

**CITY OF DAPHNE
SPECIAL CALLED
CITY COUNCIL MEETING AGENDA
1705 MAIN STREET, DAPHNE, ALABAMA
APRIL 12, 2010
6:30 P.M.**

- 1. CALL TO ORDER**
- 2. ORDINANCE 2010-19 / REFUNDING WARRANTS SERIES 2010**
- 3. MOTION: AUTHORIZE THE MAYOR TO SEND A LETTER TO
ALDOT GIVING APPROVAL TO RIVEIRA UTILITIES TO
UPGRADE THEIR 44kV LINE ALONG US 98 FROM
DIAMOND HEAD TO COUNTY ROAD 64, AND ALSO TO
APPROVE THE TRIMMING OF THE TREES**
- 3. ADJOURN**

EXCERPTS FROM THE MINUTES OF REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF DAPHNE, ALABAMA HELD ON APRIL 5, 2010

The City Council of the City of Daphne, Alabama met at the City Hall in the City of Daphne on April 5, 2010 at 6:30 p.m., Central Time. The following members of the City Council of the City of Daphne, Alabama were:

PRESENT

ABSENT

_____ 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
SERIES 1997 WARRANTS**

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 18, 1997, ordinance number 1997-20 (the "1997 Ordinance"), its City of Daphne General Obligation Refunding and Improvement Warrants, Series 1997, dated August 1, 1997, originally issued in the aggregate principal amount of \$10,445,000 (the "Series 1997 Warrants").
- (b) The Series 1997 Warrants are currently outstanding in the aggregate principal amount of \$1,910,000.
- (c) The City desires to refund all of the outstanding Series 1997 Warrants.
- (d) The City is not in default in the payment of principal of or interest on the Series 1997 Warrants or under the 1997 Ordinance.

Section 2. Call for Redemption of the Series 1997 Warrants. Acting pursuant to the provisions of the Series 1997 Warrants and the 1997 Ordinance, the City does hereby elect to redeem and pay, and does hereby call for redemption and payment \$1,910,000 in aggregate principal amount of the Series 1997 Warrants (being all of the Series 1997 Warrants maturing after April 1, 2010), the redemption of which shall be effected at a redemption price equal to 100% of the principal amount of each Series 1997 Warrant so called for redemption plus accrued interest thereon to the date fixed for redemption. Such redemption and payment shall be subject to the condition that the City shall have issued its General Obligation Refunding Revenue Warrants, Series 2010, and shall occur on the earliest date determined by the paying agent for the Series 1997 Warrants to be practical and expedient after the issuance of such Series 2010 Warrants.

Section 3. Provisions for Notice for the Series 1997 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 1997 Warrants, to cause written notice of such redemption and prepayment to be given in the manner and at the time prescribed in the 1997 Ordinance.

Section 4. 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 1997 Ordinance under which the Series 1997 Warrants were issued to be taken in order to effect the redemption as of the Series 1997 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 \$_____ in aggregate principal amount of the City's General Obligation Refunding Warrants, Series 2010, for the purpose of refunding certain of the City's outstanding general obligation indebtedness and paying the expenses of issuing the City's General Obligation Refunding Warrants, Series 2010. The following ordinance was thereupon introduced in writing by Councilmember _____:

ORDINANCE NO. 2010-19

**AN ORDINANCE AUTHORIZING THE ISSUANCE OF
\$ _____ OF GENERAL OBLIGATION REFUNDING WARRANTS
SERIES 2010**

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.

“**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 Trust Agreement**” means the Escrow Trust Agreement, dated as of _____, 2010 between the City and The Bank of New York Mellon Trust Company, N.A., as Escrow Trustee.

“**Escrow Trustee**” means The Bank of New York Mellon Trust Company, N.A., as escrow trustee for the Series 1997 Warrants under the terms of the 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 [April 1 or October 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 [March 15 or September 15] immediately preceding such Interest Payment Date.

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

“Series 1997 Warrants” means the City’s General Obligation Refunding and Improvement Warrants, Series 1997, dated August 1, 1997, originally issued in the aggregate principal amount of \$10,445,000.

“Treasurer” shall mean the 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 \$_____ in aggregate principal amount of the City's General Obligation Refunding Warrants, Series 2010, as more particularly described in Article II hereof and issued hereunder.

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 pursuant to an Ordinance adopted by the Council on August 18, 1997, ordinance number 1997-20 (the “1997 Ordinance”), its City of Daphne General Obligation Refunding and Improvement Warrants, Series 1997, dated August 1, 1997, originally issued in the aggregate principal amount of \$10,445,000 (the “Series 1997 Warrants”).
- (b) The City is not in default on the payment of the principal of and the interest on the Series 1997 Warrants.
- (c) By a resolution previously adopted, the City has called all of the outstanding Series 1997 Warrants for redemption on April 1, 2010.
- (d) Pursuant to the Warrant Authorizing Law the City is authorized to issue its warrants, in order to refund outstanding indebtedness of the City.
- (e) It is necessary, advisable and in the interest of the public that the City issue its General Obligation Refunding Warrants, Series 2010 to refund the Series 1997 Warrants 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 purpose of refunding all of the Series 1997 Warrants and paying the costs of issuance thereof, there is hereby authorized to be issued by the City \$_____ in aggregate principal amount of its General Obligation Refunding Warrants, Series 2010.

Section 2.2 Description of the Warrants. The Warrants shall be issued only in fully registered form, without coupons, shall be dated as of _____, 2010, 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 [April 1], 2010 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 [April 1 and October 1] until payment of the principal amount thereof, beginning [April 1], 2010 and, subject to the redemption provisions hereinafter set forth, shall mature on April 1 in the years and amounts as follows:

Year of	Amount	Interest
	6	

<u>Maturity</u>	<u>Maturing</u>	<u>Rate</u>
2010		
2011		
2012		
2013		
2014		
2015		
2016		
2017		

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 Treasurer of the municipality by causing a facsimile of her signature to be imprinted thereon. 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.

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; provided, that the City may in its discretion cause a portion of the text hereinafter set forth to be printed on the reverse side of the Warrants, with appropriate reference thereto.

(Form of Series 2010 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 WARRANT
SERIES 2010

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 _____, 2010, 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 [April 1 and October 1] in each year, beginning _____, 2010 (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 \$ _____ in principal amount, entitled "General Obligation Refunding Warrants, Series 2010" (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 Series 2010 Warrants maturing on April 1, _____, will be subject to mandatory redemption prior to maturity (the particular Series 2010 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 ____ amount to be paid rather than redeemed):

<u>April 1</u> <u>of the Year</u>	<u>Principal</u> <u>Amount</u>
--------------------------------------	-----------------------------------

The Series 2010 Warrants, maturing on or after April 1, 20__ are subject to redemption prior to their maturity, at the option of the City, in whole or in part, on April 1, 20__, and on any date thereafter (in principal amounts of \$5,000 and any integral multiple thereof and if less than all of the Series 2010 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 Series 2010 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 Series 2010 Warrant or portion thereof redeemed, plus accrued interest to the date fixed for redemption.]

If less than all Warrants then outstanding are called for redemption, the City shall specify the principal amount of Warrants to be redeemed and shall designate the maturities or portions thereof to

be redeemed and those Warrants (or portions thereof) of a single maturity to be redeemed shall be selected by lot by the Bank.

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 _____, 2010.

CITY OF DAPHNE, ALABAMA

By _____
Its Council President

(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 Series 2010 Warrants having a stated maturity on April 1, 20__, will be subject to mandatory redemption prior to maturity (the particular Series 2010 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 20__ amount to be paid rather than redeemed):]

<u>April 1</u> <u>of the Year</u>	<u>Principal</u> <u>Amount</u>
--------------------------------------	-----------------------------------

Section 5.2 Optional Redemption. [The Series 2010 Warrants, maturing on or after April 1, 20__ are subject to redemption prior to their maturity, at the option of the City, in whole or in part, on April 1, 20__, and on any date thereafter (in principal amounts of \$5,000 and any integral multiple thereof and if less than all of the Series 2010 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 Series 2010 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 Series 2010 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) 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 \$_____, 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 \$_____ shall be deposited with _____ in the Issuance Expense Fund and applied for the purposes described in Section 8.1.
- (iv) The amount of \$_____, shall be paid to the Escrow Agent and deposited into the Escrow Fund created under the Escrow Trust Agreement to provide for the refunding of the Series 1997 Warrants.

ARTICLE VIII

CREATION OF ISSUANCE EXPENSE FUND AND WARRANT FUND; COVENANTS WITH RESPECT TO WARRANT PROCEEDS

Section 8.1 Issuance Expense Fund. There is hereby created a special fund of the City designated the "Series 2010 Warrant Issuance Expense Fund" (herein called the "Issuance Expense Fund") 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. Wachovia Bank, National Association shall be the depository for the Issuance Expense Fund.

Simultaneously with the issuance and delivery of the Warrants, the City shall deposit or cause to be deposited into the Issuance Expense Fund, 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 Fund solely for payment of the expenses of issuing the Warrants, as and when such expenses become due and payable.

The Mayor, the Treasurer or any other person designated in writing by the Mayor or the Treasurer, 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 Fund 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 Fund after the City certifies that all issuance expenses have been paid in full, shall be transferred and deposited into the Warrant Fund.

Section 8.2 Warrant Fund. There is hereby created a special account, the full name of which shall be the "City of Daphne Warrant Fund, 2010." 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 8.3 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 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 8.4 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), 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 8.5 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) Proceeds of the Warrants shall not be used 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 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 Escrow Trust Agreement 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 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 \$_____, which amount reflects an underwriter's discount of \$_____ and original issue discount/premium of \$_____, plus accrued interest from _____, 2010 to the date of delivery, and (ii) the execution of the Purchase Agreement dated _____, 2010 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 minutes of meeting of the City Council of Daphne, Alabama, held on April 5, 2010, pertaining to the City's General Obligation Refunding Warrants, Series 2010, 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 _____, 2010.

[SEAL]

City Clerk of the
City of Daphne, Alabama

PRELIMINARY OFFICIAL STATEMENT DATED APRIL ____, 2010

NEW ISSUE

**Ratings: Moody's: Aa3
Standard & Poor's: AA
(See "RATINGS" 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 2010 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 2010 Warrants. Bond Counsel is of the further opinion that the interest income on the Series 2010 Warrants is, under existing statutes and regulations, exempt from Alabama income taxation.

\$2,185,000*
CITY OF DAPHNE, ALABAMA
General Obligation Refunding Warrants
Series 2010

Dated: _____, 2010

Due: April 1, as shown below

Interest on the Series 2010 Warrants is payable semiannually on April 1 and October 1 in each year, commencing October 1, 2010. The Series 2010 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 2010 Warrants. Purchases of beneficial interest in the Series 2010 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 2010 Warrants. So long as DTC or its nominee, Cede & Co. is the registered owner of the Series 2010 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 2010 Warrants are 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>
2010	180,000				2014	335,000			
2011	105,000				2015	340,000			
2012	190,000				2016	345,000			
2013	330,000				2017	360,000			

(Plus accrued interest from _____, 2010)

The Series 2010 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 2010 Warrants in definitive form will be available for delivery through DTC in New York, New York on or about April __, 2010.

Gardnyr Michael Capital, Inc.

Date: April __, 2010

*Preliminary: Subject to change.

This Preliminary Official Statement and the information contained herein are subject to change, completion or amendment without notice. The Warrants may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell the solicitation of an offer to buy, nor shall there be any sale of the Warrants in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

CITY OF DAPHNE, ALABAMA

Mayor

Fred Small

City Council Members

**Bailey Yelding, Jr.
Cathy Barnette
John L. Lake
Gregory W. Burnam
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 2010 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 2010 Warrants, nor shall there be any sale of such Series 2010 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 2010 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 2010 WARRANTS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2010 WARRANTS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT
CITY OF DAPHNE, ALABAMA

\$2,185,000*
General Obligation Refunding Warrants
Series 2010

INTRODUCTION

This Official Statement provides certain information in connection with the sale and issuance by the City of Daphne, Alabama (the "City") of \$2,185,000* principal amount of its General Obligation Refunding Warrants, Series 2010, dated _____, 2010 (the "Series 2010 Warrants"). The Series 2010 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 _____, 2010. The Warrant Ordinance will constitute a contract with the holders of the Series 2010 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 2010 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 2010 Warrants are qualified in their entirety by the definitive form thereof and the information with respect thereto included in the Warrant Ordinance.

PURPOSES OF THE SERIES 2010 WARRANTS

The City has determined to issue the Series 2010 Warrants for the purposes of refunding certain outstanding warrants of the City and paying the expenses of issuing the Series 2010 Warrants.

Refunding Plan

Simultaneously with the delivery of the Series 2010 Warrants the City will enter into a trust agreement (the "Escrow Trust Agreement") requiring the City to deposit with The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Escrow Trustee"), certain monies out of the principal proceeds to be derived by the City from the sale of the Series 2010 Warrants. Substantially all of such monies are required to be invested by the 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 Escrow Trustee to apply monies in the trust fund established under the Escrow Trust Agreement (the "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 Escrow Trustee for the benefit of the holders of the City's General Obligation Refunding and Improvement Warrants, Series 1997 (the "Series 1997 Warrants"), issued in the aggregate principal amount of \$10,445,000 and currently outstanding in the aggregate principal amount of \$1,910,000. The Series 1997 Warrants are payable as to principal and interest on April 1 and October 1, and are subject to redemption prior to maturity on _____ (the "Call Date") at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption. Those of the Series 1997 Warrants maturing after the Call Date will be called for redemption and prepaid from the Escrow Trust Fund on the Call Date.

*Preliminary: Subject to change.

Monies in the Escrow Trust Fund are required to be applied to the payment of the principal of and interest on the Series 1997 Warrants as the same mature or become due and to the payment of the redemption price of those of the Series 1997 Warrants to be called and redeemed, as shown above.

Estimated Sources and Use of Proceeds

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

Sources of Funds:

Par Amount
Less Original Issue Discount/
Plus Original Issue Premium

Total

Uses of Funds:

Deposit into Escrow Trust Fund
Underwriting Discount
Issuance Expense

Total

THE SERIES 2010 WARRANTS

Description of the Series 2010 Warrants

The Series 2010 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 2010 Warrants will be dated April __, 2010, will bear interest payable on October 1, 2010, and semiannually on each April 1 and October 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 any Series 2010 Warrant will bear interest from their respective due dates until paid at the rate of interest borne by the principal of such Series 2010 Warrant prior to maturity.

The principal of and the premium, if any, on the Series 2010 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 2010 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 2010 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 2010 Warrants. The Series 2010 Warrants will be issued as fully-registered Series 2010 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 Bond certificate will be issued for each maturity of each series of the Series 2010 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 Paying 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 highest rating: AAA. 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 and www.dtc.org.

Purchases of Series 2010 Warrants under the DTC system must be made by and through Direct Participants, which will receive a credit for the Series 2010 Warrants on DTC’s records. The ownership interest of each actual purchaser of each Series 2010 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 2010 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 2010 Warrants, except in the event that the use of the book-entry system for the Series 2010 Warrants is discontinued.

To facilitate subsequent transfers, all Series 2010 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 2010 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 2010 Warrants; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2010 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 2010 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 2010 Warrants to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2010 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 2010 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 2010 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 2010 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 Bond 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 2010 Warrants so delivered (and any Series 2010 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 2010 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 2010 Warrants" below.

Certain Provisions Respecting Registration and Transfer of the Series 2010 Warrants

The Series 2010 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 2010 Warrants of each Series. No transfer of the Series 2010 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 2010 Warrants may, upon request, and upon the surrender to the Paying Agent of such Warrant, exchange such Warrant for Series 2010 Warrants of other authorized denominations of the same series, maturity and interest rate and together aggregating the same principal amount as the Series 2010 Warrant so surrendered. Any registration, transfer and exchange of Series 2010 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 2010 Warrants, by receiving or accepting the Series 2010 Warrants, consents and agrees and is estopped to deny that, insofar as the City and the Paying Agent are concerned, the Series 2010 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 2010 Warrants takes them subject to all principal and interest payments in fact made with respect to the Series 2010 Warrants.

No transfer of any Series 2010 Warrant will be valid except upon presentation and surrender of such Series 2010 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 2010 Warrant, the City will execute a new Series 2010 Warrant, and the Registrar will deliver to the transferee such new Series 2010 Warrant registered in the name of such transferee.

Any holder of one or more of the Series 2010 Warrants may, upon the surrender thereof to the Registrar, exchange such Series 2010 Warrant or Warrants for other Series 2010 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 2010 Warrant or Warrants so surrendered.

Redemption Prior to Maturity

The Series 2010 Warrants will be subject to redemption and payment prior to their maturity as follows:

[Optional Redemption. The Series 2010 Warrants will be subject to redemption prior to their maturity, at the option of the City, in whole or in part, on April 1, 20__ and on any interest payment date thereafter (in principal amounts of \$5,000 and any integral multiple thereof and if less than all of the Series 2010 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 Series 2010 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 Series 2010 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 2010 Warrant called for redemption.]

[*Scheduled Mandatory Redemption.* The Series 2010 Warrants maturing on April 1, _____, will be subject to mandatory redemption commencing on April 1, _____, and on each April 1 thereafter until and including April 1, _____, in the principal amounts respectively shown below. Those of the Series 2010 Warrants (or portions thereof) to be so redeemed will be redeemed at and for a redemption price equal to the principal amount thereof plus accrued interest thereon to the redemption date, with those to be redeemed to be selected by lot.

<u>Year</u>	<u>Principal Amount Required to be Redeemed</u>
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In the absence of prior optional redemption, Series 2010 Warrants in the aggregate principal amount of \$_____ will remain to be paid at their stated maturity on April 1, _____.

SECURITY

General

The Series 2010 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 2010 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 “2010 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 March and September commencing in September 2010, 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 2010 Warrants on the then next succeeding interest payment date, plus (ii) the principal, if any, of the Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 Warrants, the holders of the Series 2010 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 2010 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 2010 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 2010 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.

Change in Filings

Under changes in the Rule recently announced by the Securities and Exchange Commission, effective July 1, 2009, the City will make all Annual Report filings through Electronic Municipal Market Access ("EMMA") system, established by the Municipal Securities Rulemaking Board.

Prior Filings

Certain bonds issued for the benefit of the City are insured by bond insurers. The rating of those bond insurers has been downgraded at various times during the past 18 months. Information about the downgrades was publicly reported. The City may not have filed a notice under the Rule with respect to each downgrade. Otherwise, the City has complied in all material respects over the last five years with its existing continuing disclosure obligations.

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, if material:

- Principal and interest payment delinquencies
- Non-payment related defaults
- Modifications to rights of Warrant holders
- Optional, contingent or unscheduled calls of the Series 2010 Warrants
- Defeasances
- Rating changes
- Adverse tax opinions or events adversely affecting the tax exempt status of the Series 2010 Warrants
- Unscheduled draws on any reserve fund reflecting financial difficulties
- Unscheduled draws on credit enhancements reflecting financial difficulties
- Substitution of credit or liquidity providers, or their failure to perform
- Release, substitution or sale of property securing repayment of the Series 2010 Warrants

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 2010 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 2010 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 2010 Warrants and that the City's obligations may be enforced by any beneficial owner of the Series 2010 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 2010 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 2010 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	\$4,915,032*
2002 Warrants	2,235,000
2003 Refunding Warrants	4,175,000
2006 General Obligation Refunding and Improvement Warrants	21,500,000**
2006 Limited Obligation Revenue Warrants	<u>8,985,000***</u>
TOTAL	\$32,825,032

*Payments are made solely from business sales tax revenues.

**\$3,870,000 (18%) is for sewer improvements and does not apply towards the City's general obligation debt limit

***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 2010 Warrants within the next 90 days. The City does not have any additional indebtedness authorized but unissued.

Subordinate Entity Debt

As of March 1, 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 \$23,025,000.

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Debt Service Requirements

The following table presents the debt service requirements on general obligation warrants of the City after the issuance of the Series 2010 Warrants.

Fiscal Year	Principal of the Series 2010 Warrants*	Interest on the Series 2010 Warrants*	Debt Service of the Series 2006 Warrants	Debt Service of the Series 2003 Warrants	Debt Service of the Series 2002 Warrants	Total Debt Service
2010	180,000.00	4,002.54	1,461,200.00	477,795.63	52,976.25	2,175,974.42
2011	105,000.00	45,942.50	1,936,940.00	554,251.26	164,842.50	2,806,976.26
2012	190,000.00	44,724.50	1,936,140.00	551,651.26	167,481.25	2,889,997.01
2013	330,000.00	41,874.50	1,932,450.00	553,321.26	164,930.00	3,022,575.76
2014	335,000.00	36,132.50	1,936,387.50	554,415.00	167,195.00	3,029,130.00
2015	340,000.00	29,332.00	1,935,787.50	551,015.00	164,290.00	3,020,424.50
2016	345,000.00	21,138.00	1,933,387.50	552,015.00	166,207.50	3,017,748.00
2017	360,000.00	11,340.00	1,934,187.50	554,195.00	162,945.00	3,022,667.50
2018			1,732,987.50	550,140.00	164,495.00	2,447,622.50
2019			1,734,962.50		165,740.00	1,900,702.50
2020			1,414,812.50		166,670.00	1,581,482.50
2021			1,416,137.50		167,275.00	1,583,412.50
2022			1,414,575.00		167,570.00	1,582,145.00
2023			1,415,025.00		167,572.50	1,582,597.50
2024			1,413,275.00		167,250.00	1,580,525.00
2025			1,414,450.00		166,625.00	1,581,075.00
2026			1,413,375.00		165,750.00	1,579,125.00
2027			1,415,050.00		164,625.00	1,579,675.00
2028			1,414,250.00		163,250.00	1,577,500.00
2029			1,415,975.00		166,500.00	1,582,475.00
2030					164,375.00	164,375.00
2031					166,875.00	166,875.00
2032					164,000.00	164,000.00

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 Constitution exempts from this debt limitation 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 City has outstanding \$3,870,000 of obligations issued for Sewer Projects and thus not chargeable to its debt limit.

*Preliminary: Subject to change.

The debt limitation based on assessed value of real and personal property of \$386,612,620 as of March 31, 2010 is computed as follows:

General Obligation Debt	\$43,852,105
GO Debt Chargeable to Debt Limit	30,865,032
Debt Limit (20% of Assessed Value)	77,322,524
Debt Margin	46,457,492
GO Debt to Assessed Valuation	11.34%
2000 Population of City	16,580
Total GO Debt Per Capita	2,645

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, 2008, 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 2010 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, 2005 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,**

	(Budget) <u>2010</u>	(Unaudited) <u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
REVENUES						
Taxes	17,037,137	18,282,348	18,089,770	17,885,133	17,260,041	15,532,695
Licenses & Permits	1,481,175	1,913,500	2,348,757	2,434,848	2,015,129	1,811,698
Intergovernmental	200,412	270,176	195,574	296,586	369,426	206,400
Grants	365,000	339,667	314,111	24,396	89,689	79,308
Fees & Charges	291,775	345,321	350,858	359,831	416,813	319,891
Interest	50,000	78,083	305,893	413,042	238,840	67,359
Fines & Forfeitures	373,500	438,638	371,702	382,238	365,182	390,193
Miscellaneous	22,450	86,636	80,958	257,371	796,302	162,229
TOTAL REVENUES	19,821,449	21,754,369	22,057,623	22,053,445	21,551,422	18,569,773
EXPENDITURES						
General Government	3,006,883	3,286,211	3,124,837	2,827,689	2,607,770	2,380,389
Public Safety	8,530,146	8,502,039	8,192,973	7,083,067	6,054,541	5,265,647
Public Works	3,571,745	3,480,443	3,508,471	3,589,601	3,305,187	3,236,133
Parks & Recreation	1,773,519	2,045,339	1,943,232	1,699,809	1,706,491	1,716,844
Capital Outlay	655,396	397,066	1,012,752	1,671,788	2,362,934	969,046
Debt Service	2,831,612	2,610,186	2,640,775	2,668,795	2,483,006	-
TOTAL EXPENDITURES	20,369,301	20,321,284	20,423,040	19,540,749	18,519,929	13,568,059
OTHER FINANCING SOURCES (USES)						
Capital Lease Proceeds	353,700	146,678	-	-	-	-
Allowance for Compensated Absences	-	-	-	-	-	-
Transfers to Other Funds	(754,316)	(932,499)	(672,825)	(1,375,994)	(560,427)	(3,007,583)
Transfers from Other Funds	-	-	-	-	-	-
Loan Proceeds	-	-	-	-	-	-
Contribution to Utility Board	-	-	-	-	-	-
TOTAL OTHER FINANCING	(400,616)	(785,821)	(672,825)	(1,375,994)	(560,427)	(3,007,583)
EXCESS (DEFICIT) OF REVENUE AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES						
	(948,468)	647,264	961,758	1,136,702	2,471,066	1,994,131
FUND BALANCE, BEGINNING OF YEAR	11,157,664	10,510,400	10,050,589	8,795,404	5,968,132	4,106,802
(INCREASE) DECREASE IN RESERVE FOR ENCUMBRANCES/TRANSFERS TO EQUITY OF OTHER FUNDS	-	-	(501,947)	118,483	356,206	(132,801)
UNRESR FND BALANCE, END OF YEAR	10,209,196	11,157,664	10,510,400	10,050,589	8,795,404	5,968,132

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>
2008-09	10,039,547
2007-08	11,279,350
2006-07	11,871,233
2005-06	11,702,796
2004-05	10,708,261

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>
2008-09	1,484,967
2007-08	1,592,999
2006-07	1,464,404
2005-06	1,398,473
2004-05	1,228,901

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, 2009 was \$386,612,620.

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 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>
2005	234,945,000	3,130,238	2,846,533	91%
2006	266,100,440	3,559,971	3,314,695	93%
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	5,578,837	4,784,367*	

*Tax collected as of February 22, 2010.

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>
2008-09	1,959,785
2007-08	1,773,316
2006-07	1,613,859
2005-06	1,429,965
2004-05	1,187,238

Other Taxes

The City also levies a beer tax (2008-09 revenues of \$276,355), a gasoline tax (2008-09 revenues of \$177,004), a liquor tax (2008-09 revenues of \$53,956), a tobacco tax (2008-09 revenues of \$116,876) 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
State of Alabama	4,040,587	4,447,100	4,587,564	4,626,595	4,661,900
Baldwin County	98,280	140,415	168,154	171,748	174,439
City of Daphne	11,978	16,581	18,880	18,925	19,093

Sources: U.S. Department of Commerce, Bureau of Census, Population Estimates Division, Internet release date 7/1/09.

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>
Fred Small	Mayor	Business Owner
Bailey Yelding, Jr.	Council member	Retired
Cathy Barnette	Council member	Project Manager, Eco Solutions, Inc.

John L. Lake	Council member	Joiner Installer
Gregory W. Burnam	Council member	Business Owner/Manager
Ron Scott	Council member	Baldwin County Appraiser
Derek Boulware	Council member	Banker
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 270 full-time persons in its several departments as of December 31, 2009. 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 \$231,728 as of September 30, 2009.

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 2006 and 2007, the Regional Economic Information System, Bureau of Economic Analysis, Table CA1-3; Internet release date, April, 2009 indicates the following with respect to per capita income levels in the jurisdictions.

	<u>2006</u>	<u>2007</u>
Baldwin County	32,972	35,021
State of Alabama	30,873	32,419
United States	36,794	38,615

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 2008 is as follows:

Baldwin County	9.9%
State of Alabama	15.9%
United States	13.2%

Source: U.S. Department of Commerce, Bureau of the Census, Small Area income and Poverty Estimates Program. Final release date for these estimates: December 2008.

Estimated per capita personal income in the City of Daphne for 2007 was \$32,404

*Source: U.S. Census Bureau

The City, the Eastern Shore Chamber of Commerce and the Baldwin County Economic Development Alliance report that as of 2008, median family income in the City was \$62,153 and \$51,957 in the County. The State median family income figure as of 2008 was \$42,586.

Major Employers

The following two tables sets forth certain information with respect to certain of the largest manufacturing employers and largest non-manufacturing employers in the County as of 2009. Residents in the City work in the Mobile and Pensacola areas as well as in Baldwin County.

Top 10 Manufacturers in Baldwin County

<u>Company</u>	<u>Product</u>	<u>Location</u>	<u>Employment</u>
Goodrich Aerospace and Aerostructures Group	Retrofitting of Thrust Reverses & Nacelle Components	Foley	806
Standard Furniture	Bedroom & Dining Room Tables	Bay Minette	600
Vulcan, Inc.	Aluminum and Steel Products	Foley	202
Solutia	Nylon Staple	Foley	185
International Paper	Shipping Containers	Bay Minette	160
Bon Secour Fisheries	Seafood Processing	Bon Secour	152
Quincy Compressors	Rotary Screw Air Compressors	Bay Minette	149
Dental EZ Inc.	Dental Equipment & Supplies	Bay Minette	100
Quality Filers Inc.	Air Filters	Robertsdale	94
PrintXcel	Business Forms, Printing & Office Supplies	Fairhope	89

Top 10 Non-Manufacturers in Baldwin County

<u>Company</u>	<u>Product/Service</u>	<u>Location</u>	<u>Employment</u>
Baldwin County Board of Education	Education	Baldwin County	3,123
Wal-Mart Super Centers	General Retail	Bay Minette, Daphne, Fairhope, Foley, Gulf Shores	1,600
Thomas Hospital	Medical Care	Fairhope	1,100
South Baldwin Regional Medical Center	Medical	Foley	653
Baldwin County Commission	Government	Baldwin County	650
Marriott Grand Hotel	Hotel & Country Club	Fairhope	577
Mercy Medical	Medical Care	Daphne	550
North Baldwin Infirmary	Medical Care	Bay Minette	290
Ace Hardware Corporation	Wholesale Hardware	Loxley	278
Flowerwood Nurseries	Flowers and Nursery Stock	Loxley	188

Source: Baldwin County Economic Development Alliance

Top Ten Taxpayers of the City - 2009

Taxpayers	Assessed Value	Taxes Paid
AIG Baker	5,547,040	238,523
Walmart	3,368,520	144,846
Lowe's	2,799,260	120,368
Myers Family Partnership	2,771,400	119,170
Eastern Shore Real Estate Holdings	2,597,880	111,709
Whispering Pines Park	2,568,460	110,445
Ashley Gates	2,561,260	110,134
Sams	2,494,820	107,277
Renaissance Center	2,104,180	90,480
Tameron Properties	2,038,380	87,650

Source: City of Daphne, Alabama

Unemployment Rate

The 2008 annual average unemployment rate for the City was 3.4%*, compared to Baldwin County's average of 4.1%, Alabama's average of 5.0% and a national average of 5.8%.

*City of Daphne is disaggregated from Baldwin County using 2000 Census ratios of employment and unemployment.
Source: Alabama Department of Industrial Relations, Labor Market Information Division.

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:

	2004	2005	2006	2007	2008
Baldwin County	4.8	3.6	2.5	2.7	4.1
State of Alabama	5.6	4.0	3.5	3.5	5.0
United States	5.5	5.1	4.6	4.6	5.8

Source: U.S. Department of Labor, Bureau of Labor Statistics.

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 2010 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 2010 Warrants. Simultaneously with the delivery of the Series 2010 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 Compliance Covenants the interest income on the Series 2010 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. Bond Counsel will express no opinion with respect to the Federal tax consequences to the recipients of the interest income on the Series 2010 Warrants under any provision of the Code not referred to above.

Prospective purchasers of the Series 2010 Warrants should be aware that ownership of the Series 2010 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 2010 Warrants. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2010 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 2010 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 2010 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 2010 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 2010 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 2010 Warrants will be purchased by Gardnyr Michael Capital, Inc. (the "Underwriter") at a purchase price of \$_____, which reflects an underwriter's discount of \$_____ and net original issue [discount/premium] of \$_____, plus accrued interest thereon from _____, 2010, 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 2010 Warrants to certain dealers (including dealers depositing the Series 2010 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 2010 Warrants if any are purchased. The Underwriter is obligated to purchase and pay for all the Series 2010 Warrants in cash.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and Standard & Poor's Rating Service ("S&P") (each a "Rating Agency") have assigned ratings to the Series 2010 Warrants of "Aa3" and "AA", respectively. Any definitive explanation of the significance of any such rating may be obtained only from the appropriate 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 appropriate Rating Agency, circumstances should warrant such action. Any such downward revision or withdrawal of any rating assigned to the Series 2010 Warrants could have an adverse effect on their market price.

LEGAL MATTERS

The legality and validity of the Series 2010 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 2010 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 1997 Warrants, and (b) computation of the yields on the Warrants and the escrowed Government Obligations was examined by The Arbitrage Group, Inc. Such computations were based solely upon assumptions and information supplied by the City. The Arbitrage Group, Inc. 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.

INFORMATION IN THE APPENDICES

The financial statements of the City attached hereto as Appendix B have been examined by Smith, Dukes & Buckalew, LLP, Certified Public Accountants, Mobile, Alabama, independent auditors, to the extent and for the periods indicated in their report which appears in such Appendix. Such financial statements have been included in reliance upon such report.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact. No representation is made that any of such statements will be realized.

References herein to the Alabama Constitution and all legislative acts referred to herein are intended to be only brief outlines of certain provisions of each thereof and do not purport to summarize or describe all provisions thereof.

The distribution of this Official Statement and its use in the offering and sale of the Series 2010 Warrants have been approved by the governing body of the City.

CITY OF DAPHNE, ALABAMA

By: _____
Mayor

Dated _____, 2010

1034332_6

APPENDIX A

[FORM OF LEGAL OPINION]

City of Daphne
Daphne, Alabama

Re: \$2,185,000* City of Daphne General Obligation Refunding Warrants, Series 2010

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, dated _____, 2010 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. 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: _____

*Preliminary: Subject to change

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF
THE CITY OF DAPHNE



ESCROW TRUST AGREEMENT

between

CITY OF DAPHNE, ALABAMA

and

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



This ESCROW TRUST AGREEMENT between the CITY OF DAPHNE, ALABAMA (herein called the "City") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., Birmingham, Alabama (herein called "the Trustee").

R E C I T A L S

The City makes the following recitals and representations as the basis for the undertakings herein contained:

(1) The City has heretofore issued its General Obligation Refunding and Improvement Warrants, Series 1997 (the "Series 1997 Warrants") issued in the aggregate principal amount of \$10,445,000 and currently outstanding in the aggregate principal amount of \$1,910,000. The Series 1997 Warrants mature and are subject to optional redemption and scheduled mandatory redemption, accrue interest (payable solely at maturity or upon redemption) at the rates and are payable in the manner and at the times and places set forth in the ordinance, dated August 18, 1997, of the City Council authorizing the issuance of the Series 1997 Warrants, (the "Series 1997 Ordinance").

(2) In order to provide the funds necessary to pay principal and interest that will hereafter mature on the currently outstanding Series 1997 Warrants, and to redeem the Series 1997 Warrants, the City has, contemporaneously with the execution and delivery of this Trust Agreement, issued \$_____principal amount of its General Obligation Refunding Warrants, Series 2010 (herein called the "Series 2010 Warrants").

NOW, THEREFORE, in consideration of the premises and the respective agreements on the part of the City and the Trustee herein contained, the City and the Trustee hereby agree as follows:

Section 1. The Escrow Fund. There is hereby created a special trust fund, the full name of which shall be the "City of Daphne Refunding Escrow Fund, 2010" and which shall be applied for the purpose hereinafter specified. The cash and maturing principal of and interest on all securities held in the Escrow Fund shall be applied to payment of the amount required to pay the principal of and interest on the outstanding Series 1997 Warrants, or the redemption prices therefore, as provided herein.

Section 2. Deposit of Proceeds from Issuance of Warrants. The City hereby deposits with the Trustee, from proceeds of the Series 2010 Warrants, the sum of \$_____ in cash. The entire sum shall be deposited in the Escrow Fund. The Trustee hereby acknowledges receipt of said cash and its deposit in the Escrow Fund in the amount set forth in the preceding sentence of this section.

Section 3. Investment of Escrow Fund. Contemporaneously with the delivery of this Trust Agreement, the Trustee shall cause the sum of \$_____to be deposited with it pursuant to Section 2 hereof to be invested in the investments (herein called the "Federal

Securities") that are described on Exhibit "A" attached hereto and made a part hereof as if set out in full herein.

Section 4. Application of the Escrow Fund. The Trustee shall apply all cash in the Escrow Fund solely to the payment of the principal, interest and redemption premium (if any) with respect to the Series 1997 Warrants ("Refunded Debt Service") by transferring to the Paying Agent with respect to the Series 1997 Warrants cash available to make all payments herein required with respect to the Refunded Debt Service. The cash flow required and to be provided from the Escrow Fund for the payment of Refunded Debt Service is described on the schedule attached hereto as Exhibit "B" and made a part hereof.

Section 5. Sufficiency of Escrow. The City represents that if the principal and interest on the Federal Securities held in the Escrow Fund are paid according to their respective terms, the payment of the principal and interest on such Federal Securities, together with the cash sums held therein uninvested, will provide cash in the Escrow Fund sufficient to provide for payment of the Refunded Debt Service.

Section 6. Redemption of Series 1997 Warrants. (a) In order to effect the redemption of those of the Series 1997 Warrants that are to be redeemed prior to maturity, the City has called the Series 1997 Warrants for redemption on _____, at a redemption price of 100% of the principal amount to be redeemed plus accrued interest to the date of redemption. All such Warrants called for redemption are herein referred to as the "Called Warrants".

(b) The City agrees that it will not repeal, revoke or amend its resolution of April __, 2010, in which the City has authorized the call for redemption of the Called Warrants.

(c) In order to effect the redemption of those of the Called Warrants that are to be redeemed prior to maturity, the City,

(1) agrees to take all necessary action requisite to the redemption of the Called Warrants; and

(2) will deposit with the Trustee the amounts necessary to effect the redemption of the Called Warrants, to the extent, if any, that funds are not available in the Escrow Fund for that purpose.

(d) The Trustee is hereby authorized and directed to cause notice of the redemption of the Called Warrants to be given in accordance with the requirements of the Series 1997 Warrants and the Series 1997 Ordinance under which the Series 1997 Warrants were issued and of this Agreement.

Section 7. Compensation to the Trustee. The City will pay to the Trustee, promptly upon receipt of statement of the Trustee therefor, all reasonable and customary charges that may be made by the Trustee for its services hereunder and the City will reimburse the Trustee for all reasonably necessary expenses incurred hereunder. The Trustee agrees that its charges and

expenses hereunder shall in no event be payable from or constitute a charge on the Escrow Fund or any part thereof.

Section 8. Amendments to Trust Agreement. The parties hereto may, with the written consent of the Trustee but without the consent of or notice to the holders of any of the Series 1997 Warrants, at any time and from time to time, amend this Trust Agreement for any one or more of the following purposes:

(a) To add to the covenants and agreements herein contained other covenants and agreements thereafter to be observed and performed by any of the parties hereto, provided that such other covenants and agreements shall not either expressly or impliedly limit or restrict any of the obligations hereunder of any of the parties hereto; or

(b) To cure any ambiguity, or cure, correct or supplement any defect or inconsistent provision contained herein or in any amendment hereto, or to make any provision with respect to matters arising hereunder or under any amendment hereto for any other purpose if such provisions are necessary or desirable and are not inconsistent with the provisions hereof and do not, in the judgment of the Trustee, adversely affect the interests of the Holders of the Series 1997 Warrants; or

(c) To make subject to the trust created herein additional funds, securities or properties.

With respect to all questions arising under this Section 8, the Trustee shall be entitled to rely upon the opinion of Bond Counsel acceptable to it.

Section 9. Beneficiaries of this Agreement. This Agreement shall be binding upon, and shall inure to the benefit of, the Holders of the Series 1997 Warrants and the parties hereto and their respective successors.

IN WITNESS WHEREOF, the City has caused this Trust Agreement to be executed by the Mayor and by the Clerk of the City, and has caused its official seal to be impressed hereon and attested by its Clerk, and the Trustee to evidence its acceptance of the trusts hereby created, has caused this Trust Agreement to be executed in its corporate name and behalf, has caused its corporate seal to be hereunto affixed and has caused this Trust Agreement to be attested by its duly authorized officers, and the City and Trustee have caused this Trust Agreement to be dated April __, 2010.

CITY OF DAPHNE, ALABAMA

By: _____
Its: Mayor

Attest:

Its: Clerk

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

By: _____
Its: _____

Attest:

Its: _____

EXHIBIT "A"

TO

ESCROW TRUST AGREEMENT

BY AND BETWEEN

CITY OF DAPHNE, ALABAMA

AND

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

FEDERAL SECURITIES

EXHIBIT B

TO

ESCROW TRUST AGREEMENT
BY AND BETWEEN
CITY OF DAPHNE, ALABAMA
AND
THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

ESCROW CASH FLOW

CITY OF DAPHNE, ALABAMA
GENERAL OBLIGATION REFUNDING WARRANTS,
SERIES 2010

WARRANT PURCHASE AGREEMENT

April __, 2010

City of Daphne
Daphne, Alabama

Ladies and Gentlemen:

Gardnyr Michael Capital, Inc. (the "Underwriter), offers to enter into the following agreement (the "Warrant Purchase Agreement") with the City of Daphne (the "City"), which upon the City's acceptance of this offer, will be binding upon the City and upon the Underwriter. This offer is made subject to the City's acceptance on or before 5:00 p.m., Daphne, Alabama time, on April __, 2010, and if not so accepted, will be subject to withdrawal by the Underwriter upon notice to the City at any time prior to the acceptance hereof by the City.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agree to purchase from the City for offering to the public and the City hereby agrees to sell and deliver to the Underwriter for such purpose, all of the City's \$_____. General Obligation Refunding Warrants, Series 2010 (the "Series 2010 Warrants"). The Series 2010 Warrants shall be dated as of _____, 2010 and shall be issued in such principal amounts, mature on such dates, bear such rates of interest and be subject to redemption as set forth in Exhibit A attached hereto. Interest on the Series 2010 Warrants shall be payable on April 1 and October 1 in each year to maturity or earlier redemption. The Series 2010 Warrants shall be paid for by the Underwriter in Federal Funds or other immediately available funds on the Closing Date at the purchase price of \$_____ (which takes into account an original issue discount of \$_____ and an Underwriter's discount of the \$_____) plus accrued interest in the amount of \$_____. The Series 2010 Warrants shall be issued pursuant to the Constitution and the laws of the State of Alabama, and pursuant to the provisions of an ordinance (the "Ordinance") adopted by the City Council. The Series 2010 Warrants are being issued for the purposes of refunding certain outstanding warrants of the City and paying the expenses of issuing the Series 2010 Warrants. The City is pledging its full faith and credit for payment of the principal of and interest on the Series 2010 Warrants.

Subject to the terms and conditions set forth herein, the Underwriter agrees to make a public offering of the Series 2010 Warrants at the initial offering prices or yields and subject to the redemption terms set forth in Exhibit A attached hereto prior to 1:00 p.m., on the Closing Date (hereinafter defined); provided, however, the Underwriter reserves the right to make concessions to certain dealers, certain dealer banks and banks acting as agents and to change such initial offering prices or yields as the Underwriter shall deem necessary in connection with the marketing of the Series 2010 Warrants.

2. **Offering.** It shall be a condition of the City's obligation to sell and deliver the Series 2010 Warrants to the Underwriter, and the obligation of the Underwriter to purchase and accept delivery of the Series 2010 Warrants, that the entire aggregate initial principal amount of the Series 2010 Warrants shall be sold and delivered by the City and accepted and paid for by the Underwriter on the Closing Date on the terms herein provided unless otherwise agreed to by the City by formal official action and by the Underwriter in writing.

3. **Official Statement and Other Documents.** The City shall deliver, or cause to be delivered, to the Underwriter within seven (7) business days after the date hereof such reasonable number of conformed final copies of the Official Statement, dated the date hereof, as the undersigned shall request and shall furnish as many additional copies thereof as are reasonably necessary to enable the Underwriter to comply with the requirements of paragraph (b)(4) of Rule 15c2-12 of the United States Securities and Exchange Commission (17 CFR Section 240.15c2-12) under the Securities Exchange Act of 1934 ("Rule 15c2-12"), and with Rule G-32 and all applicable rules of the Municipal Securities Rulemaking Board ("MSRB") and to fulfill its duties and responsibilities under Alabama and federal securities law generally.

The Underwriter agrees to file the Official Statement with the Municipal Securities Rulemaking Board ("MSRB") pursuant to Rule 15c2-12 not later than two (2) business days after the Closing Date. The filing of the MSRB shall be in accordance with the procedures of the Electronic Municipal Market Access System ("EMMA"). The City agrees and covenants to furnish annual financial information and material events notices through EMMA as provided in the Continuing Disclosure Agreement.

The Underwriter agrees that it will not confirm the sale of any Series 2010 Warrants unless a final written confirmation of the sale is accompanied or preceded by the delivery of a copy of the Official Statement.

4. **Representations, Warranties and Agreements.** The City hereby represents, warrants and agrees as follows:

(a) At the time of the City's delivery to the Underwriter of the Official Statement and on the Closing Date, the statements and information contained in the Official Statement will be true and correct in all material respects and the Official Statement contains or will contain no misstatement of any material fact and will not omit any statement and information

that is necessary to make the statements and information contained therein not misleading in any material respect.

(b) The City has full legal right, power and authority to: (i) enter into this Warrant Purchase Agreement, (ii) adopt the Ordinance, (iii) sell, issue and deliver the Series 2010 Warrants to the Underwriter as provided herein, and (iv) carry out and consummate the transactions contemplated by this Warrant Purchase Agreement, the Escrow Trust Agreement between the City and The Bank of New York Mellon Trust Company, N.A., as escrow trustee (the “Escrow Trust Agreement”) the Ordinance and the Official Statement, and the City has complied, and on the Closing Date will be in compliance with the obligations on its part in connection with the issuance of the Series 2010 Warrants contained in the Ordinance, the Series 2010 Warrants and this Warrant Purchase Agreement.

(c) In the Ordinance the City Council authorized the Mayor to execute and deliver this Warrant Purchase Agreement on the part of the City. The City Council has duly authorized, ratified, and approved the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of this Warrant Purchase Agreement and the Escrow Trust Agreement.

(d) When delivered to and paid for by the Underwriter on the Closing Date in accordance with the provisions of this Warrant Purchase Agreement, the Series 2010 Warrants will have been duly authorized, executed, issued and delivered and will constitute valid and binding general obligations of the City.

(e) The adoption of the Ordinance and the authorization, execution and delivery of this Warrant Purchase Agreement, the Escrow Trust Agreement and the Series 2010 Warrants, and compliance with the provisions hereof and thereof, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, consent decree or ordinance.

(f) On the Closing Date, the City will be in compliance in all respects with the covenants and agreements contained in the Ordinance.

(g) All approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the City of its obligations hereunder and under the Ordinance have been obtained and are in full force and effect, except for such approvals, consents and orders as may be required under the Blue Sky or securities law of any state in connection with the offering and sale of the Series 2010 Warrants or in connection with the registration of the Series 2010 Warrants under the federal securities laws.

5. **Closing.** At 9:00 a.m., local time, on April __, 2010, or at such time on such earlier or later date as shall be agreed upon by the City and the Underwriter (the "Closing Date"), the activities relating to the execution and delivery of certain documents and the delivery of the certificates, opinions and other instruments as described in Section 6(e) hereof shall occur at the offices of Hand Arendall LLC, Mobile, Alabama, or such other location as shall be mutually agreed upon by the City and the Underwriter. Such simultaneous execution and delivery of such documents, certificates, opinions and other instruments are herein referred to as the "Closing." On the Closing Date:

(a) The City shall deliver to the Underwriter (i) the Series 2010 Warrants, duly authorized, executed and authenticated, and (ii) the other instruments and documents required to be delivered to the Underwriter pursuant to Section 6 hereof.

(b) The purchase price for the Series 2010 Warrants shall be paid to the City in Federal Funds (by wire transfer or check, or by any combination of one or more wires or checks as may be agreeable to the City and the Underwriter).

6. **Closing Conditions.** The Underwriter have entered into this Warrant Purchase Agreement in reliance upon the representations and warranties of the City herein contained and the performance by the City of its obligations hereunder, both as of the date hereof and as of the Closing Date. The obligations of the Underwriter under this Warrant Purchase Agreement are and shall be subject to the following conditions:

(a) The representations, warranties and agreements of the City contained herein shall be true and correct and complied with as of the date hereof and as of the Closing Date.

(b) At the time of the Closing, the Ordinance shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except to the extent that such amendments have been agreed to by the Underwriter.

(c) At the time of the Closing, all official action of the City relating to this Warrant Purchase Agreement and the Series 2010 Warrants shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material respect, except in each case as may have been agreed to by the Underwriter.

(d) At any time on or prior to the Closing Date, the Underwriter shall have the right to cancel the agreement contained herein to purchase the Series 2010 Warrants by notifying the City in writing of their intention to do so if:

(i) between the date hereof and the Closing Date, legislation shall have been enacted by the Congress of the United States, or recommended to the Congress

for passage by the President of the United States, or favorably reported for passage to either House of Congress by any Committee of such House, or passed by either House of Congress, or a decision shall have been rendered by a court of the United States or the United States Tax Court, or a ruling shall have been made or a regulation shall have been proposed or made by the Treasury Department of the United States or the Internal Revenue Service, with respect to the federal taxation of interest received on obligations of the general character of the Series 2010 Warrants, which, in the opinion of Counsel for the Underwriter or Bond Counsel, has or will have the effect of making such interest subject to inclusion in gross income for purposes of federal income taxation, except to the extent such interest shall be includable in gross income on the date hereof, or

(ii) between the date hereof and the Closing Date, legislation shall be enacted or any action shall be taken by the United States Securities and Exchange Commission which, in the opinion of Counsel for the Underwriter and Bond Counsel, has the effect of requiring the contemplated issuance or distribution of the Series 2010 Warrants to be registered under the Securities Act of 1933, as amended, or

(iii) between the date hereof and the Closing Date, in the opinion of the Underwriter, payment for and delivery of the Series 2010 Warrants is rendered impracticable or inadvisable because (A) trading in securities generally shall have been suspended on the New York Stock Exchange, Inc., or (B) a general banking moratorium shall have been established by federal, New York or Alabama authorities, or (C) there shall have occurred any outbreak of hostilities or other local, national or international calamity or crisis on the financial markets of the United States which, in the Underwriter's reasonable judgment, renders it impracticable for the Underwriter to market the Series 2010 Warrants or to enforce contracts for the sale of the Series 2010 Warrants, or

(iv) between the date hereof and the Closing Date, any order, decree or injunction of any court of competent jurisdiction, or any order, ruling, regulation or administrative proceeding by any governmental body or board, shall have been issued or commenced, or any legislation enacted, with the purpose or effect of prohibiting the issuance, offering or sale of the Series 2010 Warrants as contemplated hereby or by the Official Statement or prohibiting the entering or performance of the Ordinance, or

(v) between the date hereof and the Closing Date, the President of the United States, the Office of Management and Budget, the Department of Treasury, the Internal Revenue Service or any other governmental body, department, agency or commission of the United States or the State of Alabama shall take or propose to take any action or implement or propose regulations, rules or legislation which, in the reasonable judgment of the Underwriter, materially adversely affects the market

price of the Series 2010 Warrants or causes any material information in the Official Statement, in light of the circumstances under which it appears, to be misleading in any material respect, or

(vi) any executive order shall be announced, or any legislation, ordinance, rule or regulation shall be proposed by or introduced in, or be enacted by any governmental body, department, agency or commission of the United States or the State of Alabama, having jurisdiction over the subject matter, or a decision by any court of competent jurisdiction within the United States or within the State of Alabama, shall be rendered which, in the reasonable judgment of the Underwriter, materially adversely affects the market price of the Series 2010 Warrants or causes any information in the Official Statement to be misleading in any material respect, or

(vii) between the date hereof and the Closing Date, any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance, sale or delivery of the Series 2010 Warrants or in any way contesting or affecting any authority for or the validity of the Series 2010 Warrants or this Warrant Purchase Agreement, or any of the proceedings of the City taken with respect to the issuance or sale of the Series 2010 Warrants or the execution of and performance of this Warrant Purchase Agreement; and

(e) On or prior to the Closing Date, the Underwriter shall receive the following documents:

(i) the Official Statement, and any supplements, amendments or modifications, if any, thereto, executed on behalf of the City by the Mayor;

(ii) the Ordinance, certified by the City Clerk under seal as having been duly executed by the Mayor and such modifications or amendments as may have been agreed to by the Underwriter;

(iii) an opinion of Hand Arendall LLC, Mobile, Alabama, Bond Counsel to the City (“Bond Counsel”), in substantially the form included in the Official Statement as Appendix B;

(iv) an opinion of Ross, Jordan & Gray, P.C., Mobile, Alabama, counsel to the City, addressed to the City, the Bond Insurer and the Underwriter, and dated the date of the Closing, in form and substance satisfactory to the Underwriter and Bond Counsel;

(v) A certificate (herein sometimes referred to as the “Non-Arbitrage Certificate”) of the City prepared by Bond Counsel and executed by the Mayor and Finance Director for the City, dated as of the Closing Date, setting forth facts, estimates and circumstances concerning the use or application of the Series 2010

Warrant proceeds, and stating in effect that on the basis of such facts, estimates and circumstances in existence on the Closing Date, it is not expected that the proceeds of the Series 2010 Warrants will be used in a manner that would cause such Series 2010 Warrants to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, accept delivery of and pay for the Series 2010 Warrants contained in this Warrant Purchase Agreement and the Underwriter do not waive such inability in writing, or if the obligations of the Underwriter to purchase, accept delivery of and pay for the Series 2010 Warrants shall be terminated for any reason permitted by this Warrant Purchase Agreement, including the exercise of the Underwriter’ right to cancel this Warrant Purchase Agreement as provided in Section 6(d) hereof, this Warrant Purchase Agreement shall terminate and neither the Underwriter nor the City shall be under any further obligation hereunder, except that the respective obligations of the City and the Underwriter set forth in Section 7 hereof shall continue in full force and effect.

7. **Expenses.** The Underwriter shall be under no obligation to pay, and the City shall pay, any expense incident to the performance of the City’s obligations hereunder including, but not limited to: (a) the cost of preparation, printing and delivery of the Ordinance and this Warrant Purchase Agreement; (b) the costs of preparation and the fees and disbursements of Bond Counsel and other legal counsel to the City; (c) fees for bond ratings; (d) the fees and expenses of the Warrant Registrar, the Paying Agent, the Escrow Trustee and of their respective counsel; (e) the costs of preparing, printing and delivering the Official Statement and any supplements or amendments thereto; and (f) such other expenses as may be agreed to in writing at a later date.

The Underwriter shall pay: (a) all fees and disbursements of any counsel retained by the Underwriter; (b) all advertising expenses; and (c) all other expenses incurred by them in connection with the public offering of the Series 2010 Warrants. In the event that either party shall have paid obligations of the other as set forth in this Section 7, adjustment shall be made at the time of the Closing.

8. **Notices.** Any notice or other communications to be given to the City under this Warrant Purchase Agreement may be given by mailing the same to Post Office Box 400, Daphne, Alabama 36526, and any such notice or other communication to be given to the Underwriter may be mailed to Gardnyr Michael Capital, Inc., RSA Tower, 11 North Water Street, Suite 15265, Mobile, Alabama 36602.

9. **Parties in Interest.** This Warrant Purchase Agreement is made solely for the benefit of the City and the Underwriter and no other party or person shall acquire or have any right hereunder or by virtue hereof. All representations and agreements in this Warrant Purchase Agreement shall remain operative and in full force and effect and shall survive the delivery of the Series 2010 Warrants.

10. **Waiver.** Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriter may be waived by the Underwriter, in their sole discretion, and the approval of the Underwriter when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing, signed by an appropriate officer or officers of the Underwriter and delivered to the City.

11. **No Liability.** Neither the City, nor any officer, agent or employee thereof, shall be charged personally by the Underwriter with any liability, or held liable to the Underwriter under any term or provision of this Warrant Purchase Agreement because of its execution or attempted execution, or because of any breach or attempted breach thereof.

12. **Counterparts.** This Warrant Purchase Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same document.

13. **Governing Law.** This Warrant Purchase Agreement, and the terms and conditions herein, shall constitute the full and complete agreement between the City and the Underwriter with respect to the purchase and sale of the Series 2010 Warrants. This Warrant Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Alabama.

Very truly yours,

Gardnyr Michael Capital, Inc.

By: _____
As Its: _____

Accepted this ___ day of April, 2010.

CITY OF DAPHNE

By: _____
Fred Small
Mayor of the City of Daphne

EXHIBIT A

**PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS
AND REDEMPTION PROVISIONS**

A-1

DISCLOSURE DISSEMINATION AGENT AGREEMENT

(Post Rule Amendment)

This Disclosure Dissemination Agent Agreement (the “Disclosure Agreement”), dated as of _____, 2010, is executed and delivered by the City of Daphne, Alabama (the “Issuer”) and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the “Disclosure Dissemination Agent” or “DAC”) for the benefit of the Holders (hereinafter defined) of the Warrants (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Warrants in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the “Rule”).

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

“Annual Report” means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

“Annual Filing Date” means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

“Annual Financial Information” means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

“Audited Financial Statements” means the financial statements (if any) of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Warrants and the 9-digit CUSIP numbers for all Warrants to which the document applies.

“Disclosure Representative” means _____, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing

to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

“Disclosure Dissemination Agent” means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

“Holder” means any person (a) having 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) treated as the owner of any Warrants for federal income tax purposes.

“Information” means the Annual Financial Information, the Audited Financial Statements (if any) the Notice Event notices, and the Voluntary Reports.

“Notice Event” means an event listed in Sections 4(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

“Official Statement” means that Official Statement prepared by the Issuer in connection with the Issuer’s General Obligation Refunding Warrants, Series 2010, as listed on Appendix A.

“Voluntary Report” means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 7.

“Warrants” means the warrants as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than 180 days after the end of each fiscal year of the Issuer, commencing with the fiscal year ending September 30, 2009. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification) no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the

Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Notice Event as described in Section 4(a)(12) has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Notice Event described in Section 4(a)(12) shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certificate, together with a copy for the Trustee, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

- (i) determine the address of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Section 2(a) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each disclosure to be made with the MSRB together with a completed copy of the Event Notice Cover Sheet in the form attached as Exhibit C, describing the event by checking the box indicated below when filing pursuant to the Section of this Disclosure Agreement indicated:
 1. “Principal and interest payment delinquencies,” pursuant to Sections 4(c) and 4(a)(1);
 2. “Non-Payment related defaults,” pursuant to Sections 4(c) and 4(a)(2);
 3. “Unscheduled draws on debt service reserves reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(3);
 4. “Unscheduled draws on credit enhancements reflecting financial difficulties,” pursuant to Sections 4(c) and 4(a)(4);
 5. “Substitution of credit or liquidity providers, or their failure to perform,” pursuant to Sections 4(c) and 4(a)(5);
 6. “Adverse tax opinions or events affecting the tax-exempt status of the security,” pursuant to Sections 4(c) and 4(a)(6);

7. “Modifications to rights of securities holders,” pursuant to Sections 4(c) and 4(a)(7);
8. “Warrant calls,” pursuant to Sections 4(c) and 4(a)(8);
9. “Defeasances,” pursuant to Sections 4(c) and 4(a)(9);
10. “Release, substitution, or sale of property securing repayment of the securities,” pursuant to Sections 4(c) and 4(a)(10);
11. “Ratings changes,” pursuant to Sections 4(c) and 4(a)(11);
12. “Failure to provide annual financial information as required,” pursuant to Section 2(b)(ii) or Section 2(c), together with a completed copy of Exhibit B to this Disclosure Agreement;
13. “Other material event notice (specify),” pursuant to Section 7 of this Agreement, together with the summary description provided by the Disclosure Representative.

- (v) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: “CITY DEBT,” and “CITY REVENUES.”

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles (“GAAP”) will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with GAAP will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the Issuer is an “obligated person” (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any annual financial information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events, if material, with respect to the Warrants constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Warrants reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Warrants;
7. Modifications to rights of Warrant holders;
8. Warrant calls;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Warrants;
11. Rating changes on the Warrants; and
12. Failure to provide annual financial information as required.

The Issuer shall promptly notify the Disclosure Dissemination Agent in writing upon the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c). Such notice shall be accompanied with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within five business days of receipt of such notice, instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c), together with the text of the disclosure that the Issuer desires to make, the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate

such information, and the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information.

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 e (iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, and Voluntary Reports filed pursuant to Section 7(a), the Issuer shall indicate the full name of the Warrants and the 9-digit CUSIP numbers for the Warrants as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the MSRB, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a “Voluntary Report”).

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Annual Financial Statement, Voluntary Report or Notice Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Warrants upon the legal defeasance, prior redemption or payment in full of all of the Warrants, when the Issuer is no longer an obligated person with respect to the Warrants, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Warrants. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Warrants or under any other document relating to the Warrants, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Warrants or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Warrants.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Warrants and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Warrants, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Issuer have caused this Continuing Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

CITY OF DAPHNE, ALABAMA
as Issuer

By: _____
Name: _____
Title: Mayor

EXHIBIT A

NAME AND CUSIP NUMBERS OF WARRANTS

Name of Issuer [A1] _____
Obligated Person(s) [A2] _____
Name of Warrant Issue: [A3] _____
Date of Issuance: [A4] _____
Date of Official Statement [A5] _____

CUSIP Number: [A6] _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
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CUSIP Number: _____	CUSIP Number: _____

[A7]
Name of Issuer _____
Obligated Person(s) _____
Name of Warrant Issue: _____
Date of Issuance: _____

CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____
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CUSIP Number: _____	CUSIP Number: _____
CUSIP Number: _____	CUSIP Number: _____

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer: [B1]_____

Obligor: [B2]_____

Name of Warrant Issue: [B3]_____

Date of Issuance: [B4]_____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Warrants as required by the Disclosure Agreement, dated as of [B5]_____, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by [B6]_____.

Dated: [B7]_____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
Issuer

cc: Issuer
Obligated Person

EXHIBIT C
EVENT NOTICE COVER SHEET

This cover sheet and material event notice will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

[C1] _____

Issuer's Six-Digit CUSIP Number:

[C2] _____

or Nine-Digit CUSIP Number(s) of the bonds to which this material event notice relates:

[C3] _____

Number of pages of attached: [C4] _____

____ Description of Material Event Notice (Check One): [C5]

1. Principal and interest payment delinquencies
2. Non-Payment related defaults
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions or events affecting the tax-exempt status of the security
7. Modifications to rights of securities holders
8. Warrant calls
9. Defeasances
10. Release, substitution, or sale of property securing repayment of the securities
11. Rating changes
12. Other material event notice (specify) _____

____ Failure to provide annual financial information as required

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: [C6] _____ Title: [C7] _____

Employer: Digital Assurance Certification, L.L.C.

Address: [C8] _____

City, State, Zip Code: _____

Voice Telephone Number: [C9] _____

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the City of Daphne, Alabama (the “City”) in connection with the issuance of \$_____ City of Daphne, Alabama General Obligation Refunding Warrants, Series 2010 (the “Warrants”). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Warrants and in order to assist the Participating Underwriter in complying with the Rule (defined below).

SECTION 2. Definitions. In addition to the definitions set forth in the Authorizing Ordinance, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Authorizing Ordinance” means the Ordinance adopted by the City Council of the City with respect to the Warrants, adopted April 5, 2010.

“Beneficial Owner” shall mean 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.

“Certification” means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report or Notice Event notice required to be submitted to the Repositories under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the City and include the full name of the Warrants and the 9-digit CUSIP numbers for all Warrants to which the document applies.

“Dissemination Agent” shall mean any third party designated in writing by the City for the purposes of making filings in compliance with the Rule and which has filed with the City a written acceptance of such designation. The City’s initial Dissemination Agent shall be Digital Assurance Certification, L.L.C.

“EMMA” shall mean the Electronic Municipal Market Access system as described in 1934 Act Release No. 59062 and maintained by the Municipal Securities Rulemaking Board for purposes of such designation.

“Listed Events” shall mean any of the events listed in Section 5 of this Disclosure Agreement.

“National Repository” shall mean the Municipal Securities Rulemaking Board through its EMMA website at www.emma.msrb.org, and any other Nationally Recognized Municipal Securities Information Repository designated by the United States Securities and Exchange Commission for purposes of the Rule.

“Participating Underwriter” shall mean the original underwriter of the Warrants required to comply with the Rule in connection with offering of the Warrants.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of Alabama.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Agreement, there is not a State Repository.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the City's fiscal year (presently September 30), commencing with the report for the Fiscal Year ending September 30, 2009, provide to each Repository, and each Participating Underwriter, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the City's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to the Repositories and Participating Underwriter, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If the City is unable to provide an Annual Report by the date required in subsection (a), the City shall send a notice to each Repository and Participating Underwriter.

(c) The Dissemination Agent, if any, shall:

- (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and
- (ii) file a report with the City certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided, and listing all the Repositories to which it was provided.

(d) The City shall provide or cause to be provided, in a timely manner, to each Repository notice of any failure by it to provide the annual financial information described in Section 3(a), on or prior to the dates respectively set forth in said section. Such notice shall be in substantially the form attached hereto as Exhibit A or as is prescribed for such filings on the EMMA website.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the City for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated from time to time by the Financial Accounting Standards Board or its successor.

(b) Updated reports on the information furnished in the following sections of the final Official Statement: "CITY DEBT," and "CITY REVENUES."

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the City is an "obligated person" (as defined by the Rule), which have been filed with each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Warrants, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. modifications to rights of holders;
4. optional, contingent or unscheduled warrant calls;
5. defeasances;

6. rating changes;
7. adverse tax opinions or events affecting the tax exempt status of the Warrants;
8. unscheduled draws on debt service reserves reflecting financial difficulties;
9. unscheduled draws on credit enhancements reflecting financial difficulties;
10. substitution of credit or liquidity providers, or their failure to perform; or
11. release, substitution or sale of property securing repayment of the Warrants.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository. Notwithstanding the foregoing, notice of Listed Events described in subsections (a) 4 and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Warrants pursuant to the Authorizing Ordinance. Copies of any such filing shall be sent to each Participating Underwriter.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Warrants. If such termination occurs prior to the final maturity of the Warrants, the City shall give notice of such termination or substitution in the same manner as for a Listed Event under Section 5.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Digital Assurance Certification, L.L.C .

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Warrants, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Warrants, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Warrants.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event. Any filing under this Disclosure Agreement may be made solely by transmitting such filing through EMMA or in such other manner as shall then be required or permitted by the Securities and Exchange Commission.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Warrants 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 Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed a default under the Warrants or the Authorizing Ordinance and the sole remedy under this Disclosure Agreement in the event of any failure of the City to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may

incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's gross negligence or wilful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Warrants.

SECTION 12. Compliance. The City is in compliance with all of its disclosure obligations under the Rule, and filed its Annual Report for the Fiscal Year which ended September 30, 2009.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters, and Holders and Beneficial Owners from time to time of the Warrants, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: _____, 2010

CITY OF DAPHNE, ALABAMA

By: _____
Mayor

1052280_1

Exhibit A

NOTICE OF FAILURE TO FILE ANNUAL FILING

Name of Issuer: _____

Name of Warrant Issue: _____

Date of Issuance: _____

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Filing with respect to the above-mentioned Warrants as required by Section 3(a) of the Continuing Disclosure Agreement relating to the above referenced Warrants dated _____, 2010. The Issuer anticipates that the Annual Filing will be filed by _____.

This notice is based on the best information available at the time of dissemination. Any questions regarding this notice should be directed to _____.

Dated: _____

Digital Assurance Certification, L.L.C., as
Dissemination Agent, on behalf of the Issuer

cc: Issuer
Obligated Person