Official Statement to be made to prospective purchasers of the Series 2009 Warrants.

The motion for unanimous consent was seconded by Councilmember _____ and upon the question, the vote thereon was as follows:

Ayes: S. Earl Niven, Sr. Mayor
 Juanita Champion
 Robert Barnes
 Ricky King
 Tony Picklesimer

Nays: None

Mayor Niven declared the motion carried and the rules suspended.

After said ordinance had been discussed and considered in full by the Council, Councilmember _____ then moved for the adoption of Ordinance No. _____ and to waive the reading of said ordinance at length. The motion was seconded by Councilmember _____. The motion was regularly put and, upon roll call, the vote thereon was as follows:

Ayes: S. Earl Niven, Sr. Mayor
 Juanita Champion
 Robert Barnes
 Ricky King
 Tony Picklesimer

Nays: None

The Mayor thereupon declared said ordinance passed and adopted as introduced.

There being no further business to come before the meeting, it was moved and seconded that the meeting be adjourned. Motion carried.

Minutes Approved

Mayor

Member of Council

Member of Council

Member of Council

Member of Council

Member of Council

CITY SEAL

Attest _____
City Clerk

STATE OF ALABAMA)

SHELBY COUNTY)

CERTIFICATE OF CITY CLERK

I, the undersigned, do hereby certify that I am the duly elected, qualified and acting Clerk of the City of Chelsea, Alabama (the "City"). I do further certify that as Clerk of the City the following: I have access to all original records of the City and I am duly authorized to make certified copies of its records on its behalf; the above and foregoing pages constitute a complete, verbatim and compared copy of excerpts from the minutes of a regular meeting of the City Council of the City duly held on the 15th day of September, 2009, the original of which is on file and of record in the minute book of the City Council in my custody; the ordinance set forth in such excerpts is a complete, verbatim and compared copy of said ordinance as introduced and adopted by the City Council on such date; and said ordinance is in full force and effect and has not been repealed, amended or changed.

IN WITNESS WHEREOF, I have hereunto set my hand as Clerk of the City and have affixed the official seal of the City, this 15th day of September, 2009.

CITY SEAL

Chelsea City Clerk

[Chelsea GO]

EXHIBIT A TO MINUTES

[description of Series 2009 Improvements]

The Series 2009 Improvements shall consist of the following:

- (1) construction of a new municipal fire station,
- (2) acquisition of property for a new municipal recreational complex to include baseball, football and soccer fields and
- (3) acquisition and construction of a building adjacent to City Hall to be used for a new municipal library.

[Chelsea GO]

EXHIBIT B TO MINUTES

[summary of issuance expenses]

The following expenses incurred in connection with the issuance of the Series 2009 Warrants shall be disbursed by the Paying Agent on the date of issuance: