



OFFICIAL STATEMENT

NEW ISSUE

Ratings: Standard & Poor's: AA
(See "RATING" herein)

In the opinion of Bond Counsel, assuming continuing compliance by the City with certain conditions imposed by the Internal Revenue Code of 1986, referred to herein under "Tax Matters," the interest income on the Series 2012 Warrants (i) will be excludable from gross income of the recipients thereof for federal income tax purposes, and (ii) will not be an item of tax preference for purposes of the alternative minimum tax on individuals and corporations. However, see "Tax Matters" herein for certain other federal tax consequences to the recipients of the interest income on the Series 2012 Warrants. Bond Counsel is of the further opinion that the interest income on the Series 2012 Warrants is, under existing statutes and regulations, exempt from Alabama income taxation.

\$13,495,000

CITY OF DAPHNE, ALABAMA **General Obligation Refunding and Improvement Warrants** **Series 2012**

Dated: April 1, 2012

Due: February 1, as shown below

Interest on the Series 2012 Warrants is payable semiannually on February 1 and August 1 in each year, commencing August 1, 2012. The Series 2012 Warrants when issued will be issued in the name of and held by Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2012 Warrants. Purchases of beneficial interest in the Series 2012 Warrants will be made in book-entry form, in denominations of \$5,000 or any integral multiple thereof. Except as herein described, purchasers will not receive certificates representing their beneficial interests in the Series 2012 Warrants. So long as DTC or its nominee, Cede & Co. is the registered owner of the Series 2012 Warrants, payments of principal and interest will be made directly to DTC or to such nominee. Disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of Direct Participants and Indirect Participants of DTC, all as more fully described herein.

The Series 2012 Warrants are not subject to optional and mandatory redemption prior to maturity as more fully described herein.

<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip</u>	<u>Year of Maturity</u>	<u>Amount Maturing</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip</u>
2013	\$ 385,000	2.000%	0.780%	237019GC2	2022	\$ 525,000	2.750%	2.980%	237019GM0
2014	450,000	2.000	1.060	237019GD0	2023	545,000	3.000	3.140	237019GN8
2015	460,000	2.000	1.340	237019GE8	2024	555,000	3.000	3.260	237019GP3
2016	465,000	2.000	1.640	237019GF5	2025	570,000	3.250	3.390	237019GQ1
2017	470,000	2.250	1.830	237019GG3	2026	590,000	3.250	3.500	237019GR9
2018	485,000	2.000	2.150	237019GH1	2027	605,000	3.250	3.590	237019GS7
2019	495,000	2.000	2.310	237019GJ7	2028	625,000	3.500	3.670	237019GT5
2020	505,000	2.250	2.530	237019GK4	2029	655,000	3.500	3.790	237019GU2
2021	515,000	2.500	2.740	237019GL2	2030	670,000	3.600	3.850	237019GV0

4.000% \$3,925,000 Term Warrants due February 1, 2036 to Yield 4.150%; Cusip 237019HB3

(Plus accrued interest from April 1, 2012)

The Series 2012 Warrants are offered when, as and if issued by the City of Daphne, Alabama, at the offering price set forth above, subject to the approval of the validity thereof by Hand Arendall LLC, Mobile, Alabama, Bond Counsel. Certain legal matters will be passed upon for the City by its counsel, Ross, Jordan & Gray, P.C., Mobile, Alabama. It is expected that the Series 2012 Warrants in definitive form will be available for delivery through DTC in New York, New York on or about April 18, 2012.

Gardnyr Michael Capital, Inc.

Date: March 29, 2012

CITY OF DAPHNE, ALABAMA

Mayor

Bailey Yelding, Jr.

City Council Members

Tommie Conaway

Cathy Barnette

John L. Lake

Kelly D. Reese

Ron Scott

Derek Boulware

August Palumbo

City Clerk

David L. Cohen

City Treasurer

Kimberly M. Briley

Counsel to the City

Ross, Jordan & Gray, P.C.

Mobile, Alabama

Bond Counsel

Hand Arendall LLC

Mobile, Alabama

Underwriter

Gardnyr Michael Capital, Inc.

Mobile, Alabama

In connection with the sale of the Series 2012 Warrants herein described, no person has been authorized to give any information or to make any representation not contained in this Official Statement and, if given or made, such information or representation must not be relied upon as having been authorized by the City of Daphne, Alabama. The information in this Official Statement has been obtained from the City and other sources which are considered dependable and which are customarily relied upon in the preparation of similar official statements, but such information is not guaranteed as to accuracy or completeness. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of such Series 2012 Warrants, nor shall there be any sale of such Series 2012 Warrants by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information herein is subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Series 2012 Warrants shall under any circumstances create any implication that there has been no change in the affairs of the City of Daphne, Alabama, since the date hereof.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2012 WARRANTS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2012 WARRANTS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

TABLE OF CONTENTS

	PAGE
INTRODUCTION.....	1
PURPOSE OF THE SERIES 2012 WARRANTS.....	1
THE SERIES 2012 WARRANTS.....	3
SECURITY	7
CONTINUING DISCLOSURE.....	8
CITY DEBT	10
CITY REVENUES.....	12
THE CITY.....	16
LITIGATION	21
TAX EXEMPTION	21
UNDERWRITING.....	23
RATING.....	23
LEGAL MATTERS.....	23
VERIFICATION OF ARITHMETICAL COMPUTATIONS	23
INFORMATION IN THE APPENDICES	24
MISCELLANEOUS.....	24

- Appendix A - Proposed Form of Legal Opinion
- Appendix B - Audited Financial Statements of the City

OFFICIAL STATEMENT

CITY OF DAPHNE, ALABAMA

\$13,495,000

General Obligation Refunding and Improvement Warrants Series 2012

INTRODUCTION

This Official Statement provides certain information in connection with the sale and issuance by the City of Daphne, Alabama (the "City") of \$13,495,000 principal amount of its General Obligation Refunding and Improvement Warrants, Series 2012, dated April 1, 2012 (the "Series 2012 Warrants"). The Series 2012 Warrants will be issued pursuant to the Constitution and laws of the State of Alabama and an ordinance (the "Warrant Ordinance") adopted by the governing body of the City on April 2, 2012. The Warrant Ordinance will constitute a contract with the holders of the Series 2012 Warrants.

The information contained in this Official Statement does not purport to be comprehensive or definitive. All references herein to, or summaries of, the Warrant Ordinance or any contract, indenture, ordinance, resolution or other document or official act related to the Series 2012 Warrants are qualified in their entirety by the exact terms of such documents or official acts which are items of public record available from the City. All references herein to, or summaries of, the Series 2012 Warrants are qualified in their entirety by the definitive form thereof and the information with respect thereto included in the Warrant Ordinance.

PURPOSE OF THE SERIES 2012 WARRANTS

The City has determined to issue the Series 2012 Warrants for the purposes of (i) financing the costs of various road construction and improvement projects for the City, (ii) refunding the City's General Obligation Warrants, Series 2002 (the "Series 2002 Warrants") and the City's Limited Obligation Special Tax Warrants, Series 2006 (the "Series 2006 Warrants") and (iii) paying the expenses of issuing the Series 2012 Warrants.

Refunding Plan

Simultaneously with the delivery of the Series 2012 Warrants the City will enter into a trust agreement (the "2002 Escrow Trust Agreement") requiring the City to deposit with The Bank of New York Mellon Trust Company, N.A., as Trustee (the "2002 Escrow Trustee"), certain monies out of the principal proceeds to be derived by the City from the sale of the Series 2012 Warrants. All of such monies will be deposited in the trust fund established under the 2002 Escrow Trust Agreement (the "2002 Escrow Trust Fund") and applied for the purposes and on the dates as hereinbelow described. Such obligations, together with any remaining cash, will be held by the 2002 Escrow Trustee for the benefit of the holders of the Series 2002 Warrants, issued in the aggregate principal amount of \$2,660,000 and currently outstanding in the aggregate principal amount of \$2,110,000. The Series 2002 Warrants are payable as to principal and interest on February 1 and August 1, and are subject to redemption prior to maturity on or after February 1, 2012 at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption. The Series 2002 Warrants maturing after February 1, 2012 will be called for redemption and prepaid from the 2002 Escrow Trust Fund on May 18, 2012 (the "2002 Call Date").

The City will enter into a trust agreement (the “2006 Escrow Trust Agreement”) requiring the City to deposit with The Bank of New York Mellon Trust Company, N.A., as Trustee (the “2006 Escrow Trustee”), certain monies out of the principal proceeds to be derived by the City from the sale of the Series 2012 Warrants. Substantially all of such monies are required to be invested by the 2006 Escrow Trustee in United States Treasury obligations, the principal of and interest on which will mature on dates and in amounts sufficient to allow the 2006 Escrow Trustee to apply monies in the trust fund established under the 2006 Escrow Trust Agreement (the “2006 Escrow Trust Fund”) for the purposes and on the dates as hereinbelow described. Such obligations, together with any remaining cash, will be held by the 2006 Escrow Trustee for the benefit of the holders of the Series 2006 Warrants, issued in the aggregate principal amount of \$9,090,000 and currently outstanding in the aggregate principal amount of \$8,755,000. The Series 2006 Warrants are payable as to principal and interest on February 1 and August 1, and are subject to redemption prior to maturity on February 1, 2013 (the “2006 Call Date”) at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption. The Series 2006 Warrants maturing after the 2006 Call Date will be called for redemption and prepaid from the 2006 Escrow Trust Fund on the 2006 Call Date.

Improvements

A portion of the proceeds of the Series 2012 Warrants will be used to pay a portion of the costs of road and bridge improvements, including resurfacing, repair and new construction of roads, bridges and related drainage facilities and rights of way for the City, which projects are expected to have a cost of at least \$3,000,000 (the “2012 Improvements”).

Estimated Sources and Use of Proceeds

The estimated sources and uses of funds for this financing are as follows:

Sources of Funds:

Par Amount	\$13,495,000.00
Accrued Interest	19,849.03
Transfer from Series 2006 Debt Service Funds	508,675.79
Transfer from Series 2006 Debt Service Reserve	950,000.00
Less Original Issue Discount	<u>(223,811.90)</u>

Total **\$14,749,712.92**

Uses of Funds:

Deposit into 2012 Improvements Fund	\$ 3,007,998.50
Deposit into 2002 Escrow Trust Fund	2,140,087.81
Deposit into 2006 Escrow Trust Fund	9,395,322.58
Underwriting Discount	121,455.00
Deposit into Warrant Fund	19,849.03
Issuance Expense	65,000.00

Total **\$14,749,712.92**

THE SERIES 2012 WARRANTS

Description of the Series 2012 Warrants

The Series 2012 Warrants will be fully registered warrants issued initially in the denomination of \$5,000 or any integral multiple thereof and subject to exchange as hereinafter provided. The Series 2012 Warrants will be dated April 1, 2012, will bear interest payable on August 1, 2012, and semiannually on each February 1 and August 1 thereafter at the rates set forth on the cover hereof and will mature on the dates and in the principal amounts set forth on the cover hereof. The principal of and the interest on Series 2012 Warrant will bear interest from its due date until paid at the rate of interest borne by the principal of such Series 2012 Warrant prior to maturity.

The principal of and the premium, if any, on the Series 2012 Warrants will be payable, with par clearance guaranteed, at the designated corporate trust agency office of The Bank of New York Mellon Trust Company, N.A. in Birmingham, Alabama, the registrar, transfer agent and paying agent for the Series 2012 Warrants (said bank acting in such capacity, together with any successor thereto, being herein called the "Registrar" or "Paying Agent").

The interest payable on the Series 2012 Warrants on each interest payment date will be paid by check or draft mailed by the Registrar to the registered holders thereof on such interest payment date. If any interest payment date shall fall on a Saturday, Sunday or legal holiday on which the Registrar is not open for business, such payment shall be made on the next following business day.

Book-Entry System

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Series 2012 Warrants. The Series 2012 Warrants will be issued as fully-registered Series 2012 Warrants in the name of Cede & Co., (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Warrant certificate will be issued for each maturity of each series of the Series 2012 Warrants and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks and trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2012 Warrants under the DTC system must be made by and through Direct Participants, which will receive a credit for the Series 2012 Warrants on DTC's records. The ownership interest of each actual purchaser of each Series 2012 Warrant ("Beneficial Owner") is in turn to be recorded on the Direct and

Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of their transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transaction. Transfers of ownership interests in the Series 2012 Warrants are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2012 Warrants, except in the event that the use of the book-entry system for the Series 2012 Warrants is discontinued.

To facilitate subsequent transfers, all Series 2012 Warrants deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2012 Warrants with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2012 Warrants; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 Warrants are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2012 Warrants are being redeemed, DTC's practice is to determine by lot the amount of the beneficial interest of each Direct Participant in such Series 2012 Warrants to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2012 Warrants unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2012 Warrants are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and premium, if any, and interest payments on the Series 2012 Warrants will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detailed information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the City or the Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City and the Paying Agent; disbursement of such payments to Direct Participants is the responsibility of DTC; and disbursement of such payments to the Beneficial Owners is the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2012 Warrants at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Warrant certificates are required to be printed and delivered. In addition, the City may decide to discontinue use of the system of book-entry transfers through DTC

(or a successor securities depository). In that event, Warrant certificates will be printed and delivered as described below.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources (including DTC) that the City believes to be reliable, but the City and the Underwriter take no responsibility for the accuracy thereof.

None of the City, the Underwriter or the Paying Agent has any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial interests in any global Warrant or for maintaining, supervising or reviewing any records relating to such beneficial interests.

Discontinuation of Book-Entry System

In the event the book-entry system is discontinued, Warrant certificates in fully registered form would be delivered to, and registered in the names of, the Direct Participants, or such other persons as such Direct Participants may specify (which may be the Indirect Participants or Beneficial Owners), in denominations of \$5,000 or any integral multiple thereof. The ownership of the Series 2012 Warrants so delivered (and any Series 2012 Warrants thereafter delivered upon a transfer or exchange described below) would be registered in the registration books to be kept by the Paying Agent as the Warrant registrar for the City. Except as provided in the Warrant Ordinance, the City and the Paying Agent are entitled to treat the registered owners of such Series 2012 Warrants, as their names appear in such registration books as of the appropriate dates, as the owners thereof for all purposes described herein and in the Warrant Ordinance. See "Certain Provisions Respecting Registration and Transfer of the Series 2012 Warrants" below.

Certain Provisions Respecting Registration and Transfer of the Series 2012 Warrants

The Series 2012 Warrants shall be registered as to both principal and interest and may be transferred only on the registry books of the Paying Agent pertaining to the Series 2012 Warrants. No transfer of the Series 2012 Warrants shall be permitted except upon presentation and surrender of such Warrant at the office of the Paying Agent with written power to transfer signed by the registered owner thereof in person or by a duly authorized attorney in form and with guaranty of signature satisfactory to the Paying Agent. The Paying Agent will not be required to register or transfer any Warrant during the period of fifteen (15) calendar days next preceding any interest payment date and shall not be required to transfer or exchange any Warrant during the period of sixty (60) calendar days next preceding the date for redemption or prepayment of any Warrant. The holder of one or more of the Series 2012 Warrants may, upon request, and upon the surrender to the Paying Agent of such Warrant, exchange such Warrant for Series 2012 Warrants of other authorized denominations of the same series, maturity and interest rate and together aggregating the same principal amount as the Series 2012 Warrant so surrendered. Any registration, transfer and exchange of Series 2012 Warrants shall be without expense to the holder thereof, except that the holder shall pay all taxes and other governmental charges, if any, required to be paid in connection with such transfer, registration or exchange. The holder of any Warrant will be required to pay any expenses incurred in connection with the replacement of a mutilated, lost, stolen or destroyed Warrant.

The Warrant Ordinance provides that each holder of the Series 2012 Warrants, by receiving or accepting the Series 2012 Warrants, consents and agrees and is estopped to deny that, insofar as the City and the Paying Agent are concerned, the Series 2012 Warrants may be transferred only in accordance with the provisions of the Warrant Ordinance. The Warrant Ordinance also provides that each transferee of the Series 2012 Warrants takes them subject to all principal and interest payments in fact made with respect to the Series 2012 Warrants.

No transfer of any Series 2012 Warrant will be valid except upon presentation and surrender of such Series 2012 Warrant at the principal corporate trust office of the Registrar with written power to transfer signed by the

registered owner in person or by duly authorized attorney. Upon the proper transfer of any Series 2012 Warrant, the City will execute a new Series 2012 Warrant, and the Registrar will deliver to the transferee such new Series 2012 Warrant registered in the name of such transferee.

Any holder of one or more of the Series 2012 Warrants may, upon the surrender thereof to the Registrar, exchange such Series 2012 Warrant or Warrants for other Series 2012 Warrants, in the denomination of \$5,000 or any integral multiple thereof, of the same maturity and interest rate and together aggregating the same principal amount as the Series 2012 Warrant or Warrants so surrendered.

Redemption Prior to Maturity

The Series 2012 Warrants will be subject to redemption and payment prior to their maturity as follows:

Optional Redemption. The Series 2012 Warrants, maturing on or after February 1, 2020 are subject to redemption prior to their maturity, at the option of the City, in whole or in part, on February 1, 2019, and on any date thereafter (in principal amounts of \$5,000 and any integral multiple thereof and if less than all of the Warrants are to be redeemed, those maturities or portions thereof to be called for redemption shall be selected by the City in its discretion, and if less than all the Warrants of a single maturity are to be redeemed, those to be called for redemption shall be selected by lot), at and for a redemption price equal to 100% of the principal amount of each Warrant or portion thereof redeemed, plus accrued interest to the date fixed for redemption.

Notice of any such redemption is required to be given, not less than thirty (30) days prior to the date fixed for redemption, by United States registered or certified mail to the registered holder of any Series 2012 Warrant called for redemption.

Scheduled Mandatory Redemption. The Series 2012 Warrants having a stated maturity on February 1, 2036, will be subject to mandatory redemption prior to maturity (the particular Warrant or portions thereof to be selected by lot) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, in the principal amount and on the dates set forth below (the 2036 amount to be paid rather than redeemed):

<u>February 1 of the Year</u>	<u>Principal Amount Required to be Redeemed</u>
2031	\$700,000
2032	\$720,000
2033	\$590,000
2034	\$615,000
2035	\$635,000

In the absence of prior optional redemption, Series 2012 Warrants in the aggregate principal amount of \$665,000 will remain to be paid at their stated maturity on February 1, 2036.

SECURITY

General

The Series 2012 Warrants will be general obligations of the City for the payment of which the full faith and credit of the City will be irrevocably pledged. Revenues of the City legally available for payment of the principal of and the interest and premium (if any) on the Series 2012 Warrants will include ad valorem taxes, gross receipts taxes, privilege license taxes and other taxes, and other general revenues of the City.

Application of Tax Revenues and Creation of Funds

General. The Warrant Ordinance will provide for the maintenance of a special fund designated the "2011 City of Daphne Warrant Fund" (the "Warrant Fund"). The Bank of New York Mellon Trust Company, N.A. will be designated in the Warrant Ordinance as the depository, custodian and disbursing agent for the Warrant Fund.

The Warrant Fund. On or before the 25th day of each January and July commencing in July, 2012, the City will be required to transfer to the Warrant Fund an amount equal to the sum of (i) the semiannual installment of interest that will mature with respect to the Series 2012 Warrants on the then next succeeding interest payment date, plus (ii) the principal, if any, of the Series 2012 Warrants that will mature on the then next succeeding interest payment date. Moneys on deposit in the Warrant Fund are to be used for the payment of the principal of and interest on the Series 2012 Warrants.

Investment of Funds. The City may, at its option, from time to time cause any or all of the moneys on deposit in the Warrant Fund to be invested in Federal Obligations (as hereinafter defined) having a specified maturity, or being redeemable at the option of the holder, prior to the date when it is anticipated by the City that such moneys will be needed. In the event of any such investment of moneys in the Warrant Fund, the Federal Obligations in which such investment shall be made, together with all income therefrom, shall become a part of said fund and shall be held by the Paying Agent to the same extent as if they were moneys on deposit therein. As used in this Official Statement, the term "Federal Obligations" means securities that are direct obligations of the United States of America or that are unconditionally guaranteed by the United States of America as to the payment of both principal and interest (including money market funds investing solely in such obligations of the United States of America).

Certain Matters Affecting Creditor's Rights

Chapter 9 of the United States Bankruptcy Code permits political subdivisions and public agencies or instrumentalities such as the City that are insolvent or unable to meet their debts to file petitions for relief in the federal bankruptcy court if authorized by state law. While the matter is not entirely free from doubt, prospective purchasers of the Series 2012 Warrants should assume that existing Alabama statutes presently authorize the City to file petitions for relief under the Bankruptcy Code.

Bankruptcy proceedings by the City could have significant adverse effects on holders of the Series 2012 Warrants, including (a) delay in the enforcement of their remedies, (b) subordination of their claims to the claims of those supplying goods and services to the City after the initiation of bankruptcy proceedings and to the administrative expenses of bankruptcy proceedings and (c) imposition without their consent of a reorganization plan reducing or delaying payment on the Series 2012 Warrants. The Bankruptcy Code contains provisions intended to ensure that, in any reorganization plan not accepted by the holders of at least a majority in aggregate principal amount of the Series 2012 Warrants, the holders of the Series 2012 Warrants will have the benefit of their original claim on the City's revenues or the "indubitable equivalent." The effect of these and other new provisions

of the Bankruptcy Code cannot be predicted with any certainty and may be significantly affected by judicial interpretation or future action of the Congress of the United States or the Legislature of Alabama.

In addition, the remedies available to the holders of the Series 2012 Warrants, as well as any other creditors of the City, through suit, mandamus proceeding or other legal process are subject to the provisions of existing Alabama law exempting from levy and sale under any process, judgment or decree all property (real or personal) belonging to cities in Alabama and used for municipal purposes, and may be subject to, among other things,

- (a) the law-imposed obligation of the City to pay, prior to the payment of debt service on its obligations, the expenses of providing necessary governmental services, and
- (b) the provisions of other statutes that may hereafter be enacted by the Congress of the United States or the Legislature of Alabama extending the time for payment of municipal indebtedness or imposing other constraints upon the enforcement of rights of holders of municipal securities.

CONTINUING DISCLOSURE

General

Pursuant to Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the City has covenanted for the benefit of the holders and beneficial owners of the Series 2012 Warrants to provide certain financial information and operating data relating to the City by not later than 180 days following the end of the City's fiscal year, which currently would be March 31 (the "Annual Report"), commencing with the report for the 2012 Fiscal Year, and to provide notices of the occurrence of certain enumerated events, if material, as described below. The Annual Report and notices of material events will be filed by the City with the Electronic Municipal Market Access System ("EMMA") maintained by the Municipal Securities Rulemaking Board and with a State of Alabama State Repository, if any is established.

Annual Reports

Each Annual Report will include an annual financial statement of the City and certain annual financial information and operating data of the kind set forth in the Official Statement under the captions "CITY DEBT," and "CITY REVENUE."

Material Events Notices

Notices of the following events will be provided in a timely manner not in excess of 10 days after the occurrence of the event:

- Principal and interest payment delinquencies
- Non-payment related defaults, if material
- Unscheduled draws on any reserve funds reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability. Notice of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax status of the Series 2012 Warrants, or other

- material events affecting the tax status of the Series 2012 Warrants
- Modifications to rights of Warrantholders, if material
- Bond calls, if material, and tender offers
- Defeasances
- Release, substitution or sale of property securing repayment of the Series 2012 Warrants, if material
- Rating changes
- Bankruptcy, insolvency, receivership or similar event with respect to the City
- The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
- Appointment of a successor or additional trustee or the change of the name of a trustee, if material
- Notice of a failure of the City to provide required Annual Report, on or before the date specified in the Continuing Disclosure Agreement

The City may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above if, in the judgment of the City, such other events are material with respect to the Series 2012 Warrants, but the City does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

Other Provisions of Continuing Disclosure Agreement

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. The City reserves the right to terminate its obligations to provide annual 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 2012 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 beneficial owners of the Series 2012 Warrants and that the City's obligations may be enforced by any beneficial owner of the Series 2012 Warrants; provided, that the beneficial owner's right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the City's obligations under the Continuing Disclosure Agreement and any failure by the City to comply with the provisions of such undertaking shall not be in event of default with respect to the Series 2012 Warrants.

In order to provide certain continuing disclosure in compliance with the Rule, the City has entered into a Disclosure Dissemination Agent Agreement (the "Disclosure Dissemination Agreement") with Digital Assurance Certification, L.L.C. ("DAC"), under which the City has designated DAC as Disclosure Dissemination Agent.

DAC has only the duties specifically set forth in the Disclosure Dissemination Agreement. DAC's obligation to deliver the information at the times and with the contents described in the Disclosure Dissemination Agreement is limited to the extent the City has provided such information to DAC as required by this Disclosure Dissemination Agreement. DAC has no duty with respect to the content of any disclosures or notice made pursuant to the terms of the Disclosure Dissemination Agreement. DAC has no duty or obligation to review or verify any information in any Annual Report, audited financial statement, Material Event Notice or voluntary report, or any other information, disclosures or notices provided to it by the City and shall not be deemed to be acting in any fiduciary capacity for the City, the Holders of the Warrants or any other party. DAC has no responsibility for the City's failure to report to DAC a Notice Event or a duty to determine the materiality thereof. DAC shall have no

duty to determine or liability for failing to determine whether the City has complied with the Disclosure Dissemination Agreement. DAC may conclusively rely upon certifications of the City at all times.

Compliance with Disclosure Obligations

The City is in compliance with all of its disclosure obligations under the Rule and has timely filed, through DAC, each of its required Annual Reports.

CITY DEBT

Existing and Proposed Debt

Following the issuance of the Series 2012 Warrants, the City will have no other outstanding long-term indebtedness except for those listed below and obligations for the payment of which an irrevocable escrow fund has been established.

<u>Issue</u>	<u>Principal Amount Outstanding</u>
2002 Limited Obligation Revenue Warrants*	\$4,736,116
2003 Refunding Warrants	3,350,000
2006 General Obligation Refunding and Improvement Warrants**	20,480,000
2010 General Obligation Refunding Warrants	<u>1,930,000</u>
TOTAL	\$30,496,116

*Payments are made solely from business sales tax revenues.

**\$3,686,400 (18%) is for sewer improvements and does not apply towards the City’s general obligation debt in

***Payments are made solely from revenues from an economic development project.

The City does not plan to authorize or issue any indebtedness other than the Series 2012 Warrants within the next 90 days. The City does not have any additional indebtedness authorized but unissued.

Subordinate Entity Debt

As of September 30, 2010, the Utilities Board of the City of Daphne, a public corporation which was incorporated by the City and whose five-member board of directors has outstanding principal indebtedness including State Revolving fund loans in the amount of \$21,795,000.

Debt Service Requirements*

The following table presents the debt service requirements on general obligation warrants of the City after the issuance of the Series 2012 Warrants.

<u>Fiscal Year</u>	<u>Principal of the Series 2012 Warrants</u>	<u>Interest on the Series 2012 Warrants</u>	<u>Debt Service of the Series 2010 Warrants</u>	<u>Debt Service of the Series 2006 Warrants</u>	<u>Debt Service of the Series 2003 Warrants</u>	<u>Total Debt Service</u>
2012		140,110.83	239,787.50	1,936,140.00	551,651.26	2,867,689.59
2013	385,000.00	416,482.50	375,887.50	1,932,450.00	553,321.26	3,663,141.26
2014	450,000.00	408,132.50	374,187.50	1,936,387.50	554,415.00	3,723,122.50
2015	460,000.00	399,032.50	370,687.50	1,935,787.50	551,015.00	3,716,522.50
2016	465,000.00	389,782.50	368,787.50	1,933,387.50	552,015.00	3,708,972.50
2017	470,000.00	379,845.00	375,037.50	1,934,187.50	554,195.00	3,713,265.00
2018	485,000.00	369,707.50		1,732,987.50	550,140.00	3,137,835.00
2019	495,000.00	359,907.50		1,734,962.50		2,589,870.00
2020	505,000.00	349,276.25		1,414,812.50		2,269,088.75
2021	515,000.00	337,157.50		1,416,137.50		2,268,295.00
2022	525,000.00	323,501.25		1,414,575.00		2,263,076.25
2023	545,000.00	308,107.50		1,415,025.00		2,268,132.50
2024	555,000.00	291,607.50		1,413,275.00		2,259,882.50
2025	570,000.00	274,020.00		1,414,450.00		2,258,470.00
2026	590,000.00	255,170.00		1,413,375.00		2,258,545.00
2027	605,000.00	235,751.25		1,415,050.00		2,255,801.25
2028	625,000.00	214,982.50		1,414,250.00		2,254,232.50
2029	655,000.00	192,582.50		1,415,975.00		2,263,557.50
2030	670,000.00	169,060.00				839,060.00
2031	700,000.00	143,000.00				843,000.00
2032	720,000.00	114,600.00				834,600.00
2033	590,000.00	88,400.00				678,400.00
2034	615,000.00	64,300.00				679,300.00
2035	635,000.00	39,300.00				674,300.00
2036	665,000.00	13,300.00				678,300.00

Constitutional Limitation on Debt of City

The Constitution of Alabama provides that cities having a population of six thousand or more may not become indebted in an amount in excess of 20% of the assessed valuation of the property situated therein (the "General Debt Limit"). The Constitution exempts from this General Debt Limit several categories of indebtedness, including (i) temporary loans, to be paid in one year, made in anticipation of the collection of taxes and not exceeding one-fourth of the general revenues; (ii) bonds or other obligations issued for the purpose of acquiring, providing or constructing schoolhouses, water works and sewers; and (iii) obligations incurred and bonds issued for street or sidewalk improvements where the cost of the same, in whole or in part, is to be assessed against the property abutting said improvements. The Constitution also provides for a separate debt limit for certain economic development projects issued pursuant to Section 94.01 of the constitution (the "Economic Development Debt Limit") and not against the General Debt Limit. The City has outstanding \$3,686,400 of obligations issued for Sewer Projects and thus not chargeable to its debt limit, and \$8,755,000 issued pursuant to Section 94.01 of the Constitution of Alabama and thus not chargeable against the General Debt Limit.

The General Debt Limit based on assessed value of real and personal property of \$371,632,820 as of October 1, 2011 is computed as follows:

General & Limited Obligation Debt	\$42,193,271
Debt Chargeable to Debt Limit	28,984,716
Debt Limit (20% of Assessed Value)	74,326,564
Debt Margin	45,341,848
Debt to Assessed Valuation	11.35%
2010 Population of City	21,570
Total Debt Per Capita	1,956

CITY REVENUES

General

The City operates on a fiscal year basis beginning October 1 and ending September 30. The City prepares a detailed budget for each fiscal year that is approved by the City Council and all departments are required by City policy to operate within their respective budgets. There is no constitutional requirement that the budget be balanced each year, but the City has, as a matter of policy, required a balanced budget.

The significant accounting practices for City finances are summarized in the audited financial statements of the City. A copy of the audited financial statements of the City for the fiscal year which ended September 30, 2010, is included as Appendix B to this Official Statement including statements of revenues, expenditures and changes in fund balances. The General Fund finances substantially all current operations. These financial statements should be reviewed by prospective purchasers of the Series 2012 Warrants.

Summary of Primary Sources of Revenues

The following table sets forth the primary sources of General Fund revenues, as well as primary categories of expenditures, for the fiscal years ended September 30, 2006 through 2010:

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**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN GENERAL FUND BALANCE
FOR THE FISCAL YEARS ENDING SEPTEMBER 30,**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<u>REVENUES</u>					
Taxes	18,169,080	18,282,348	18,089,770	17,885,133	17,260,041
Licenses & Permits	1,733,817	1,913,500	2,348,757	2,434,848	2,015,129
Intergovernmental	220,397	270,176	195,574	296,586	369,426
Grants	419,052	327,265	314,111	24,396	89,689
Fees & Charges	428,922	341,979	350,858	359,831	416,813
Interest	57,386	78,083	305,893	413,042	238,840
Fines & Forfeitures	401,835	438,638	371,702	382,238	365,182
Miscellaneous	259,457	170,145	80,958	257,371	796,302
TOTAL REVENUES	21,689,946	21,822,136	22,057,623	22,053,445	21,551,422
<u>EXPENDITURES</u>					
General Government	2,948,180	3,323,876	3,124,837	2,827,689	2,607,770
Public Safety	8,416,326	8,526,615	8,192,973	7,083,067	6,054,541
Public Works	3,223,803	3,466,342	3,508,471	3,589,601	3,305,187
Parks & Recreation	2,190,813	2,072,921	1,943,232	1,699,809	1,706,491
Capital Outlay	1,322,029	509,184	1,012,752	1,671,788	2,362,934
Debt Service	2,892,612	2,610,186	2,640,775	2,668,795	2,483,006
TOTAL EXPENDITURES	20,993,763	20,509,123	20,423,040	19,540,749	18,519,929
<u>OTHER FINANCING SOURCES (USES)</u>					
Capital Lease Proceeds	506,969	146,678	-	-	-
Allowance for Compensated Absences	-	-	-	-	-
Transfers to Other Funds	(815,584)	(913,585)	(672,825)	(1,375,994)	(560,427)
Transfers from Other Funds	-	-	-	-	-
Loan Proceeds	-	-	-	-	-
Contribution to Utility Board	-	-	-	-	-
TOTAL OTHER FINANCING	(308,615)	(766,908)	(672,825)	(1,375,994)	(560,427)
EXCESS (DEFICIT) OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES					
	387,568	546,105	961,758	1,136,702	2,471,066
FUND BALANCE, BEGINNING OF YEAR	11,226,999	10,510,398	10,050,587	8,795,402	5,968,130
(INCREASE) DECREASE IN RESERVE FOR ENCUMBRANCES/TRANSFERS TO EQUITY OF OTHER FUNDS	472,903	170,496	(501,947)	118,483	356,206
UNRESD FND BALANCE, END OF YEAR	12,087,471	11,226,999	10,510,398	10,050,587	8,795,402

Sales Tax

The City levies a privilege license tax at the rate of 2.5% pursuant to Ordinance No. 1977-3, as amended by Ordinance No. 1989-13, on persons, corporations and other engaging in the business of selling at retail tangible personal property or conducting places of amusement (the said tax being measured by the gross proceeds or gross receipts of the said business) to the extent that the said tax is levied with respect to business conducted within the corporate limits of the City. Such privilege license tax is herein referred to as the "Sales Tax."

Collections of the Sales Tax have been as follows for the past five fiscal years:

<u>Fiscal Year</u>	<u>Collection</u>
2010-11 (unaudited)	10,782,655
2009-10	10,698,807
2008-09	10,039,547
2007-08	11,279,350
2006-07	11,871,233

Business License Fee

The City levies, under general authority granted by the Legislature of the State of Alabama, a business license fee on the privilege of engaging in certain businesses and professions within the corporate limits of the City. Businesses and professions are charged a fee based on gross receipts of the prior year at which certain businesses located within the corporate limits of the City, including banks and insurance companies are charged and references to the Code of Alabama highlight those licensing rates. The business license fee is collected by the City's Revenue Department.

Collections of the City's Business License Fee have been as follows for the last five fiscal years indicated:

<u>Fiscal Year</u>	<u>Collection</u>
2010-11 (unaudited)	1,460,700
2009-10	1,400,404
2008-09	1,484,967
2007-08	1,592,999
2006-07	1,464,404

Property Taxes

The levy and collection of ad valorem taxes in Alabama are subject to the provisions of the Alabama Constitution as amended, which, among other things, fix the percentage of market value at which property can be assessed for taxation, limit the rates of municipal taxation that can be levied against property and provide a maximum value for the aggregate ad valorem taxes that can be levied by all taxing authorities on any property in any tax year.

The amount of any specific ad valorem tax in Alabama is computed by multiplying the tax rate by the assessed value of the taxable property. The assessed value of taxable property is a specified percentage (ranging from 10% to 20%) of its fair and reasonable market value or, in certain circumstances, its current use value. Ad valorem tax rates are generally stated in terms of mills (one-thousandth of a dollar) per dollar of assessed value. Thus, for any given ad valorem tax, each mill in the rate of taxation represents a tax on property equal to one-tenth of one percent of the assessed value of such property.

The total assessed values of taxable real and personal property (including motor vehicles) located in the City as assessed for ad valorem taxation (net of exemptions) for the tax year which ended on September 30, 2011 was \$371,632,820.

The following taxes (expressed in mills) are currently levied on property situated in the City.

	<u>Mills</u>
State of Alabama	6.5
City of Daphne	15.0
Baldwin County:	
General	5.0
Schools	9.0
Roads and Bridges	4.0
Health Tax	.5
Special School District	<u>3.0</u>
 Total State, County and City	 <u>43</u>

The following table sets forth the total real property assessed valuation within the corporate limits of the City, the ad valorem taxes levied and the percentage collected:

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Due</u>	<u>Tax Collected</u>	<u>Collection %</u>
2007	337,349,660	4,428,080	4,150,336	94%
2008	367,779,680	4,901,382	4,652,958	95%
2009	386,612,620	5,180,609	5,122,194	99%
2010	355,490,780	4,763,573	4,368,732	92%
2011	371,632,820	4,698,350	4,512,972	96%

Property taxes are generally collected and received by municipalities by February 1 of each fiscal year. For purposes of ad valorem taxation, taxes are due and payable in the fiscal year following the fiscal year in which the assessment and levy is made. Ad valorem taxes on taxable properties (except motor vehicles) in the City are required to be collected by the Tax Collector of Baldwin County. Ad valorem taxes on motor vehicles in the City are collected by the Judge of Probate of Baldwin County.

Payment in Lieu of Taxes

Certain entities that are otherwise exempt from tax have agreed to make payments in lieu of taxes. Such payments have been as follows for the last five fiscal years indicated:

<u>Fiscal Year</u>	<u>Amount Received</u>
2010-11 (unaudited)	2,269,687
2009-10	1,952,460
2008-09	1,959,785
2007-08	1,773,316
2006-07	1,613,859

Other Taxes

The City also levies a beer tax which revenues were \$271,644 for 2009-10 and for 2010-11 (unaudited) were 270,167, a gasoline tax which revenues were \$180,932 for 2009-10 and for 2010-11 (unaudited) were \$174,525, a liquor tax which revenues were \$60,431 for 2009-10 and for 2010-11 (unaudited) were \$61,321, a tobacco tax which revenues were \$1,333,473 for 2009-10 and for 2010-11 (unaudited) were \$129,419 and other miscellaneous taxes.

THE CITY

Geographic Information

The City of Daphne (the "City") is located on the eastern shore of Mobile Bay in Baldwin County directly across from the City of Mobile, Alabama. The City is approximately 15 miles east of Mobile, Alabama, and 45 miles west of Pensacola, Florida. The City is primarily a residential area with its residents working on the eastern shore of Baldwin County or in the Mobile or Pensacola areas.

Population

The following table sets forth population statistics for the State of Alabama, Baldwin County, and the City for the years indicated.

	1990	2000	2006	2007	2008	2009	2010
State of Alabama	4,040,587	4,447,100	4,587,564	4,626,595	4,661,900	4,708,708	4,729,656
Baldwin County	98,280	141,358	168,516	172,815	174,439	179,831	182,664
City of Daphne	11,978	16,581	18,880	18,925	19,093	19,542	21,570

Sources: U.S. Department of Commerce, Bureau of Census, Population Estimates Division.

Governmental Organization and Administration

The City is a municipal corporation incorporated under the Constitution and the laws of the State of Alabama. The City is governed by an elected Mayor and a City Council. The Mayor, elected at large for a four-year term, is the chief administrative officer of the City and is responsible for the daily management of the City and supervision of its employees. The members of the City Council serve part-time and along with the Mayor are responsible for adopting all legislative ordinances and setting the policies of the City, including the appropriation of money. The City Clerk and City Treasurer are each appointed for a four-year term by the City Council and are responsible for, managing the official records of the City and managing the fiscal affairs of the City, respectively.

The City's governing body consists of the following officers:

<u>Name</u>	<u>Office</u>	<u>Occupation</u>
Bailey Yelding, Jr.	Mayor	Retired
Tommie Conaway	Council member	Retired
Cathy Barnette	Council member	Project Manager, Eco Solutions, Inc.
John L. Lake	Council member	Joiner Installer
Kelly D. Reese	Council member	Attorney
Ron Scott	Council member	Retired
Derek Boulware	Council member	Consultant

August Palumbo	Council member Retired
David L. Cohen	City Clerk
Kimberly M. Briley	City Treasurer

The current terms of said officers expire October 1, 2012.

Personnel and Retirement System

The City employed approximately 254 full-time persons in its several departments as of December 31, 2010. The benefits and compensation for all employees of the City's several departments are established by the City Council and are paid from the City's general fund revenues. The City participates in a retirement system established by the Alabama Legislature known as the Employee's Retirement System of Alabama, to which contributions are made by both the employees and the City. See Appendix B —Audited Financial Statements of the City for a description of the City's obligations with respect to the Employee's Retirement System of Alabama. No employees of the City are represented by labor unions or similar employee organizations, and the City does not bargain collectively with any labor unions or employee organizations. The City considers its relations with its employees to be generally good.

Other Post Employment Benefits

The City of Daphne offers certain Post Employment Benefits to employees under the age of 65 who meet the criteria for retirement as set by the Retirement System of Alabama. Medical and Dental benefits are provided through a comprehensive plan and life insurance coverage is provided with a \$5,000 cap. Employees do not contribute to their post employment benefits until they retire and begin receiving those benefits. The City of Daphne's Annual Required Contribution rate is actuarially determined in accordance with GASB 45 and totals \$214,128 as of September 30, 2010.

Utilities

The water and sanitary sewer service is supplied by the Utilities Board of the City of Daphne (the "Utilities Board"), a public corporation. The directors of which are appointed by the City Council. The Utilities Board also provides gas service. Electrical service is supplied by the Utilities Board of the City of Foley.

Education

The County Board of Education of Baldwin County, Alabama provides public school facilities for the County's students in the City. The County Board of Education has located a high school, a middle school and three elementary schools in the City. It is estimated that approximately 91.9% of the population of the City are high school graduates and 37.5% are college graduates. State averages are 75.3% and 19.0%, respectively.

Four institutions of higher learning located in Mobile County, which are accessible to residents of the City, are University of Mobile, Spring Hill College, Bishop State Community College and the University of South Alabama. Faulkner State Community College, whose main campus is located in Bay Minette, Alabama, is also nearby. Pensacola, Florida, located approximately thirty-five miles from the City, also provides certain educational opportunities.

Income Levels

Per capita income is the total income of all families and individuals in a given area divided by the total population of the area. For the years 2008 and 2009, the Regional Economic Information System, Bureau of Economic Analysis, Table CA1-3; internet release date, April, 2011 indicates the following with respect to per capita income levels in the jurisdictions.

	<u>2008</u>	<u>2009</u>
Baldwin County	35,829	34,461
State of Alabama	33,928	33,411
United States	40,674	39,635

In 2009 Baldwin County had a per capital personal income (“PCPI”) of \$34,461. This PCPI ranked 6th in the state and was 103% of the state average, \$33,411, and 86% of the national average of \$39,635.

The percentage of all ages in Baldwin County, in the State of Alabama and in the United States with income below the poverty level as of 2010 is as follows:

Baldwin County	13.3%
State of Alabama	18.9%
United States	15.3%

Source: U.S. Department of Commerce, Bureau of the Census, Small Area Estimates Branch. Release date of November 2011.

Estimated per capita personal income in the City of Daphne for 2009 was \$32,085.

*Source: U.S. Census Bureau

The City, the Eastern Shore Chamber of Commerce and the Baldwin County Economic Development Alliance report that as of 2009, median family income in the City was \$60,541 and \$48,487 in the County. The State median family income figure as of 2009 was \$40,489.

Major Employers

The top ten (10) manufacturing and nonmanufacturing employers in Baldwin County, their principal activity and the number of employees of each are as follows:

Top 10 Manufacturers in Baldwin County

Company	Product	Location	Employment
Goodrich Aerospace and Aerostructures Group	Retrofitting of Thrust Reverses & Nacelle Components	Foley	805
Standard Furniture	Bedroom & Dining Room Tables	Bay Minette	530
Ace Hardware Support Center	Hardware Distribution	Loxley	250
Vulcan, Inc.	Aluminum and Steel Products	Foley	200
International Paper	Shipping Containers	Bay Minette	150
Bon Secour Fisheries	Seafood Processing	Bon Secour	152
Quincy Compressors	Rotary Screw Air Compressors	Bay Minette	149
Quality Filters, Inc.	Air Filters	Robertsdale	102
Dental EZ, Inc.	Dental Equipment & Supplies	Bay Minette	100
Segers Aero	Aerospace MRO	Fairhope	91

Top 10 Non-Manufacturers in Baldwin County

Company	Product/Service	Location	Employment
Baldwin County Board of Education	Education	Bay Minette	3,141
Wal-Mart Super Centers	General Retail	Baldwin County	1,600
Thomas Hospital	Medical Care	Fairhope	1,048
South Baldwin Regional Medical Center	Medical Care	Foley	653
Baldwin County Commission	Government	Bay Minette	650
Marriott Grand Hotel	Hotel & Country Club	Fairhope	600
Mercy Medical	Medical Care	Daphne	550
North Baldwin Infirmary	Medical Care	Bay Minette	189
Faulkner State Community College	Education	Baldwin County	175
Connexion Technologies	Call/Support Center	Gulf Shores	80

Source: Baldwin County Economic Development Alliance

Top Ten Taxpayers of the City - 2011

Taxpayers	Taxes Paid	Assessed Value (000's)
L-A Daphne LLC	\$227,986	\$5,420,820
Myers Family Limited Partnership	134,854	3,136,140
Sam's Real Estate Business Trust	120,367	2,799,180
Walmart Real Estate Business Trust	119,090	2,769,180
Whispering Pines Park LLC	110,204	2,562,860
Esfahani Real Estate Holdings of AL	109,969	2,557,420
Lowe's Home Center	105,426	2,451,761
North Fork Apartments LP	101,014	2,349,160
Tameron Properties LLC	87,650	2,038,380
Jubilee Hotels Inc.	84,820	1,972,560

Source: City of Daphne, Alabama

Unemployment Rate

The following table sets forth comparative unemployment rates for Baldwin County, the State of Alabama and the United States in each of the years indicated:

	2005	2006	2007	2008	2009	2010	2011*
Baldwin County	3.4	2.8	2.7	4.1	8.6	8.9	7.2
State of Alabama	4.0	3.5	3.5	5.0	10.1	9.0	9.3
United States	5.1	4.6	4.6	5.8	9.3	9.1	8.9

*Through December, 2011

Source: U.S. Department of Labor, Bureau of Labor Statistics; Not Seasonally Adjusted.

Housing

The Eastern Shore Chamber of Commerce reports that in 2009 the median value of owner-occupied houses in the City was \$187,912.

Transportation

The City is served by U.S. Highway 98 which allows access to Daphne from the north and south and County Highway 64 which connects the City to the east. Interstate Highway I-10 extends from Mobile eastward to Jacksonville, Florida adjacent. Additionally, Interstate Highway-65 which runs northward from Mobile through Nashville is approximately 30 miles north of the City.

LITIGATION

There is no litigation pending or, to the knowledge of the City, threatened contesting the validity of the Series 2012 Warrants or relating to the organization or boundaries of the City, the incumbency of any of the City's officers, or the issuance or sale of the Series 2012 Warrants. Simultaneously with the delivery of the Series 2012 Warrants, the City will deliver a certificate to the effect that no such litigation is pending or, to the knowledge of the City, threatened.

The City is not a defendant in any lawsuits or other pending litigation which it believes would have a materially adverse effect upon its financial condition.

Recent court decisions have substantially eroded the immunity from tort liability formerly enjoyed by local governmental units in Alabama. Chapter 93 of Title II of the Code of Alabama 1975, as amended, now prescribes certain maximum limits on the liability of local governmental units (such as the City) for bodily injury, sickness, disease or death sustained by a person and for injury or destruction of tangible property. However, the applicability of Chapter 93 to causes of action under Section 1983 of Title 42 of the United States Code has not been definitely determined. Municipalities and other local governmental units throughout the country have been increasingly subject to lawsuits, many of which claim damages in large amounts for alleged denials of civil rights under the provisions of Section 1983.

TAX EXEMPTION

General

In the opinion of Bond Counsel, under the Internal Revenue Code of 1986 (the "Code"), as presently construed and administered, and assuming compliance by the City with the all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance of the Series 2012 Warrants in order that interest thereon be and remain excludable from gross income, the interest income on the Series 2012 Warrants will be excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103 of the Code and will not constitute an item of tax preference for the purpose of computing the liability of individuals and corporations for the alternative minimum tax imposed by Section 55 of the Code; provided, that it should be noted that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The City has covenanted to comply with all such requirements but failure to comply with certain of such requirements could cause the interest on the Series 2012 Warrants to be included in gross income, retroactive to the date of issuance of the Series 2012 Warrants. Bond Counsel will express no opinion with respect to the federal tax consequences to the recipients of the interest income on the Series 2012 Warrants under any provision of the Code not referred to above.

Prospective purchasers of the Series 2012 Warrants should be aware that ownership of the Series 2012 Warrants may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to a branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2012 Warrants. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2012 Warrants should consult their tax advisors as to collateral federal income tax consequences.

Bond Counsel is also of the opinion that, under existing law, interest on the Series 2012 Warrants will be exempt from State of Alabama income taxation.

Original Issue Discount

The initial public offering price to be paid for certain of the Series 2012 Warrants (the "Original Issue Discount Warrants") is less than the principal amount thereof. Under existing law, the difference between (i) the amount payable at the maturity of each Original Issue Discount Warrant, and (ii) the initial offering price to the public of such Original Issue Discount Warrant constitutes original issue discount with respect to such Original Issue Discount Warrant in the hands of any owner who has purchased such Original Issue Discount Warrant in the initial public offering of the Warrants. Such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Warrant equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Warrant continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Warrant prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Warrant in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Warrant was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Warrant is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the Warrants and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Warrant for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other taxable disposition thereof. The amount (if any) to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods (if any) multiplied by the yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Warrants.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Warrants which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Warrants should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Warrants and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Discount Warrants.

Original Issue Premium

The initial public offering price to be paid for certain of the Series 2012 Warrants (the "Original Issue Premium Warrants") is greater than the principal amount thereof. Under existing law, any owner who has purchased an Original Issue Premium Warrant in the initial public offering of the Series 2012 Warrants is required to reduce his basis in such Original Issue Premium Warrant by the amount of premium allocable to periods during which he holds such Original Issue Premium Warrant, and the amount of premium allocable to each accrual period will be applied to reduce the amount of interest received by the owner during each such period. All owners of Original Issue Premium Warrants should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of interest accrued upon redemption, sale or other disposition of such

Original Issue Premium Warrant and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale, gift or other disposition of such Original Issue Premium Warrant.

UNDERWRITING

The Series 2012 Warrants will be purchased by Gardnry Michael Capital, Inc. (the "Underwriter") at a purchase price of \$13,169,582.13, which reflects an underwriter's discount of \$223,811.90 and net original issue discount \$121,455.00, plus accrued interest thereon from April 1, 2011, to the date of their delivery. The initial public offering price set forth on the cover page may be changed by the Underwriter, and the Underwriter may offer and sell the Series 2012 Warrants to certain dealers (including dealers depositing the Series 2012 Warrants into investment trusts) and others at prices lower than the offering price set forth on the cover page. The Underwriter will purchase all the Series 2012 Warrants if any are purchased. The Underwriter is obligated to purchase and pay for all the Series 2012 Warrants in cash.

RATING

Standard & Poor's Rating Service ("Rating Agency") has assigned a rating to the Series 2012 Warrants of "AA." Any definitive explanation of the significance of any such rating may be obtained only from the Rating Agency. There is no assurance that any such rating will remain in effect for any given period of time or that any such rating will not be lowered or withdrawn entirely if, in the judgment of the Rating Agency, circumstances should warrant such action. Any such downward revision or withdrawal of any rating assigned to the Series 2012 Warrants could have an adverse effect on their market price.

LEGAL MATTERS

The legality and validity of the Series 2012 Warrants will be approved by Hand Arendall LLC, of Mobile, Alabama, Bond Counsel, whose approving opinion will be delivered at the time of the delivery of the Series 2012 Warrants. It is anticipated that the opinion of Bond Counsel will be in substantially the form attached hereto as Appendix A. Certain matters will be proved upon for the City by its counsel, Ross, Jordan & Gray, P.C., Mobile, Alabama.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

The arithmetical accuracy of certain computations included in the schedules provided by the City relating to (a) computation of forecasted receipts of principal and interest on the escrowed Government Obligations and the forecasted payments of principal and interest to redeem the Series 2002 Warrants and the Series 2006 Warrants, and (b) computation of the yields on the Series 2012 Warrants and the escrowed Government Obligations was examined by GNP Services, CPA, PA. Such computations were based solely upon assumptions and information supplied by the City. GNP Services, CPA, PA has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information upon which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

APPENDIX A

[FORM OF LEGAL OPINION]

City of Daphne
Daphne, Alabama

Re: \$13,495,000 City of Daphne General Obligation Refunding and Improvement Warrants, Series 2012

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance of the warrant issue in caption (the "Warrants") and as such have examined certified copies of proceedings of the governing body of the City of Daphne, Alabama (the "City") in connection therewith, including the ordinance of such governing body, adopted April 2, 2012 and other documents submitted to us pertaining to the authorization, sale and issuance of the Warrants. As to questions of fact material to our opinion, we have relied upon certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Warrants (except to the extent stated in the Official Statement) and we express no opinion relating thereto other than the matters set forth as our opinion in the Official Statement.

Based upon the aforesaid examinations, we are of the opinion that:

1. The Warrants have been duly authorized and issued and constitute valid orders on the City Treasurer of the City for the payment thereof as therein provided, and that the indebtedness ordered paid by the Warrants is a valid general obligation of the City for the payment of the principal of and interest on which the full faith and credit of the City have been validly and irrevocably pledged.

2. The interest income on the Warrants will be excludable from gross income of the recipients thereof for federal income tax purposes pursuant to the provisions of Section 103(a) of the Internal Revenue Code of 1986. In addition, the interest income on the Warrants will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, that it should be noted that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentences are subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, that must be satisfied subsequent to the issuance of the Warrants in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement, but failure to comply with certain of such requirements may cause the inclusion of interest on the Warrants in gross income for federal income tax purposes to be retroactive to the date of the issuance of the Warrants. We express no opinion regarding other federal tax consequences arising with respect to the Warrants.

3. Under existing law the interest on the Warrants is exempt from State of Alabama income taxation.

Very truly yours,

HAND ARENDALL LLC

By: _____

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF
THE CITY OF DAPHNE

EXCERPTS FROM THE MINUTES OF A REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF DAPHNE, ALABAMA HELD ON APRIL 2, 2012

The City Council of the City of Daphne, Alabama met at the City Hall in the City of Daphne on Monday, April 2, 2012 at 6:30 p.m., Central Time. The following members of the City Council of the City of Daphne, Alabama were:

PRESENT

ABSENT

Ms. Barnette acted as Chairman of the meeting and David L. Cohen, City Clerk, acted as Clerk of the meeting. The chairman stated that a quorum was present and declared the meeting open for the transaction of business.

* * * * *

The Chairman then stated that it would be appropriate to consider a resolution providing for the early call and redemption of certain of the City's outstanding debt obligations. The following resolution and order was thereupon introduced in writing by Councilmember _____:

**A RESOLUTION CALLING FOR THE REDEMPTION OF THE CITY'S
GENERAL OBLIGATION WARRANTS, SERIES 2002 AND THE REDEMPTION OF
THE CITY'S LIMITED OBLIGATION SPECIAL TAX WARRANTS, SERIES 2006**

BE IT RESOLVED by the City Council of the City of Daphne, Alabama (the "Council"), as follows:

Section 1. Findings of Fact. The Council has determined and hereby finds and declares that the following facts are true and correct:

- (a) The City of Daphne, Alabama (the "City") has heretofore issued pursuant to an Ordinance adopted by the Council on August 19, 2002, (the "2002 Ordinance"), its City of Daphne General Obligation Warrants, Series 2002, dated August 1, 2002, originally issued in the aggregate principal amount of \$2,660,000 (the "Series 2002 Warrants").
- (b) The City has heretofore issued pursuant to an Ordinance adopted by the Council on September 5, 2006, (the "2006 Ordinance"), its City of Daphne Limited Obligation Special Tax Warrants, Series 2006, dated August 1, 2006, originally issued in the aggregate principal amount of \$9,090,000 (the "Series 2006 Warrants").
- (c) The Series 2002 Warrants are currently outstanding in the aggregate principal amount of \$2,110,000.
- (d) The Series 2006 Warrants are currently outstanding in the aggregate principal amount of \$8,755,000.
- (e) The City desires to refund all of the outstanding Series 2002 Warrants and Series 2006 Warrants.
- (f) The City is not in default in the payment of principal of or interest on the Series 2002 Warrants or the Series 2006 Warrants or under the 2002 Ordinance or the 2006 Ordinance.

Section 2. Call for Redemption of the Series 2002 Warrants. Acting pursuant to the provisions of the Series 2002 Warrants and the 2002 Ordinance, the City does hereby elect to redeem and pay, and does hereby call for redemption and payment on May 18, 2012 (the "2002 Call Date") \$2,110,000 in aggregate principal amount of the Series 2002 Warrants (being all of the Series 2002 Warrants currently outstanding), the redemption of which shall be effected at a redemption price equal to 100% of the principal amount of each Series 2002 Warrant so called for redemption plus accrued interest thereon to the 2002 Call Date. Such redemption and payment shall be subject to the condition that the City shall have issued its General Obligation Refunding and Improvement Warrants, Series 2012.

Section 3. Call for Redemption of the Series 2006 Warrants. Acting pursuant to the provisions of the Series 2006 Warrants and the 2006 Ordinance the City does hereby elect to redeem and pay, and does hereby call for redemption and payment:

(a) as required by Section 6 of the 2006 Ordinance, on August 1, 2012, \$130,000 in aggregate principal amount of the Series 2006 Warrants, the redemption of which shall be effected at a redemption price equal to 100% of the principal amount of each Series 2006 Warrant so called for redemption plus accrued interest thereon to the date of redemption.

(b) on February 1, 2013 (the “2006 Call Date”) \$8,625,000 in aggregate principal amount of the Series 2006 Warrants (being all of the Series 2006 Warrants maturing after the 2006 Call Date), the redemption of which shall be effected at a redemption price equal to 100% of the principal amount of each Series 2006 Warrant so called for redemption plus accrued interest thereon to the 2006 Call Date.

Section 4. Provisions for Notice for the Series 2002 Warrants. The Bank of New York Mellon Trust Company, N.A. in Birmingham, Alabama is hereby directed, in its capacity as paying agent for the Series 2002 Warrants, to cause written notice of such redemption and prepayment to be given in the manner and at the time prescribed in the 2002 Ordinance.

Section 5. Provisions for Notice for the Series 2006 Warrants. The Treasurer of the City is hereby directed, in her capacity as paying agent for the Series 2006 Warrants, to cause written notice of such redemption and prepayment to be given in the manner and at the time prescribed in the 2006 Ordinance.

Section 6. Authorization. The Mayor of the City, the City Clerk of the City and the City Treasurer of the City are each hereby authorized and directed to take or cause to be taken, in the name and behalf of the City, all of the actions required by the provisions of the 2002 Ordinance under which the Series 2002 Warrants were issued and all of the actions required by the provisions of the 2006 Ordinance under which the Series 2006 Warrants were issued to be taken in order to effect the redemption of the Series 2002 Warrants and the Series 2006 Warrants as herein called for redemption.

Councilmember _____ moved that the foregoing resolution be adopted and spread upon the minutes of this meeting, which motion was seconded by Councilmember _____, and, on roll call the following vote was registered:

YEAS

NAYS

The Chairman thereupon announced that said resolution had been carried by unanimous vote of the Council present.

* * * * *

The Chairman then stated that it would be appropriate to consider the issuance of \$13,495,000 in aggregate principal amount of the City's General Obligation Refunding and Improvement Warrants, Series 2012, for the purpose of refunding certain of the City's outstanding general obligation indebtedness, paying a portion of the cost of certain road and bridge improvements and paying the expenses of issuing the City's General Obligation Refunding and Improvement Warrants, Series 2012. The following ordinance was thereupon introduced in writing by Councilmember _____:

ORDINANCE NO. 2012-__

**AN ORDINANCE AUTHORIZING THE ISSUANCE OF
\$13,495,000 OF GENERAL OBLIGATION REFUNDING AND IMPROVEMENT
WARRANTS, SERIES 2012**

BE IT ORDAINED by the City Council of the City of Daphne, Alabama, as follows:

ARTICLE I

**DEFINITIONS, USE OF WORDS AND
PHRASES, AND FINDINGS BY THE CITY**

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:

“**Bank**” means The Bank of New York Mellon Trust Company, N.A., in its role as Warrant Registrar and Paying Agent.

“**Business Day**” means any day other than a Saturday, Sunday or day on which banking institutions are required or authorized to close in the city in which the designated corporate trust agency office of the Bank is located, or on which the Federal Reserve Bank is closed.

“**Capital Improvements**” shall have the meaning given that term in Section 1.3(f) hereof, subject to being amended and supplemented as provided in Section 7.3 hereof.

“**City**” means the municipal corporation in the State of Alabama known as the City of Daphne, Alabama, as it now exists, and any political subdivision resulting from any merger or consolidation thereof with any other political subdivision.

“**City Clerk**” means the city clerk of the City.

“**Code**” means the Internal Revenue Code of 1986 as amended.

“**Council**” means the governing body of the City as from time to time constituted.

“**Direct Participant**” means securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations which participate in the Securities Depository with respect to the Warrants.

“Escrow Trustee” means The Bank of New York Mellon Trust Company, N.A., as escrow trustee for the Series 2002 Warrants under the terms of the 2002 Escrow Trust Agreement and as escrow trustee for the Series 2006 Warrants under the terms of the 2006 Escrow Trust Agreement.

“Government Obligations” means direct obligations of the United States of America and obligations unconditionally guaranteed by the United States of America.

“Interest Payment Date” means, with respect to the Warrants, any February 1 or August 1, prior to payment thereof.

“Overdue Interest” means interest due but not paid on the Interest Payment Date on which such interest is required to be paid.

“Record Date” means, as to any Interest Payment Date, the January 15 or July 15 immediately preceding such Interest Payment Date.

“Securities Depository” has the meaning given that term in Section 3.5 hereof.

“Series 2002 Warrants” means the City’s General Obligation Warrants, Series 2002, dated August 1, 2002, originally issued in the aggregate principal amount of \$2,660,000.

“Series 2006 Warrants” means the City’s Limited Obligation Special Tax Warrants, dated August 1, 2006, originally issued in the aggregate principal amount of \$9,090,000.

“Treasurer” shall mean the treasurer or any assistant treasurer of the City.

“Warrant Authorizing Law” means Section 4, Chapter 81 and Section 2, Chapter 47 of Title 11, Code of Alabama, 1975.

“Warrant Fund” means the special account created pursuant to Section 8.2 hereof.

“Warrant Holder” or **“Holder”** means the registered holder, from time to time, of any of the Warrants.

“Warrants,” unless otherwise indicated, means the \$13,495,000 in aggregate principal amount of the City’s General Obligation Refunding and Improvement Warrants, Series 2012, as more particularly described in Article II hereof and issued hereunder.

“2002 Escrow Trust Agreement” means the Escrow Trust Agreement – 2002 Warrants, dated as of April 1, 2012, between the City and The Bank of New York Mellon Trust Company, N.A., as Escrow Trustee.

“2006 Escrow Trust Agreement” means the Escrow Trust Agreement – 2006 Warrants, dated as of April 1, 2012, between the City and The Bank of New York Mellon Trust Company, N.A., as Escrow Trustee.

Section 1.2 Use of Words and Phrases. The following provisions shall be applied wherever appropriate herein:

Whenever used herein, any pronoun or pronouns shall be deemed to include both singular and plural and to cover all genders.

"Hereby", "herein", "hereinafter", "hereof", "hereunder" and other equivalent words refer to this Ordinance as a whole and not solely to any particular portion thereof in which any such word is used.

The definitions set forth in Section 1.1 hereof shall be deemed applicable whether the words defined are herein used in the singular or plural.

Section 1.3 Findings of Council. Having made due and proper investigation of the matters hereinafter referred to, the Council hereby finds and determines:

- (a) The City has heretofore issued the Series 2002 Warrants pursuant to an Ordinance adopted by the Council on August 19, 2002, (the “2002 Ordinance”).
- (b) The City has heretofore issued the Series 2006 Warrants pursuant to an Ordinance adopted by the Council on September 5, 2006, (the “2006 Ordinance”).
- (c) The City is not in default on the payment of the principal of and the interest on the Series 2002 Warrants or the Series 2006 Warrants.
- (d) By a resolution previously adopted, the City has called all of the outstanding Series 2002 Warrants coming due after February 1, 2012 for redemption.
- (e) By a resolution previously adopted, the City has called all of the outstanding Series 2006 Warrants coming due after February 1, 2013 for redemption.
- (f) It is necessary, advisable and in the public interest that the City pay a portion of the costs of the acquisition, construction and installation of certain road and bridge improvements within the City (the “Capital Improvements”), which acquisition, construction and installation are expected cost approximately \$3,000,000 and which shall include the following:

Project 2012-B - Main Street - Holy Cross to Bayfront (18,247 L.F. - 3.45 miles) - Mill and Overlay (1500 L.F. Base Repairs)

Project 2012-C - Well Road Extension - Public Works Road to CR13

(1,400 L.F. - 0.265 miles) - New Road & Drainage

Proposed Project 2012-D: Profit Drive Extension - Profit Drive to Johnson Road

Proposed Project 2012-E: Johnson Road Extension to County Road 13 - Bottom Crossing with Bridge

Proposed Project 2013-A: Intersection of CR13 and Cr 64 - Round-A-Bout

Proposed Project 2013-B: Lake Forest - 1.1 Miles (Ridgewood Drive - North Route connecting 2a & 2b) & 0.1 Miles of Bay View Drive (1a to the bridge) Project includes base repairs, drainage, asphalt resurfacing, concrete valley gutter, median curbing & landscaping

Proposed Project 2013-C: Johnson Road Extension - County Road 13 to State Road 181

Proposed Project 2013-D: Lake Forest - 2.1 Miles (Bayview & Ridgewood Drives - South Route connecting 2a & 2b) Project includes base repairs, drainage, asphalt resurfacing, concrete valley gutter, median curbing & landscaping

Proposed Project 2013-E: Lake Forest - Bridge Replacement on Bayview at Lake Forest Lake - Severely Limited Bridge

Proposed Project: Resurfacing of Pinehill Road - 7th Street to south of Roper Ln

Proposed Project: Resurfacing of Douglas Road - US Hwy 90 to End of Pavement

- (g) Pursuant to the Warrant Authorizing Law the City is authorized to issue its warrants, in order to refund outstanding indebtedness of the City and to finance the Capital Improvements.
- (h) It is necessary, advisable and in the interest of the public that the City issue its General Obligation Refunding and Improvement Warrants, Series 2012 to refund the Series 2002 Warrants and the Series 2006 Warrants, to pay costs of the Capital Improvements and to pay costs of issuance and sale of such Warrants.

ARTICLE II

AUTHORIZATION, DESCRIPTION, EXECUTION, PAYMENT AND FORM OF THE WARRANTS

Section 2.1 Authorization of the Warrants. Pursuant to the applicable provisions of the constitution and laws of the State of Alabama, and for the purposes of refunding all of the Series 2002 Warrants and Series 2006 Warrants and paying the costs of issuance thereof, there is hereby authorized to be issued by the City \$13,495,000 in aggregate principal amount of its General Obligation Refunding and Improvement Warrants, Series 2012.

Section 2.2 Description of the Warrants. The Warrants shall be issued only in fully registered form, without coupons, shall be dated as of April 1, 2012, shall be issued in principal amounts of \$5,000 or any integral multiple thereof, and shall be numbered from R-1 upwards in the order of their issuance and delivery. The Warrants shall bear interest from date (or in the case of a Warrant registered in the name of a Holder on or after August 1, 2012 from the Interest Payment Date next preceding the date of such registration or, if the date of such registration is an Interest Payment Date, from the date of registration) at the rates shown below (calculated on the basis of a 360-day year of twelve 30-day months), payable on each February 1 and August 1 until payment of the principal amount thereof, beginning August 1, 2012 and, subject to the redemption provisions hereinafter set forth, shall mature on February 1 in the years and amounts as follows:

<u>Year of Maturity</u>	<u>Maturing Amount</u>	<u>Interest Rate</u>
2013	\$ 385,000	2.000%
2014	450,000	2.000%
2015	460,000	2.000%
2016	465,000	2.000%
2017	470,000	2.250%
2018	485,000	2.000%
2019	495,000	2.000%
2020	505,000	2.250%
2021	515,000	2.500%
2022	525,000	2.750%
2023	545,000	3.000%
2024	555,000	3.000%
2025	570,000	3.250%
2026	590,000	3.250%
2027	605,000	3.250%
2028	625,000	3.500%
2029	655,000	3.500%
2030	670,000	3.600%
2031	700,000	4.000%
2032	720,000	4.000%

2033	590,000	4.000%
2034	615,000	4.000%
2035	635,000	4.000%
2036	665,000	4.000%

Section 2.3 Execution of the Warrants. The Warrants shall be executed in the name of the City by the manual or facsimile signatures of the Mayor of the City and its City Clerk inscribed or printed or otherwise reproduced thereon (it being herein provided that a condition to the validity of each Warrant is the manual execution on behalf of the Bank of the Registration Certificate endorsed on each Warrant). The Warrants shall be registered by the Treasurer of the City, in the records maintained by the Treasurer, as a claim against the City and the Warrant Fund, which registration shall be made simultaneously as to all the Warrants. The certificate of registration on each of the Warrants shall be executed by the manual or facsimile signature of the Treasurer of the City. The official seal of the City shall be impressed or printed or otherwise reproduced thereon and shall be attested by the aforementioned signature of the City Clerk. The said officers are hereby directed to cause the Warrants to be executed, sealed and registered in the manner provided by this section. Anything herein to the contrary notwithstanding, any assistant city clerk shall be empowered to execute any Warrant in the absence or unavailability of the City Clerk and any assistant treasurer of the City shall be empowered to execute any Warrant in the absence or unavailability of the Treasurer.

Section 2.4 Places and Medium of Payment of the Warrants. Principal of and interest on the Warrants shall be payable in lawful money of the United States of America. The principal of the Warrants shall be payable at the designated corporate trust agency office of the Bank, upon presentation and surrender of the Warrants as the same become due and payable. Interest on the Warrants shall be payable by check or draft mailed by the Bank to the lawful holders of the Warrants at the address shown on the registry books of the Bank pertaining to the Warrants as of the Record Date and 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).

Section 2.5 Forms of the Warrants and Related Certificates. The Warrants, the certificate of registration thereof, the registration thereof as a claim against the Warrant Fund, and the form of assignment thereof shall be in substantially the following forms, with appropriate changes therein to conform to the applicable provisions hereof.

(Form of Series 2012 Warrant)

[FORM OF CAPTION FOR WARRANTS HELD IN BOOK ENTRY FORM]

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

No. R-_____ \$_____

UNITED STATES OF AMERICA
STATE OF ALABAMA
CITY OF DAPHNE
GENERAL OBLIGATION REFUNDING AND IMPROVEMENT WARRANT
SERIES 2012

MATURITY DATE

CUSIP NUMBER

INTEREST RATE

THE CITY OF DAPHNE, ALABAMA, a municipal corporation in the State of Alabama (the "City"), for value received, hereby acknowledges that it is indebted in the principal sum of

_____ DOLLARS

and hereby directs the Treasurer of the City to pay such principal sum to

or registered assigns, on the maturity date specified above or such earlier date as this Warrant may be called for redemption, and to pay (but solely out of the Warrant Fund) interest on such principal sum from the date hereof (or in the case of a Warrant registered in the name of the registered Holder hereof on or after August 1, 2012, as evidenced by the Certificate of Registration attached hereto, from the Interest Payment Date next preceding the date of such registration or, if the date of such registration is an Interest Payment Date, from the date of registration), until such principal sum shall become due and payable, at the per annum rate of interest specified above. Interest shall be payable on February 1 and August 1 in each year, beginning August 1, 2012 (each such date herein called an

"Interest Payment Date"), and shall be computed on the basis of a 360-day year with 12 months of 30 days each. Interest shall be payable on overdue principal (and premium, if any) on this Warrant and (to the extent legally enforceable) on any overdue installment of interest on this Warrant at the rate borne hereby.

The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Authorizing Ordinance hereinafter described, be paid to the person in whose name this Warrant is registered at the close of business on the 15th day of the month next preceding such Interest Payment Date.

The Warrants are being issued by means of a book-entry system with no physical distribution of warrant certificates to be made except as provided in the Authorizing Ordinance (as hereinafter defined). One warrant certificate, in the aggregate principal amount of each maturity of the Warrants, registered in the name of Cede & Co. as nominee of the DTC, is being issued and required to be deposited with DTC (or an authorized banking institution acceptable to DTC) and immobilized in its custody. The book-entry system will evidence ownership of the Warrants, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. Transfer of principal, interest and any redemption premium payments to beneficial owners of the Warrants by participants of DTC will be the responsibility of such participants and other nominees of such beneficial owners. The City will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by DTC, and to participants or persons acting through such participants. While Cede & Co. is the registered owner of this Warrant, notwithstanding the provisions hereinabove contained, payments of principal, interest and any redemption premium on this Warrant will be made in accordance with the existing arrangements between the Paying Agent and DTC.

Subject to the foregoing paragraph, payment of interest on this Warrant due on each Interest Payment Date shall be made by check or draft mailed by the Paying Agent to the person entitled thereto at his address appearing in the Warrant Register maintained with respect to the Warrants. Such payments of interest shall be deemed timely made if so mailed on the Interest Payment Date (or, if such Interest Payment Date is not a business day, on the business day next following such Interest Payment Date). Payment of the principal of (and premium, if any, on) this Warrant and payment of accrued interest on this Warrant due upon redemption shall be made only upon surrender of this Warrant at the designated corporate trust agency office of the hereinafter described Bank. Upon the terms and conditions provided in the Authorizing Ordinance, the Holder of any Warrant or Warrants in an aggregate principal amount of not less than \$100,000 may request that payment of interest on such Warrant or Warrants be made by wire transfer to an account of such Holder maintained at a bank in the continental United States or by any other method providing for same-day funds that is acceptable to the Bank. All such payments shall be made in such coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts.

This Warrant is one of the duly authorized issue of warrants of the City, aggregating \$13,495,000 in principal amount, entitled "General Obligation Refunding and Improvement Warrants,

Series 2012" (the "Warrants") and issued under and pursuant to an ordinance duly adopted by the governing body of the City (the "Authorizing Ordinance") and the constitution and laws of the State of Alabama, including particularly Section 4, Chapter 81, and Section 2, Chapter 47, of Title 11 of the Code of Alabama, 1975. Capitalized terms not otherwise defined herein shall have the meanings assigned in the Authorizing Ordinance.

The Authorizing Ordinance provides that The Bank of New York Mellon Trust Company, N.A. (the "Bank"), will serve as Paying Agent and Registrar with respect to the Warrants unless and until a successor is appointed pursuant to the terms and conditions of the Authorizing Ordinance. For purposes of this Warrant and the Authorizing Ordinance, the principal office of the Bank shall mean the office where the Bank maintains its designated corporate trust agency office, as shall be designated by the Bank by written notice to the City and the Holders of the Warrants.

The indebtedness evidenced by the Warrants is a general obligation of the City for the payment of which the full faith and credit of the City have been irrevocably pledged, pro rata and without preference or priority of one Warrant over another.

Pursuant to the Authorizing Ordinance, the City has established a special fund for the payment of debt service on the Warrants (the "Warrant Fund") that will be held by the Bank. The City has obligated itself to pay or cause to be paid into the Warrant Fund from the taxes, revenues or other funds of the City sums sufficient to provide for the payment of debt service on the Warrants as the same becomes due and payable.

The Warrants maturing on February 1, 2036 will be subject to mandatory redemption prior to maturity (the particular Warrant or portions thereof to be selected by lot) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, in the principal amount and on the dates set forth below (the 2036 amount to be paid rather than redeemed):

<u>February 1 of the Year</u>	<u>Principal Amount</u>
2031	\$700,000
2032	\$720,000
2033	\$590,000
2034	\$615,000
2035	\$635,000
2036	\$665,000

The Warrants, maturing on or after February 1, 2020 are subject to redemption prior to their maturity, at the option of the City, in whole or in part, on February 1, 2019, and on any date thereafter (in principal amounts of \$5,000 and any integral multiple thereof and if less than all of the Warrants are to be redeemed, those maturities or portions thereof to be called for redemption shall be selected by the City in its discretion, and if less than all the Warrants of a single maturity are to be redeemed, those to be called for redemption shall be selected by lot), at and for a redemption price equal to 100% of the principal amount of each Warrant or portion thereof redeemed, plus accrued

interest to the date fixed for redemption.

Written notice of the call for redemption of this Warrant (or portion of the principal thereof) shall be forwarded by registered or certified mail to the registered owner hereof, not less than thirty (30) or more than sixty (60) days prior to the date fixed for redemption. In the event that less than all the outstanding principal of this Warrant is to be redeemed, the registered Holder hereof shall surrender this Warrant to the Bank in exchange for a new Warrant of like tenor herewith except in a principal amount equal to the unredeemed portion hereof. Upon the giving of notice of redemption in accordance with the provisions of the Authorizing Ordinance, the Warrants (or principal portions thereof) so called for redemption and prepayment shall become due and payable on the date specified in such notice, anything herein or in the Authorizing Ordinance to the contrary notwithstanding, and the Holders thereof shall then and there surrender them for payment, and all future interest on the Warrants (or principal portion thereof) so called for prepayment shall cease to accrue after the date specified in such notice, whether or not the Warrants are so presented.

This Warrant is transferable by the registered holder hereof, in person or by authorized attorney, only on the books of the Bank, as Registrar and Transfer Agent of the City, and only upon surrender of this Warrant to such Registrar for cancellation, and upon any such transfer a new Warrant of like tenor herewith will be issued to the transferee in exchange therefor, all as more particularly described in the Authorizing Ordinance. Each Holder hereof, by receiving or accepting this Warrant, shall consent and agree and shall be estopped to deny that this Warrant may be transferred only in accordance with the provisions of the Authorizing Ordinance. Provision is also made in the Authorizing Ordinance for the exchange of Warrants for a like aggregate principal amount and in authorized denominations, all upon the terms and subject to the conditions set forth in the Authorizing Ordinance.

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

Registration, transfer and exchange of Warrants, other than to replace mutilated, lost, stolen or destroyed Warrants, shall be without expense to the Holder or transferee, but the Holder shall pay all taxes and other governmental charges, if any, required to be paid in connection with such transfer, registration or exchange.

It has been ascertained and found, and it is hereby certified and recited, that all conditions, actions and things required by the constitution and laws of Alabama to exist, be performed or happen precedent to or in the issuance of this Warrant and the creation of the indebtedness evidenced and ordered paid hereby exist, have been performed and have happened, that such indebtedness has been registered as a claim against the Warrant Fund and is lawfully due without condition, and that the indebtedness evidenced and ordered paid by this Warrant, together with all other indebtedness of the

City, was when incurred and is now within every debt and other limit prescribed by the constitution and laws of Alabama.

Unless the Registration Certificate hereon has been executed by the Bank, as Registrar for the Warrants, by manual signature, this Warrant shall not be entitled to any benefit under the Authorizing Ordinance or be valid or obligatory for any purpose.

IN WITNESS WHEREOF, the City has caused this Warrant to be executed in its behalf by the Mayor and by the City Clerk of the City, each of whom have caused their facsimile signatures to be hereunto imprinted, has caused the official seal of the City to be imprinted hereon, and has caused this Warrant to be dated April _____, 2012.

CITY OF DAPHNE, ALABAMA

(SEAL)

By _____
Its Mayor

ATTEST:

By _____
City Clerk

* * * * *

(Form of Registration as Claim against Warrant Fund)

I hereby certify that this Warrant has been registered by me as a claim against the Warrant Fund referred to in this Warrant.

Treasurer of the
City of Daphne, Alabama

[Form of Registration Certificate]

This Warrant was registered in the name of the above-registered owner on the date hereinafter set forth.

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

By _____
Its Authorized Officer

DATE OF REGISTRATION: _____

(Form of Assignment)

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

Dated this the ____ 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 Warrant in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:
(Bank, Trust company or Firm)

By: _____
(Authorized Officer)

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)

ARTICLE III
FURTHER PROVISIONS WITH RESPECT TO
WARRANTS

Section 3.1 Home Office Payment Agreement. Upon the written request of the Holder of any Warrant or Warrants in an aggregate principal amount of not less than \$100,000, the Bank will make payment of interest due on such Warrant or Warrants upon any Interest Payment Date by wire transfer to an account of such Holder maintained at a bank in the continental United States or by any other method providing for payment in same-day funds that is acceptable to the Bank, provided that payment of the principal of and redemption premium (if any) on such Warrant or Warrants shall be made only upon surrender of such Warrant or Warrants to the Bank, as Paying Agent.

Section 3.2 Interest After Payment Due Date. The Warrants, any premiums thereon and, to the extent legally enforceable, overdue installments of interest thereon, shall bear interest after the maturity dates thereof or such earlier date as they may be called for redemption, until paid or until money sufficient for the payment thereof shall have been deposited for that purpose with the Bank, at the respective rates borne thereby.

Any provision hereof to the contrary notwithstanding, Overdue Interest shall not be payable to the Warrant Holder solely by reason of such Warrant Holder having been the Holder on the Record Date next preceding the Interest Payment Date on which such interest became due and payable, but shall be payable by the Bank as follows:

(a) Not less than ten (10) days following receipt by the Bank of immediately available funds in an amount sufficient to enable the Bank to pay all Overdue Interest, the Bank shall fix an Overdue Interest Payment Date for payment of such Overdue Interest, which date shall be not more than twenty (20) days following the expiration of the ten-day period after receipt of funds by the Bank;

(b) Overdue Interest shall be paid by check or draft mailed by the Bank to the persons in whose names the Warrants were registered in the registry books of the Bank pertaining to the Warrants on the Overdue Interest Payment Date.

Payment of Overdue Interest in the manner herein prescribed to the persons in whose names the Warrants were registered on the Overdue Interest Payment Date shall fully discharge and satisfy all liability for the same.

Section 3.3 Temporary Certificates. Pending the preparation of definitive Warrants the City may execute, and upon request of the City, the Bank shall register and deliver, temporary certificates which are printed, lithographed, typewritten, mimeographed or otherwise produced, in any authorized denomination, substantially of the tenor of the definitive Warrants in lieu of which they are issued, but numbered from R-1 upwards, without other identification numbers, and with such

other appropriate insertions, omissions, substitutions and other variations as the officers executing such temporary certificates may determine, as evidenced by their execution of such temporary certificates.

Any such temporary certificates shall be executed by the manual signatures of the appropriate officers of the City as required in Article II of this Ordinance and be executed and attested by the City Clerk. All such temporary certificates shall have impressed thereon the seal of the City.

If temporary Warrants are issued, the City will cause definitive Warrants to be prepared without unreasonable delay. After the preparation of definitive Warrants, the temporary Warrants shall be exchangeable for definitive Warrants upon surrender of the temporary Warrants at the principal office of the Bank, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Warrants the City shall execute and the Bank shall authenticate and deliver in exchange therefor a like principal amount of definitive Warrants of like tenor, and in authorized denominations. Until so exchanged, temporary Warrants shall in all respects be entitled to the security and benefits of this Ordinance.

Section 3.4 Payments Due on a Day Other Than a Business Day. If any payment on the Warrants is due on a day which is not a Business Day, such payment shall be made on the first succeeding date which is a Business Day with the same effect as if made on the day such payment was due.

Section 3.5 Book Entry System. The City may from time to time enter into, and discontinue, an agreement with a “clearing agency” (securities depository) registered under Section 17A of the Securities Exchange Act of 1934, as amended (a “Securities Depository”), which is the owner of the Warrants, to establish procedures with respect to the Warrants, not inconsistent with the provisions of this Ordinance; provided, however, that any such agreement may provide:

- (a) that such Securities Depository is not required to present a Warrant to the Paying Agent in order to receive partial payment of principal;
- (b) that a legend shall appear on each Warrant so long as the Warrants are subject to such agreement; and
- (c) that different provisions for notice to such Securities Depository may be set forth therein.

So long as an agreement with a Securities Depository is in effect, the City, the Bank and any paying agent or bond registrar shall not have any responsibility or liability with respect to the payment of principal, purchase price, premium, if any, or interest on the Warrants to the Beneficial Owners or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests or any payments made to such Beneficial Owners.

ARTICLE IV

GENERAL OBLIGATION; PROVISION FOR PAYMENT OF OBLIGATIONS

Section 4.1 General Obligation. The indebtedness evidenced by the Warrants is and shall be a general obligation of the City and the full faith and credit of the City are hereby irrevocably pledged to the payment of the principal thereof and interest thereon.

Section 4.2 Continued Levy of Taxes; Maintenance of Warrant Fund. The City agrees that, so long as the principal of or interest on any of the Warrants remains unpaid, the City will annually levy and collect taxes, insofar as such taxes may be permitted by the present or any future provisions of the Constitution of Alabama, in such amounts as may be necessary to provide for the payment of the principal of and interest on the Warrants. The City further agrees that so long as the principal of or interest on any of the Warrants remains unpaid it will deposit in the Warrant Fund with respect to such Warrants, not later than the 25th day of the month next preceding an Interest Payment Date, an amount which, when added to the amounts then on deposit in such Warrant Fund, will equal the principal, interest and redemption premium (if any) to come due with respect to the Warrants on such Interest Payment Date.

Section 4.3 Provision for Payment. (a) If the principal of and interest and redemption premium (if any) on the Warrants is paid in accordance with the terms thereof and this Ordinance, then all covenants, agreements and other obligations of the City to the Holders of such Warrants shall thereupon cease, terminate and become void and be discharged and satisfied. In the event the Warrants are so paid the Bank shall pay to the City any surplus remaining in the Warrant Fund.

(b) Warrants shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 4.3 if

- (1) the City and the Bank (or another bank acting as trustee) enter into an appropriate trust agreement under which there shall be deposited, for payment or redemption of such Warrants and for payment of the interest to accrue thereon until maturity or redemption, and any redemption premium thereon, Government Obligations and cash or any combination of cash and Government Obligations which, together with the income to be derived from such, will produce monies sufficient to provide for the payment, redemption and retirement of such Warrants as and when the same become due;
- (2) the City shall have adopted all necessary proceedings providing for the redemption of any such Warrants that are required to be redeemed prior to their respective maturities and shall have instructed the Bank

or other trustee under the aforesaid trust agreement to provide such notices of redemption as are required under this Ordinance;

- (3) the City and the Bank shall have been furnished with an opinion of nationally recognized bond counsel to the effect that the creation of any such trust will not result in subjecting to federal income taxation the interest on any of the Warrants that are to be paid in accordance with such trust; and
- (4) the City and the Bank shall have been furnished a certificate of a firm of certified public accountants satisfactory to the Bank stating that such trust will produce monies sufficient to provide for the full payment and retirement of such Warrants as and when the principal of and interest and redemption premium (if any) on such Warrants shall come due.

ARTICLE V

REDEMPTION PROVISIONS

Section 5.1 Mandatory Redemption. The Warrants having a stated maturity on February 1, 2036, will be subject to mandatory redemption prior to maturity (the particular Warrant or portions thereof to be selected by lot) at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption, in the principal amount and on the dates set forth below (the 2036 amount to be paid rather than redeemed):

<u>February 1 of the Year</u>	<u>Principal Amount</u>
2031	\$700,000
2032	\$720,000
2033	\$590,000
2034	\$615,000
2035	\$635,000
2036	\$665,000

Section 5.2 Optional Redemption. The Warrants, maturing on or after February 1, 2020 are subject to redemption prior to their maturity, at the option of the City, in whole or in part, on February 1, 2019, and on any date thereafter (in principal amounts of \$5,000 and any integral multiple thereof and if less than all of the Warrants are to be redeemed, those maturities or portions thereof to be called for redemption shall be selected by the City in its discretion, and if less than all the Warrants of a single maturity are to be redeemed, those to be called for redemption shall be selected by lot), at and for a redemption price equal to 100% of the principal amount of each Warrant or portion thereof redeemed, plus accrued interest to the date fixed for redemption.

Section 5.3 Procedure for Redemption; Resolution Authorizing Redemption. Not more than sixty (60) or less than thirty (30) days prior to the Redemption Date, the City (or the Bank on behalf of the City) shall give, or cause to be given, written notice of such redemption and prepayment by United States mail, registered or certified, to the Holders of each of the Warrants to be redeemed, in whole or in part, at the address of such registered Holder as such address appears on the registry books of the Registrar, stating that the Warrants (or principal portions thereof) have been called for redemption and will become due and payable at the Redemption Price, on a specified Redemption Date and that all interest thereon will cease to accrue after the Redemption Date. The holders of any of the Warrants to be redeemed may waive the requirements for notice with respect to the Warrants held by them without affecting the validity of the call for redemption of any other Warrants. The City shall cause to be paid and made available at the office of the Bank, on or prior to the Redemption Date, the total Redemption Price of the Warrants (or portions thereof) so called for redemption on such date. Out of the moneys so deposited with it, the Bank shall make provision for payment of the Warrants (or principal portions thereof) so called for redemption at the Redemption Price and on the Redemption Date.

In addition to the foregoing notice, further notice shall be given by the City to all registered securities depositories and to one or more national information services that disseminate notices of redemption of obligations such as the Warrants. No defect in the further notice required in this paragraph, and no failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as described in the first paragraph of this Section 5.3.

Any optional redemption or prepayment of the Warrants or any portion thereof shall be effected upon a call by the City, as evidenced by a resolution of the Council, for redemption and prepayment of the Warrants to be so redeemed. Any such resolution pertaining to the Warrants shall state (i) that the City is not in default in the payment of the principal of or interest on any of the Warrants to be redeemed or (ii) that all of the Warrants then outstanding are to be retired on the Redemption Date.

Section 5.4 Result of Redemption of Warrants. Upon compliance with the requirements set forth in this Article V, and if the City is not on the Redemption Date in default in the payment of the principal of or interest on the Warrants, the Warrants (or principal portions thereof) called for redemption shall become due and payable at the Redemption Price and on the Redemption Date specified in the notice provided for in Section 5.3, and the Holders thereof shall then and there surrender them for redemption; provided, however, that in the event that less than all of the outstanding principal of any Warrant is to be redeemed, the registered Holder thereof shall surrender the Warrant that is to be prepaid in part to the Bank in exchange, without expense to the Holder, for a new Warrant of like tenor except in a principal amount equal to the unredeemed portion thereof. All future interest on the Warrants (or principal portions thereof) so called for redemption shall cease to accrue after the Redemption Date.

ARTICLE VI

REGISTRATION AND TRANSFER OF THE WARRANTS

Section 6.1 Registration and Transfer of the Warrants. The Warrants shall be registered as to both principal and interest. Each Warrant shall have endorsed thereon a registration certificate substantially in the form provided in Section 2.5 hereof, and a condition to the validity of each Warrant shall be the manual execution of such certificate on behalf of the Bank. The Bank is hereby appointed as the Registrar and Transfer Agent for the Warrants, and shall be authorized to keep at its designated corporate trust agency office, proper registry books in which it shall register the Warrants, as to both principal and interest, noting the registry on the Warrants so presented. Such registration shall conclusively designate the Warrant Holder as the sole person to whom or on whose order the payment of the principal of and interest on the Warrants so registered may be made. After such registration no transfer of a Warrant so registered shall be valid unless it is presented at the said office with written power to transfer, properly stamped if required, in form and with guaranty of signature satisfactory to the Registrar, and such new registration noted thereon by the Registrar. The Registrar shall not be required to transfer or exchange such Warrant during the period of fifteen (15) days next preceding any interest payment date. If any Warrant shall be duly called for redemption pursuant to the provisions hereof, the Registrar shall not be required to transfer such Warrant during the period of sixty (60) days next preceding the date fixed for its redemption.

Section 6.2 Exchange of Warrants. Upon request of the Holder of any Warrant, the City shall execute, and the Bank shall register and deliver, upon surrender to the Bank of the Warrant or Warrants, in exchange therefor, a Warrant or Warrants of the same tenor in different authorized principal amounts (of \$5,000 or integral multiples thereof), together aggregating the same principal amount as the then unpaid principal of the Warrant or Warrants so surrendered, all as may be requested by the persons surrendering such Warrant or Warrants.

Section 6.3 Costs of Registration, Transfer and Exchange. The registration, transfer and exchange of Warrants (other than pursuant to Section 6.5 hereof) shall be without expense to the Holder or transferee. In every case involving a transfer, registration or exchange, such Holder shall pay all taxes and other governmental charges, if any, required to be paid in connection with such transfer, registration or exchange.

Section 6.4 Effect of Registration. The City, the Registrar, and the Paying Agent may deem and treat the person in whose name a Warrant is registered on the books of the Registrar as the absolute owner thereof for all purposes; they shall not be affected by notice to the contrary; and all payments by any of them to the person in whose name a Warrant is registered shall, to the extent of such payment, fully discharge all liability thereof.

Section 6.5 Replacement of Mutilated, Lost, Stolen or Destroyed Warrants. In the event that any Warrant is mutilated, lost, stolen or destroyed, the City may execute and deliver a new Warrant of like tenor as that mutilated, lost, stolen or destroyed; provided, that (a) in the case of any such mutilated Warrant, such Warrant is first surrendered to the City and the Bank, and (b) in the

case of any such lost, stolen or destroyed Warrant, there is first furnished to the City and the Bank evidence of such loss, theft or destruction satisfactory to each of them, together with indemnity satisfactory to each of them. The City may charge the Holder with the expense of issuing any such new Warrant.

Section 6.6 Provisions with Respect to Bank. (a) Appointment of Bank and Acceptance of Duties. The Bank is herein designated and appointed and shall act as registrar, transfer agent and payment agent with respect to the Warrants. By its acceptance of such duties hereunder, the Bank shall accept and agree to perform the duties required by this Ordinance, subject, however, to the following conditions:

- (i) The Bank shall undertake to perform such duties and only such duties as are specifically set forth in this Ordinance, and no implied covenants or obligations shall be read into this Ordinance against the Bank.
- (ii) In the absence of bad faith or negligence on its part, the Bank may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Bank and conforming to the requirements of this Ordinance; provided, however, that in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Bank, the Bank shall be under a duty to examine the same to determine whether or not they conform to the requirements of this Ordinance.
- (iii) The Bank shall not be answerable for other than its gross negligence or willful default and the Bank may act through its agents and attorneys with respect to any of its duties hereunder.
- (iv) No provision of this Ordinance shall be construed to relieve the Bank from liability for its own gross negligence or willful misconduct, except that no provision of this Ordinance shall require the Bank to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.
- (v) The Bank may consult counsel on any matters connected herewith and shall not be answerable for any action taken or failure to take any action in good faith on the advice of counsel, provided that its action or inaction is not contrary to any express provision hereof.
- (vi) The Bank need not recognize a Holder of a Warrant as such without the satisfactory establishment of his title to such Warrant.
- (vii) Any action taken by the Bank at the request of and with the consent of the Holder of a Warrant will bind all subsequent Holders of the same Warrant and any Warrant

issued hereunder in lieu thereof.

- (viii) The Bank may be a Holder or a pledgee of any of the Warrants as if not Bank hereunder.
- (ix) The Bank shall not be liable for the proper application of any moneys other than those that may be paid to or deposited with it.
- (x) The Bank shall not be liable to pay or allow interest on any moneys to be held by it under this Ordinance or otherwise to invest any such moneys, except as specifically required by this Ordinance or as may be required by law or other written agreement between the City and the Bank.
- (xi) The Bank may make any investments permitted or required hereby through its own investment department, and any Eligible Investments issued or held by it hereunder shall be deemed investments and not deposits.
- (xii) The Bank shall, upon reasonable written request, inform the City of the amount at the time on deposit in any of the special funds or accounts created hereunder.
- (xiii) The recitals of fact herein and in the Warrants are statements by the City and not by the Bank, and the Bank is in no way responsible for the validity or security of the Warrants or the validity of the security afforded hereby.

(b) Resignation by Bank. The Bank and any successor Bank may resign and be discharged from the duties under this Ordinance by causing written notice specifying the effective date, postage prepaid, to the City and to every Holder of a Warrant. Unless the effective date of the Bank's resignation shall coincide with the appointment of a successor Bank by the Holders of the Warrants as herein provided, such date shall be at least sixty (60) days after the date on which notice to the City and the Holders of the Warrants shall have been mailed.

(c) Removal of Bank. The Bank may be removed at any time by an instrument or concurrent instruments in writing delivered to the Bank and to the City and signed by the Holders of a majority in aggregate principal amount of the Warrants then outstanding.

(d) Appointment of Successor Bank; Interim Bank. In case the Bank shall resign, be removed, be dissolved, be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers or of a receiver appointed by a court, a successor may be appointed by Holders of a majority in aggregate principal amount of Warrants then outstanding through an instrument or concurrent instruments in writing signed by such Holders. In case of any such resignation or event which causes the Bank to be incapable of acting, the City, by an instrument signed by the Mayor, shall appoint an interim Bank to serve until a successor Bank shall be appointed by the Holders of a majority in aggregate principal amount of the Warrants, as provided above. Whenever necessary to avoid or fill a vacancy in the office of Bank, the City will appoint an interim Bank in order that there shall at all times be a Bank

hereunder. Any interim Bank so appointed by the City shall immediately and without further act be superseded by the Bank appointed by the holders of the Warrants.

The City shall cause notice of the appointment of an interim Bank, in the event that such an appointment is made, to be forwarded by United States registered or certified mail, postage prepaid, to every Holder of a Warrant. When the appointment of a successor Bank, as selected by the Holders of a majority in principal amount of the Warrants then outstanding, becomes effective, the City shall also cause notice of that fact to be given in the manner provided above for the notice required to be given upon the appointment of an interim Bank. Every interim or successor Bank appointed pursuant to this Section shall be a trust company or bank which is qualified to perform all duties of the Bank under this Ordinance and which has, at the time of its acceptance of such appointment, capital, surplus and undivided profits of not less than \$25,000,000, if there be such an institution willing, qualified and able to accept appointment as Bank upon reasonable or customary terms.

(e) Concerning any Successor Bank. Every successor Bank shall execute, acknowledge and deliver to its predecessor and also to the City an instrument in writing accepting its appointment as Bank hereunder, and thereupon such successor Bank, without any further act, deed or conveyance, shall become fully vested with all the rights, powers and duties of its predecessor. Such predecessor shall nevertheless, on the written request of the City or such successor Bank, execute and deliver an instrument transferring to such successor Bank all rights, powers and interests of such predecessor hereunder; and every predecessor Bank shall deliver all securities and moneys held by it as Bank hereunder to its successor.

(f) Merger or Consolidation of Bank. Any corporation into which the bank may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Bank shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the Bank, shall be the successor of the Bank hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case the registration certificates with respect to any Warrants shall have been executed by the Bank then in office, any successor by merger or consolidation to such Bank may adopt the registration of such Warrants and deliver such Warrants with the same effect as if such successor Bank had itself registered such Warrants.

(g) Compensation of Bank. Subject to the provisions of any separate agreement with the Bank, the City shall pay to the Bank from time to time reasonable compensation for all services rendered by it under this Ordinance, including its services as registrar and paying agent for the Warrants, and also all its reasonable expenses, charges, counsel fees, costs and expenses and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of its duties hereunder.

(h) Extraordinary Expenses. If the Bank is required by a governmental agency or court proceeding initiated by a third party to undertake efforts beyond that which is set forth herein but related thereto (other than due to the Bank's negligence or willful misconduct), the Bank shall notify the City of the same in writing and the City shall promptly pay the Bank for such extraordinary fees,

costs and expenses (including reasonable attorney's fees, costs and expenses) reasonably and necessarily incurred in connection therewith.

ARTICLE VII

EXECUTION AND DELIVERY OF THE WARRANTS; APPROVAL OF SALE; USE OF PROCEEDS THEREFROM

Section 7.1 Authority to Execute and Deliver the Warrants. The Mayor of the City, the City Clerk and the Treasurer are hereby authorized and directed to cause the Warrants to be executed, sealed, attested and registered as a claim against the City and the Warrant Fund as provided herein and delivered to the purchaser thereof upon payment to the City of the sale price therefor.

Section 7.2 Application of Proceeds of Sale; Additional Sums. The gross proceeds derived from the sale of the Warrants shall be used solely for the following purposes:

- (i) The amount of \$19,849.03, which represents accrued interest on the Warrants to the date of their delivery, shall be deposited in the Warrant Fund and applied for payment of the interest coming due on the next Interest Payment Date;
- (ii) The amount of \$65,000.00 shall be deposited with Regions Bank in the Issuance Expense Fund and applied for the purposes described in Section 8.1.
- (iii) The amount of \$2,140,087.87 shall be paid to the Escrow Agent and deposited into the 2002 Escrow Fund created under the Escrow Trust Agreement to provide for the refunding of the Series 2002 Warrants.
- (iv) The amount of \$9,395,322 shall be paid to the Escrow Agent and deposited into the 2006 Escrow Fund created under the Escrow Trust Agreement to provide for the refunding of the Series 2006 Warrants.
- (v) The remaining amount of proceeds shall be deposited with Regions Bank, as depository, in the Capital Improvements Account and applied for the purposes described in Section 8.2.

ARTICLE VIII
CREATION OF ISSUANCE EXPENSE FUND,
CAPITAL IMPROVEMENT ACCOUNT AND WARRANT FUND;
COVENANTS WITH RESPECT TO WARRANT PROCEEDS

Section 8.1 Issuance Expense Account. There is hereby created a special fund of the City designated the "Series 2012 Warrant Issuance Expense Account" (herein called the "Issuance Expense Account") which shall be maintained until the costs and expenses incurred by the City in connection with the issuance and sale of the Warrants shall be paid in full. Regions Bank shall be the depository for the Issuance Expense Account.

Simultaneously with the issuance and delivery of the Warrants, the City shall deposit or cause to be deposited into the Issuance Expense Account, out of proceeds derived from the sale of the Warrants, an amount equal to the amount required for payment of the expenses of issuing the Warrants. The City will apply the moneys deposited into the Issuance Expense Account solely for payment of the expenses of issuing the Warrants, as and when such expenses become due and payable.

The Mayor, the Finance Director or any other person designated in writing by the Mayor or the Finance Director, are hereby authorized and directed to cause the said expenses to be paid, as promptly as may be feasible following the closing of the sale of the Warrants, and to make withdrawals from the Issuance Expense Account for the said purpose. In the event that the moneys deposited into or transferred into the Issuance Expense Fund are not sufficient to pay all expenses of issuing the Warrants, the Mayor is hereby authorized and directed to pay, out of any funds of the City available therefor, the balance of the expenses of issuing the Warrants. Any amount remaining in the Issuance Expense Account after the City certifies that all issuance expenses have been paid in full, but in no event later than sixty days after the date of delivery of the Warrants, shall be transferred and deposited into the Capital Improvements Account.

Section 8.2 Capital Improvements Account. There is hereby created a special account the full name of which shall be the "2012 Capital Improvements Account." The 2012 Capital Improvements Account shall be maintained as a separate account until the moneys in said account shall have been fully expended as hereinafter provided. Except as hereinafter provided, the City will apply the moneys in the 2012 Capital Improvements Account solely for payment of the costs of the Capital Improvements described in Section 1.3(f) hereof. Regions Bank shall be the depository for the 2011 Capital Improvements Account.

The Mayor, the Finance Director or any other person designated in writing by the Mayor or the Finance Director, are hereby authorized and directed to make withdrawals from the 2012 Capital Improvements Account for the purpose of paying the costs of the Capital Improvements described in Section 1.3(f) hereof, and to make any transfer that may be made pursuant to the succeeding sentence of this Section. The City shall have the right to supplement or revise the list of Capital Improvements described in Section 1.3(f) hereof to be paid from proceeds of the Warrants by resolution or ordinance; provided, that no revisions or addition to the Capital Improvements as herein

approved shall adversely affect the excludability of interest on the Warrant for federal income tax purposes.

Section 8.3 Warrant Fund. There is hereby created a special account, the full name of which shall be the "City of Daphne Warrant Fund, 2012." The Warrant Fund shall be maintained as a separate fund until payment in full of the principal of and interest on the Warrants. The Bank is hereby designated as the custodian of the Warrant Fund.

On or before the 25th day of the month next preceding any Interest Payment Date, the City shall deposit into the Warrant Fund an amount which, when added to the amounts already on deposit therein, will be sufficient to provide for the payment of all principal of and interest and redemption premium on the Warrants coming due on such Interest Payment Date. Monies deposited in the Warrant Fund shall be used by the Bank for the payment of principal, interest and redemption premium (if any) on, the Warrants, and for no other purpose until the payment in full of the Warrants.

Section 8.4 Investment of Moneys in Accounts. Pending the expenditure of moneys in the Warrant Fund for any other purpose, the City shall have the privilege at any time and from time to time of investing and reinvesting, or causing to be invested and reinvested, all or part of the moneys at any time on deposit in such account, in Government Obligations or in money market funds of the Bank consisting of Government Obligations. Pending the expenditure of moneys in the Issuance Expense Account and the Capital Improvements Account for any other purpose, the City shall have the privilege at any time and from time to time of investing and reinvesting, or causing to be invested and reinvested, all or part of the moneys at any time on deposit in such account in Government Obligations, money market funds of the Bank consisting of Government Obligations, or certificates of deposit issued by banks or trust companies having at the time of the deposit combined capital, surplus and undivided profits of not less than \$5,000,000.

The Bank is hereby directed to invest and reinvest such amounts promptly upon receipt of, and in accordance with, the written instructions of the City. The Bank may conclusively rely upon the City's written instructions as to both the suitability and legality of the directed investments. In the absence of written investment instructions from the City, the Bank shall not be responsible or liable for keeping the moneys held by it hereunder fully invested. The Bank shall not be liable for any losses from such directed investments.

Section 8.5 Security for Funds. Any money on deposit in any fund or account or held by the Bank pursuant to this Ordinance shall, unless invested as provided herein or secured by the Federal Deposit Insurance Corporation (or any successor agency of the United States of America) or under the State of Alabama Security for Alabama Funds Enhancement Program, be secured for the benefit of the City and the Holders by holding on deposit as collateral security direct obligations of the United States of America or obligations unconditionally guaranteed by the United States of America, or other marketable securities eligible as security for the deposit of public funds under the regulations of the Comptroller of the Currency, having a market value (exclusive of accrued interest) not less than the amount of money being secured.

Section 8.6 Covenants with Respect to Exemption of Interest from Federal Income Taxation; Non-Arbitrage Covenant. The City acknowledges and agrees that the Warrants are to be issued in compliance with the conditions necessary for the interest income thereon to be exempt from federal income taxation pursuant to the relevant provisions of the Code. The City hereby covenants and agrees as follows:

- (a) It will not use or apply the proceeds of the Warrants or direct the investment of moneys in any funds or accounts established or maintained with respect to the Warrants in such manner as to constitute any Warrant an "arbitrage bond" within the meaning of Section 148 of the Code;
- (b) It will make timely rebate payments to the United States of America with respect to any "excess" arbitrage profits as required by Section 148(f) of the Code;
- (c) It will maintain all records required by Section 148(f) of the Code and the applicable regulations thereunder and shall furnish such data or information regarding compliance with Section 148(f) of the Code as any Holder shall reasonably request in writing, which records shall be furnished to any Holder upon its request;
- (d) It will, within 60 days after a written request of the Bank therefor, furnish to the Bank and to any Holder a certificate by an independent certified public accountant or opinion of nationally recognized bond counsel stating that as of such date it had made all rebate payments to the United States of America necessary to prevent the Warrants from becoming "arbitrage bonds" under Section 148(f) of the Code;
- (e) It will comply with the terms of the City's Tax Certificate and Agreement with regard to use of proceeds of the Warrants in any private business use; payment of the Warrants shall not be secured by, or derived from, property used in a private business use; proceeds of the Warrants shall not be used to make or finance loans to persons other than governmental units; and proceeds of the Warrants shall not be used in any manner that would cause the Warrants to be or become private activity bonds, as defined in Section 141 of the Code;
- (f) It will not cause or permit the Warrants to be federally guaranteed, within the meaning of Section 149(b) of the Code; and

- (g) It will not in any other way cause or permit the proceeds of the Warrants to be used in a manner which would cause the interest on the Warrants to lose the exemption from federal income taxation as provided under the Code and the applicable regulations thereunder and will comply with all applicable provisions of the Code (including, without limitation, the provisions relating to post-issuance actions affecting tax exemption) to the extent necessary for interest on the Warrants to be excludable from gross income of the holders thereof.
- (h) It has in place procedures providing for compliance with each of the matters described above and for keeping records with respect to such compliance.

ARTICLE IX

APPROVAL OF OFFICIAL STATEMENT; AUTHORIZATION OF CONTINUING DISCLOSURE AGREEMENT; AUTHORIZATION OF DISCLOSURE DISSEMINATION AGREEMENT; APPROVAL OF ESCROW TRUST AGREEMENT; APPROVAL OF SALE; MISCELLANEOUS PROVISIONS

Section 9.1 Approval of Official Statement. An official statement with respect to the Warrants, in substantially the form presented at the meeting at which this Ordinance is adopted, is hereby approved, and the Mayor of the City is hereby authorized and directed to sign an official statement on behalf of the City in substantially the form herein approved, with such changes therein and additions thereto as shall be necessary to conform to the provisions of this Ordinance authorizing the Warrants and such other changes and additions as the Mayor of the City shall deem necessary and appropriate. The preparation and distribution of such official statement on behalf of the City by Gardnyr Michael Capital, Inc. is hereby ratified and approved and such Official Statement is hereby deemed final within the meaning of Rule 15c2-12 of the United States Securities and Exchange Commission. The final official statement shall be in substantially the same form as the official statement herein approved, with such additions, insertions, omissions or other changes as may be approved by the Mayor of the City and the execution of the final official statement by the Mayor of the City as hereby authorized shall be conclusive evidence of any such approval.

Section 9.2 Authorization of Continuing Disclosure Agreement. Upon delivery of the Warrants to the purchaser thereof, the Mayor and Finance Director of the City are hereby authorized and directed to execute and deliver for and on behalf of the City, the Continuing Disclosure Agreement in substantially the form presented at the meeting of the Council at which this Ordinance is adopted. The City hereby covenants and agrees that it will comply with and carry out all of the

provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Ordinance, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered a default hereunder or with respect to the Warrants; provided, however, any Holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section 9.4. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Warrants (including persons holding Warrants through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Warrants for federal income tax purposes.

Section 9.3 Authorization of Disclosure Dissemination Agreement. Upon the delivery of the Warrants to the purchaser thereof, the Mayor and City Clerk of the City are hereby authorized and directed to execute and deliver for an on behalf of the City, the Disclosure Dissemination Agreement in substantially the form presented at the meeting of the Council at which this Ordinance is adopted.

Section 9.4 Authorization of Escrow Trust Agreements. Upon the delivery of the Warrants to the purchaser thereof, the Mayor and City Clerk of the City are hereby authorized and directed to execute and deliver for an on behalf of the City, the 2002 Escrow Trust Agreement and the 2006 Escrow Trust Agreement, each in substantially the form presented at the meeting of the Council at which this Ordinance is adopted. The Bank of New York Mellon Trust Company, N.A., as the Escrow Trustee under the 2002 Escrow Trust Agreement and the 2006 Escrow Trust Agreement, is authorized and directed to cause the money's held by it thereunder to be invested in the manner specified therein.

Section 9.5 Sale of Warrants. The City does hereby approve (i) the sale of the Warrants to Gardnyr Michael Capital, Inc. at a purchase price of \$13,169,582.13, which amount reflects an underwriter's discount of \$121,455.00 and original issue discount of \$223,811.90, plus accrued interest from April 1, 2012 to the date of delivery, and (ii) the execution of the Purchase Agreement dated March 29, 2012 between the City and Gardnyr Michael Capital, Inc. in the form presented at the meeting at which this Ordinance is adopted.

Section 9.6 Further Acts. From and after the execution and delivery of the documents hereinabove authorized, the proper officers, directors, agents and employees of the City are hereby authorized, empowered and directed to do all such acts and things and to execute all such documents as may be necessary to carry out and comply with the provisions of said documents as executed and are further authorized to take any and all further actions and execute and deliver any and all other documents as may be necessary in the issuance of the Warrants and in the delivery of the Official Statement or as contemplated by this Ordinance.

The Mayor and City Clerk are authorized and directed to prepare and furnish to the purchaser of the Warrants, when the Warrants are issued, certified copies of all the proceedings and records of the Council relating to the Warrants, and such other affidavits and certificates as may be required to

show the facts relating to the legality and marketability of the Warrants as such facts appear from the books and records in such officers' custody and control or as otherwise known to them.

Section 9.7 Contractual Provisions. The provisions of this Ordinance shall constitute a contract between the City and the Holders at any time of the Warrants. Upon payment in full of the principal of and interest on the Warrants the obligations of the City hereunder shall cease with respect thereto.

Section 9.8 Warrants Payable at Par. Each bank at which the Warrants may at any time be payable, by acceptance of its duties as Paying Agent therefor, shall be construed to have agreed thereby with the Holders of the Warrants that all remittances made by it on the Warrants shall be made in bankable funds at par and without deduction for exchange, fees or expenses.

Section 9.9 Severability. The various provisions of this Ordinance are hereby declared to be severable. In the event any provisions hereof shall be held invalid by a court of competent jurisdiction, such invalidity shall not affect any other portion of this Ordinance.

Section 9.10 Repeal of Conflicting Provisions. All resolutions, orders or parts thereof in conflict with this Ordinance are to the extent of such conflict are hereby repealed.

After discussion, Councilmember _____ moved that the foregoing ordinance and order be adopted and spread upon the minutes of this meeting, which motion was seconded by Councilmember _____, and, on roll call the following vote was registered:

YEAS

NAYS

The Chairman thereupon announced that the said ordinance had been carried by unanimous vote of the Council present.

* * * * *

There being no further business to come before the meeting, the meeting was, upon motion duly made, seconded and unanimously carried, adjourned.

Mayor

[SEAL]

ATTEST:

City Clerk

CLERK'S CERTIFICATE

I, David L. Cohen, City Clerk of the City of Daphne, Alabama, DO HEREBY CERTIFY that the foregoing pages of typewritten material constitute excerpts from the minutes of a regular meeting of the City Council of Daphne, Alabama, held on April 2, 2012, pertaining to the City's General Obligation Refunding and Improvement Warrants, Series 2012, which meeting was called and assembled and was open to the public and at which a quorum was present and acting throughout, and that the original of said minutes appears of record in the minute books of the City Council of Daphne, Alabama, which are in my custody and control.

Given under my hand and the seal of the City of Daphne, Alabama, this ____ day of April, 2012.

[SEAL]

City Clerk of the
City of Daphne, Alabama