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

The City Council of the City of Decatur met in regular public session in the Council Chambers on the First Floor of the City Hall Tower, 402 Lee Street, N.E., Decatur, Alabama, at 6:00 p.m. on August 6, 2012. The meeting was called to order by the Mayor. The roll was called with the following results:

Present: Billy Jackson
Roger Anders
Gary Hammon, Council President
Charles Kirby
Greg Reeves

Absent: None

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

* * *

Councilmember _____ moved for unanimous consent of those present to suspend the rules of procedure to allow for the immediate consideration of the following ordinance:

* * *

AN ORDINANCE AUTHORIZING THE ISSUANCE, EXECUTION, DELIVERY AND PAYMENT OF AN \$1,237,500 GENERAL OBLIGATION WARRANT, SERIES 2012-B, DATED THE DATE OF DELIVERY, TO PNC BANK, NATIONAL ASSOCIATION

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF DECATUR, ALABAMA (the "City") as follows:

Section 1. Findings and Representations.

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

(a) The City has found and determined that it is in the best public and financial interest of the City to borrow \$1,237,500 from PNC Bank, National Association (the "Bank") in order to purchase capital equipment for the City to include 17 police cars, 2 pickup trucks, 4 sports utility vehicles and such other capital equipment and/or capital improvements as funds permit and are approved by the City Council.

(b) The indebtedness will be evidenced by a General Obligation Warrant, Series 2012-B, dated the date of delivery (the "Warrant"), which will be executed and delivered to the Bank on or about August 7, 2012.

(c) The net assessed valuation of the taxable property in the corporate limits of the City for the fiscal year ending September 30, 2011 is not less than \$541,000,000, and the total indebtedness of the City following the issuance of the Warrant chargeable against the debt limitation for the City prescribed by the Constitution of Alabama of 1901, as amended, will not be more than twenty percent of said assessed valuation.

Section 2. Authorization and Description of Warrant; Payments of Warrant.

(a) The City shall borrow \$1,237,500 for the purposes set forth in Section 1 hereof, and the City shall issue the Warrant therefor to the Bank.

(b) The Warrant shall (1) be dated the date of initial delivery and payment, (2) bear interest at a fixed per annum interest rate equal to 1.05%, (3) be payable in equal monthly installments of principal and interest, (4) mature three years from the date of delivery, (5) be pre-payable at any time prior to maturity, subject to the provisions of subsection (d) of this Section 2, and (6) be registered and transferred, all as provided therefor in the form of the Warrant in Section 4 herein.

(c) The principal of and interest on the Warrant shall be payable in lawful money of the United States of America, at the designated office of the registered owner thereof at par and without discount, exchange or deduction or charge therefor.

(d) Upon at least thirty (30) business days prior written notice to the Bank, the City has the right to prepay all or part of the outstanding principal of and interest on the Warrant. Notwithstanding anything contained herein to the contrary, upon any prepayment by or on behalf of the City (whether voluntary, on default or otherwise), the Bank may require, if it so elects, the City to pay the Bank as compensation for the costs of being prepaid an amount equal to the Cost of Prepayment. "Cost of Prepayment" means an amount equal to the present value, if positive, of the product of (a) the difference between (i) the yield, on the beginning date of the applicable interest period, of a U.S. Treasury obligation with a maturity similar to the applicable interest period, minus (ii) the yield on the prepayment date, of a U.S. Treasury obligation with a maturity similar to the remaining maturity of the applicable interest period, and (b) the principal amount to be prepaid, and (c) the number of years, including fractional years, from the prepayment date to the end of the applicable interest period. The yield on any U.S. Treasury obligation shall be determined by reference to Federal Reserve Statistical Release H.15 (519) "Selected Interest Rates." For purposes of making present value calculations, the yield to maturity of a similar maturity U.S. Treasury obligation on the prepayment date shall be deemed the discount rate. The Costs of Prepayment shall also apply to any payments made after acceleration of the maturity of this indebtedness.

Section 3. Single Advance.

The proceeds of the Warrant shall be advanced to the City on the delivery date and shall be applied for the purposes set forth in Section 1 hereof.

Section 4. Form of Warrant.

The Warrant shall be in substantially the following form:

**UNITED STATES OF AMERICA
STATE OF ALABAMA
CITY OF DECATUR
GENERAL OBLIGATION WARRANT
SERIES 2012-B**

No. R-1

\$1,237,500.00

THE CITY OF DECATUR, a municipal corporation organized and existing under and by virtue of the laws of the State of Alabama (the "City"), for value received, hereby acknowledges itself indebted to and does hereby order and direct the Treasurer of the City to pay, solely out of the special warrant fund hereinafter described, to PNC Bank, National Association (herein called the "Payee"), its successors and assigns, the principal sum of

**ONE MILLION TWO-HUNDRED THIRTY-SEVEN THOUSAND FIVE HUNDRED AND
NO/100 DOLLARS
(\$1,237,500.00)**

and to pay from said special warrant fund, interest on the unpaid balance of said principal amount outstanding hereunder, from the date advanced until payment in full, at a fixed per annum rate of interest equal to 1.05% (computed on the basis of the actual number of days elapsed over a 360-day year), said principal and interest being payable in equal monthly installments beginning September 7, 2012, and continuing on the 7th day (or next business day) of each month thereafter through and including the final maturity of this Warrant on August 7, 2015, provided that if at any time the interest on this Warrant is determined by the Internal Revenue Service to be includable in gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") as a result of an "Event of Taxability" as defined in the Authorizing Proceedings hereinafter referred to, (i) this obligation shall bear interest at the prime rate announced in *The Wall Street Journal* from the date such interest must be included in such gross income and (ii) the City will reimburse the Payee for all costs, expenses, penalties, attorneys' fees and all other losses incurred by the Payee as a result of such determination. If such determination is made, the difference between (1) the interest then due computed at the higher rate, and (2) the interest already paid at the lower rate, shall be paid, along with all such costs, expenses, penalties, attorneys' fees and all other said losses within thirty days after the date a written notice is mailed by the holder hereof to the City stating that such a determination has been made and stating the amount that is then due. The obligation to pay such additional interest and such other costs, expenses, penalties, attorneys' fees, and other losses shall survive the payment of the principal hereof.

Payment of the principal hereof and interest hereon shall be made at the designated office of the Payee or at such other place as shall be designated to the City in writing by the Payee, provided the final payment of principal of and interest on this Warrant shall be made only upon presentation and surrender of this Warrant to the City for cancellation.

Upon at least thirty (30) business days prior written notice to the Payee, the City has the right to prepay all or part of the outstanding principal of and interest on this Warrant. Notwithstanding anything contained herein to the contrary, upon any prepayment by or on behalf of the City (whether voluntary, on default or otherwise), the Payee may require, if it so elects, the City to pay the Payee as compensation for the costs of being prepaid an amount equal to the Cost of Prepayment. "Cost of Prepayment" means an amount equal to

the present value, if positive, of the product of (a) the difference between (i) the yield, on the beginning date of the applicable interest period, of a U.S. Treasury obligation with a maturity similar to the applicable interest period, minus (ii) the yield on the prepayment date, of a U.S. Treasury obligation with a maturity similar to the remaining maturity of the applicable interest period, and (b) the principal amount to be prepaid, and (c) the number of years, including fractional years, from the prepayment date to the end of the applicable interest period. The yield on any U.S. Treasury obligation shall be determined by reference to Federal Reserve Statistical Release H.15 (519) "Selected Interest Rates." For purposes of making present value calculations, the yield to maturity of a similar maturity U.S. Treasury obligation on the prepayment date shall be deemed the discount rate. The Costs of Prepayment shall also apply to any payments made after acceleration of the maturity of this Warrant.

This Warrant is issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Section 11-47-2 et seq. of the CODE OF ALABAMA 1975, as amended, and an ordinance and proceedings of the governing body of the City duly passed, held and conducted on August 6, 2012 (the "Authorizing Proceedings") for the purposes described in the Authorizing Proceedings.

The principal of and interest on this Warrant is a general obligation of the City and the full faith and credit of the City are pledged to the payment of the principal of and interest on the Warrant.

The City has established in the Authorizing Proceedings a special fund designated the "Series 2012-B General Obligation Warrant Fund" for the payment of the principal of and interest on the Warrant, and has obligated itself to pay or cause to be paid into said Fund from the taxes and revenues of the City sums sufficient to provide for the payment of the principal of and interest on this Warrant as the same matures and comes due.

This Warrant is recorded and registered as to principal and interest in the name of the owner on the book of registration maintained for that purpose by the City. The person in whose name this Warrant is registered shall be deemed and regarded as the absolute owner hereof for all purposes and payment of the principal of and interest on this Warrant shall be made only to or upon the order of the registered owner hereof or its legal representative, and neither the City nor any agent of the City shall be affected by any notice to the contrary. Payment of principal of and interest on this Warrant shall be valid and effectual to satisfy and discharge the liability of the City upon this Warrant to the extent of the amounts so paid.

This Warrant may be transferred only upon written request of the registered owner or its legal representative addressed to the City, such transfer to be recorded on said book of registration and endorsed hereon by the City. Upon presentation to the City for transfer, this Warrant must be accompanied by a written instrument or instruments of transfer satisfactory to the City, duly executed by the registered owner or its attorney duly authorized in writing, and the City shall endorse on the schedule attached hereto for such purpose the principal amount of this Warrant unpaid and the interest accrued hereon to the date of transfer. No charge shall be made for the privilege of transfer, but the registered owner of this Warrant requesting any such transfer shall pay any tax or other governmental charge required to be paid with respect thereto.

It is hereby recited, certified and declared that the indebtedness evidenced and ordered paid by this Warrant is lawfully due without condition, abatement or offset of any description and that all acts, conditions and things required by the Constitution and laws of the State of Alabama to happen, exist and be performed precedent to and in the execution, registration and issuance of this Warrant and the adoption of the Authorizing Proceedings have happened, do exist and have been performed in time, form and manner as so required.

IN WITNESS WHEREOF, the City, acting by and through its governing body, has caused this Warrant to be executed in its name and on its behalf by its Mayor and its municipal seal to be hereunto affixed and attested by its City Clerk, and has caused this Warrant to be dated August ____, 2012.

CITY OF DECATUR

By: _____
Its Mayor

[S E A L]

Attest: _____
City Clerk

REGISTRATION CERTIFICATE

I hereby certify that this Warrant has been duly registered by me as a claim against the City of Decatur and the Series 2012-B Warrant Fund referred to herein.

City Clerk – Treasurer

REGISTRATION OF OWNERSHIP

This Warrant is recorded and registered on the registry books of the City of Decatur in the name of the last owner named below. The principal of and interest on this Warrant shall be payable only to or upon the order of such registered owner.

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Authorized Officer of City</u>
<u>August ____, 2012</u>	<u>PNC Bank, N.A.</u>	<u>Stacy A. Gilley, City Clerk</u>
_____	_____	_____

ENDORSEMENT BY CITY OF UNPAID PRINCIPAL
AND ACCRUED INTEREST ON DATE OF TRANSFER

Date of Transfer	Principal Unpaid	Accrued Interest on Date of Transfer	Signature of Authorized Officer of City
_____	_____	_____	_____
_____	_____	_____	_____

Section 5. Execution of the Warrant.

The Warrant shall be manually executed in the name and on behalf of the City by the Mayor and shall be manually attested by the City Clerk of the City, and the official seal of the City shall be manually imprinted thereon. The Registration Certificate shall be executed by the City Clerk, Treasurer. The Registration of Ownership of the Warrant shall be executed by the City Clerk of the City who shall make the endorsements provided at the time of any transfer. Said officers are hereby directed to so execute, attest and register the Warrant and to make the appropriate endorsements and notations, if any, thereon.

Section 6. General Obligation; Warrant Fund.

(a) The Warrant and the interest thereon shall constitute a general obligation debt of the City. The Warrant is an obligation of the City to which the general faith and credit of the City is pledged.

(b) To secure the payment of the principal of and interest on the Warrant and to secure for the benefit of the registered owner of the Warrant the faithful performance of all of the covenants and provisions contained herein, in the manner and to the extent so provided, the City (1) does hereby pledge unto the registered owner of the Warrant and its registered assigns the full faith and credit of the City, (2) does hereby create and establish a special fund designated the “Series 2012-B General Obligation Warrant Fund” (the “Warrant Fund”), which shall be held by the Bank, as custodian and paying agent of the Warrant and (3) does hereby covenant and agree to pay or cause to be paid into the Warrant Fund a sufficient amount of the revenues and taxes of the City.

(c) The City further covenants and agrees to collect or cause to be collected all taxes and revenues when due and to apply the same as provided for herein.

Section 7. Covenants With Respect to Federal Tax Exemption for Interest.

(a) The City recognizes and acknowledges that the Warrant is being sold on the basis that the interest payable on the Warrant is excludable from gross income of the registered owner thereof for federal income taxation under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”). The City hereby covenants and agrees with the registered owner of the Warrant as follows:

(1) the proceeds of the Warrant will be used solely for the governmental purposes for which the Warrant was issued;

(2) none of the proceeds of the Warrant will be applied for any “private business use” nor will any part of the proceeds of the Warrant be used (directly or indirectly) to make or finance loans to persons other than a governmental unit, nor will any part of the proceeds of the Warrant be used to reimburse the City for expenditures made or incurred prior to the date of delivery of and payment for the Warrant;

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

(4) the proceeds of the Warrant shall not be used or applied by the City, and the taxes or other revenues of the City shall not be accumulated in such a manner, and no investment thereof shall be made, as to cause the Warrant to be or become an “arbitrage bond,” as that term is defined in Section 148 of the Code and the regulations applicable thereunder;

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

(6) the City will make no use of the proceeds of the Warrant that would cause the Warrant to be “federally guaranteed” under Section 149(b) of the Code and the payment of the principal of and interest on the Warrant shall not be (directly or indirectly) “federally guaranteed” (in whole or in part) as described in said Section, except as otherwise permitted in said Section.

(b) The City hereby further covenants and agrees with the registered owner of the Warrant that, to the extent permitted by law, it will not take any action, or omit to take any action, with respect to the Warrant that would cause the interest on the Warrant not to be and remain excludable from gross income pursuant to the provisions of Section 103 of the Code.

(c) A determination by the Internal Revenue Service that the interest on the Warrant shall be included in gross income for purposes of Federal income taxation under Section 103 of the Code (a “Determination of Taxability”) as a result of the failure of the City to satisfy or comply with the requirements of subsections (a) or (b) of this Section 7 shall constitute an “Event of Taxability”; provided, however, that no Event of taxability shall result from a change in the Internal Revenue Code or the regulations thereunder occurring after the date of issuance of the Warrant. Upon a Determination of Taxability, interest on the Warrant will accrue and be payable from the date that such interest must be included in gross income as specified in the Warrant.

(d) The City has not designated the Warrant as a “qualified tax-exempt obligation” for the purposes of Section 265(b)(3) of the Code.

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

Section 8. Issuance Expenses.

All fees and expenses of the Bank will be paid by the Bank, including fees for legal review in its behalf. The Bank will not be responsible for any other costs associated with the City to include its Bond Counsel and its financial advisor or other parties or activities in connection with this transaction; provided, however, that the City shall pay the reasonable fees and expenses for counsel preparing legal documents for this financing, not to exceed \$3,000.00.

Section 9. Expenses of Collection; Interest After Maturity.

The City covenants and agrees that, if the principal of and interest on the Warrant are not paid promptly as such principal and interest matures and comes due, it will pay to the registered owner of the Warrant or its registered assignees all expenses incident to the collection of any unpaid portion thereof, including a reasonable attorney's fee. To the extent permitted by applicable law, the Warrant and the interest thereon shall bear interest at the rate of 1.05% per annum from and after the maturity or due dates thereof, if not then paid.

Section 10. Authorization of Issuance of Warrant.

(a) The Mayor and the City Clerk, or either of them, are hereby authorized and directed to effect delivery of the Warrant to the Bank and in connection therewith to deliver such closing papers containing such representations as are required to demonstrate the legality and validity of the Warrant and the absence of pending or threatened litigation with respect thereto.

(b) The City Clerk of the City shall give a receipt to the said purchaser for the purchase price paid, and such receipt shall be full acquittal to the said purchaser and the said purchaser shall not be required to see to or be responsible for the application of the proceeds of the Warrant. Nevertheless, the proceeds of the Warrant shall be applied solely to the purposes herein referenced.

Section 11. Severability.

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

Section 12. Repeal of Conflicting Provisions.

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

Section 13. Provisions of Ordinance a Contract.

The terms, provisions and conditions set forth in this ordinance constitute a contract between the City and the registered owner of the Warrant and shall remain in effect until the principal of and interest on the Warrant shall have been paid in full.

* * *

It was moved by _____ that all rules and regulations which, unless suspended, would prevent the immediate consideration and adoption of the said ordinance be suspended and that unanimous consent to the immediate consideration and adoption of the said ordinance be given. The motion was seconded by _____ and on roll call was unanimously adopted, those answering aye being:

Ayes: Billy Jackson
Roger Anders
Gary Hammon
Charles Kirby
Greg Reeves

Nays: None

The Council President declared the motion unanimously carried.

After said ordinance had been discussed and considered in full by the City Council, it was moved by _____ that said ordinance be now placed upon its final passage and adopted. The motion was seconded by _____. The question being put as to the adoption of said motion and the final passage and adoption of said ordinance, the roll was called with the following results:

Ayes: Billy Jackson
Roger Anders
Gary Hammon, Council President
Charles Kirby
Greg Reeves

Nays: None

The Council President thereupon declared said motion carried and the ordinance passed and adopted as introduced and read.

* * *

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

Minutes Approved

Council President

[S E A L]

Attest: _____
City Clerk

STATE OF ALABAMA)
)
MORGAN COUNTY)

CERTIFICATE OF CITY CLERK

I, the undersigned, do hereby certify as follows: (1) I am the duly elected, qualified and City Clerk of the City of Decatur (the "City"), (2) as City Clerk of the City I have access to all original records of the City and I am duly authorized to make certified copies of its records on its behalf, (3) the above and foregoing pages constitute a complete, verbatim and compared copy of excerpts from the minutes of a regular meeting of the City Council of the City duly held on August 6, 2012, (4) the ordinance set forth in such excerpts is a complete, verbatim and compared copy of such ordinance as introduced and adopted by the City Council on such date, and (5) said ordinance is in full force and effect and has not been repealed, amended or changed.

IN WITNESS WHEREOF, I have hereunto set my hand as Clerk of the City of Decatur and have affixed the official seal of the City, this ____ day of August, 2012.

Clerk of the City of Decatur

[S E A L]

**UNITED STATES OF AMERICA
STATE OF ALABAMA
CITY OF DECATUR
GENERAL OBLIGATION WARRANT
SERIES 2012-B**

No. R-1

\$1,237,500.00

THE CITY OF DECATUR, a municipal corporation organized and existing under and by virtue of the laws of the State of Alabama (the "City"), for value received, hereby acknowledges itself indebted to and does hereby order and direct the Treasurer of the City to pay, solely out of the special warrant fund hereinafter described, to PNC Bank, National Association (herein called the "Payee"), its successors and assigns, the principal sum of

**ONE MILLION TWO-HUNDRED THIRTY-SEVEN THOUSAND FIVE HUNDRED AND
NO/100 DOLLARS
(\$1,237,500.00)**

and to pay from said special warrant fund, interest on the unpaid balance of said principal amount outstanding hereunder, from the date advanced until payment in full, at a fixed per annum rate of interest equal to 1.05% (computed on the basis of the actual number of days elapsed over a 360-day year), said principal and interest being payable in equal monthly installments beginning September 7, 2012, and continuing on the 7th day (or next business day) of each month thereafter through and including the final maturity of this Warrant on August 7, 2015, provided that if at any time the interest on this Warrant is determined by the Internal Revenue Service to be includable in gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") as a result of an "Event of Taxability" as defined in the Authorizing Proceedings hereinafter referred to, (i) this obligation shall bear interest at the prime rate announced in *The Wall Street Journal* from the date such interest must be included in such gross income and (ii) the City will reimburse the Payee for all costs, expenses, penalties, attorneys' fees and all other losses incurred by the Payee as a result of such determination. If such determination is made, the difference between (1) the interest then due computed at the higher rate, and (2) the interest already paid at the lower rate, shall be paid, along with all such costs, expenses, penalties, attorneys' fees and all other said losses within thirty days after the date a written notice is mailed by the holder hereof to the City stating that such a determination has been made and stating the amount that is then due. The obligation to pay such additional interest and such other costs, expenses, penalties, attorneys' fees, and other losses shall survive the payment of the principal hereof.

Payment of the principal hereof and interest hereon shall be made at the designated office of the Payee or at such other place as shall be designated to the City in writing by the Payee, provided the final payment of principal of and interest on this Warrant shall be made only upon presentation and surrender of this Warrant to the City for cancellation.

Upon at least thirty (30) business days prior written notice to the Payee, the City has the right to prepay all or part of the outstanding principal of and interest on this Warrant. Notwithstanding anything contained herein to the contrary, upon any prepayment by or on behalf of the City (whether voluntary, on default or otherwise), the Payee may require, if it so elects, the City to pay the Payee as compensation for the costs of being prepaid an amount equal to the Cost of Prepayment. "Cost of Prepayment" means an amount equal to the present value, if positive, of the product of (a) the difference between (i) the yield, on the beginning date of the applicable interest period, of a U.S. Treasury obligation with a maturity similar to the applicable interest period, minus (ii) the yield on the prepayment date, of a U.S. Treasury obligation with a maturity similar to the remaining maturity of the applicable interest period, and (b) the principal amount to be prepaid, and (c) the number of years, including fractional years, from the prepayment date to

the end of the applicable interest period. The yield on any U.S. Treasury obligation shall be determined by reference to Federal Reserve Statistical Release H.15 (519) "Selected Interest Rates." For purposes of making present value calculations, the yield to maturity of a similar maturity U.S. Treasury obligation on the prepayment date shall be deemed the discount rate. The Costs of Prepayment shall also apply to any payments made after acceleration of the maturity of this Warrant.

This Warrant is issued pursuant to the Constitution and laws of the State of Alabama, including the provisions of Section 11-47-2 et seq. of the CODE OF ALABAMA 1975, as amended, and an ordinance and proceedings of the governing body of the City duly passed, held and conducted on August 6, 2012 (the "Authorizing Proceedings") for the purposes described in the Authorizing Proceedings.

The principal of and interest on this Warrant is a general obligation of the City and the full faith and credit of the City are pledged to the payment of the principal of and interest on the Warrant.

The City has established in the Authorizing Proceedings a special fund designated the "Series 2012-B General Obligation Warrant Fund" for the payment of the principal of and interest on the Warrant, and has obligated itself to pay or cause to be paid into said Fund from the taxes and revenues of the City sums sufficient to provide for the payment of the principal of and interest on this Warrant as the same matures and comes due.

This Warrant is recorded and registered as to principal and interest in the name of the owner on the book of registration maintained for that purpose by the City. The person in whose name this Warrant is registered shall be deemed and regarded as the absolute owner hereof for all purposes and payment of the principal of and interest on this Warrant shall be made only to or upon the order of the registered owner hereof or its legal representative, and neither the City nor any agent of the City shall be affected by any notice to the contrary. Payment of principal of and interest on this Warrant shall be valid and effectual to satisfy and discharge the liability of the City upon this Warrant to the extent of the amounts so paid.

This Warrant may be transferred only upon written request of the registered owner or its legal representative addressed to the City, such transfer to be recorded on said book of registration and endorsed hereon by the City. Upon presentation to the City for transfer, this Warrant must be accompanied by a written instrument or instruments of transfer satisfactory to the City, duly executed by the registered owner or its attorney duly authorized in writing, and the City shall endorse on the schedule attached hereto for such purpose the principal amount of this Warrant unpaid and the interest accrued hereon to the date of transfer. No charge shall be made for the privilege of transfer, but the registered owner of this Warrant requesting any such transfer shall pay any tax or other governmental charge required to be paid with respect thereto.

It is hereby recited, certified and declared that the indebtedness evidenced and ordered paid by this Warrant is lawfully due without condition, abatement or offset of any description and that all acts, conditions and things required by the Constitution and laws of the State of Alabama to happen, exist and be performed precedent to and in the execution, registration and issuance of this Warrant and the adoption of the Authorizing Proceedings have happened, do exist and have been performed in time, form and manner as so required.

IN WITNESS WHEREOF, the City, acting by and through its governing body, has caused this Warrant to be executed in its name and on its behalf by its Mayor and its municipal seal to be hereunto affixed and attested by its City Clerk, and has caused this Warrant to be dated August ____, 2012.

CITY OF DECATUR

By: _____
Its Mayor

[S E A L]

Attest: _____
City Clerk

REGISTRATION CERTIFICATE

I hereby certify that this Warrant has been duly registered by me as a claim against the City of Decatur and the Series 2012-B Warrant Fund referred to herein.

City Clerk – Treasurer

REGISTRATION OF OWNERSHIP

This Warrant is recorded and registered on the registry books of the City of Decatur in the name of the last owner named below. The principal of and interest on this Warrant shall be payable only to or upon the order of such registered owner.

<u>Date of Registration</u>	<u>In Whose Name Registered</u>	<u>Signature of Authorized Officer of City</u>
<u>August ____, 2012</u>	<u>PNC Bank, N.A.</u>	<u>Stacy A. Gilley, City Clerk</u>
_____	_____	_____

**ENDORSEMENT BY CITY OF UNPAID PRINCIPAL
AND ACCRUED INTEREST ON DATE OF TRANSFER**

Date of Transfer	Principal Unpaid	Accrued Interest on Date of Transfer	Signature of Authorized Officer of City
_____	_____	_____	_____
_____	_____	_____	_____

LETTER FOR DELEGATION OF AUTHORITY

**City of Decatur, Alabama
Post Office Box 488
Decatur, Alabama 35602**

PNC Bank, National Association
134 North Church ST
T4-URMS-01-1
Rocky Mount, NC 27804

RE: Designation of Authorized Representative

Ladies and Gentlemen:

I am an authorized officer of the City of Decatur, Alabama (the "City"), named in the ordinance adopted by the governing body of the City on August 6, 2012, and delivered to you and attached to this letter (the "Ordinance").

Pursuant to the authority given to me in the Ordinance, I hereby designate the following person(s) to perform any and all actions as are necessary for the administration of the transactions contemplated by the Ordinance. Such actions include, without limitation, all invoicing and accounting matters, the authority to request advances or draws under credit facilities extended by you to the City, and the authority to direct the application of the proceeds of such advances or draws, whether for deposit in the City's accounts with you, for wire transfer to third parties or otherwise. The designations made in this letter are in addition to any persons who were previously authorized to act on behalf the City pursuant to the Ordinance.

NAME	TITLE OR POSITION	SIGNATURE
Stacy A. Gilley	City Clerk/Treasurer	_____
_____	_____	_____

I certify that each of the foregoing person(s) holds the office, title or status with the City specified above, and that following each person's name, his or her actual signature appears. The foregoing designation(s) shall remain in effect until the City otherwise notifies you in writing, and you have had a reasonable time to act on the new instructions. You may rely conclusively on this letter as fully as if the designation(s) made in this letter had been set forth in the Ordinance.

Except as modified hereby, the Ordinance remains in full force and effect and has not been modified or revoked in any matter whatsoever.

Very truly yours,

CITY OF DECATUR, ALABAMA

By: _____

Print Name: Don Stanford

Title: Mayor

INCUMBENCY AND NO-LITIGATION CERTIFICATE

We, the undersigned officers of the **CITY OF DECATUR, ALABAMA** (herein called the “City”), hereby certify as follows:

(1) The officers of the City hereinafter named are now, and have continuously been since the dates of beginning of their respective current terms of office shown below, the duly elected, qualified and acting officers of the City as hereunder designated, the dates of the beginning and ending of their respective current terms of office being likewise hereunder designated opposite their respective names:

<u>Office</u>	<u>Name of Officer</u>	<u>Date of Beginning of Current Term</u>	<u>Date of Ending of Current Term</u>
Mayor	Don Stanford	November, 2008	November, 2012
Member of the City Council	Billy Jackson	November, 2008	November, 2012
Member of the City Council	Roger Anders	November, 2008	November, 2012
Member of the City Council	Gary Hammon	November, 2008	November, 2012
Member of the City Council	Charles Kirby	December, 2011	November, 2012
Member of the City Council	Greg Reeves	November, 2008	November, 2012
City Clerk/ Treasurer	Stacy A. Gilley	November, 2011	Exempt Service

(2) The said Mayor and the said members of the City Council (herein together called the “Council”) together now constitute and have together continuously constituted since October 2008, the governing body of the City, except Charles Kirby, who was appointed in December 2011 to a vacant Council seat. Those of said officers required to post bond as security for any funds handled by them have duly posted with the proper officers all bonds with sufficient surety required of them, which bonds have been duly approved by the officers required by law to approve the same. Each of said officers required by law to take an oath of office has duly taken such oath of office before the officer required by law. All of said officers are now, and have been since their respective terms of office began, performing the duties pertaining to their respective offices. The first and third Mondays of each month are now, and have continuously been for over 30 years, duly fixed by the Council as the dates and hour for the holding of regular meetings of the Council.

(3) The City is now and has been for more than 30 years a municipal corporation duly organized and existing under the general laws of Alabama pertaining to the mayor and council form of government for municipalities. No proceedings for the dissolution of the City have ever been taken. The population of the City as shown by the following Federal Censuses was as follows:

<u>Census Year</u>	<u>Population</u>
2010	55,683
2000	53,929
1990	48,761
1980	42,002

Except for the 2010 Federal Decennial Census, no census of the City's population subsequent to said 2000 Federal Decennial Census has been taken.

(4) There is no litigation pending, and to the best of our knowledge, information and belief, there is no litigation threatened, in any court, whether state or federal, attacking or in any way questioning the corporate existence of the City, or the territorial boundaries of the City, or the election of any of the aforesaid officers of the City as herein stated, or the power of the Council to authorize the execution, issuance and sale of the City's \$1,237,500 in the principal amount General Obligation Warrant, Series 2012-B, dated the date hereof (herein called the "Series 2012-B Warrant"), which was authorized to be issued and were sold and awarded by the City's Ordinance No. _____ approved by the Council on August 6, 2012, (the "Ordinance"), or the power of the City to borrow money for the several purposes described in said Ordinance, or the validity of the sale and award of the Series 2012-B Warrant to PNC Bank, National Association (herein called the "Bank"), or the power or duty of the undersigned Mayor to manually execute the Series 2012-B Warrant or to cause the official seal of the City to be impressed thereon, or the power or duty of the City Treasurer to register the Series 2012-B Warrant in the records of the City maintained by him or her as a claim against the City, or the power or duty of the undersigned Mayor to deliver the Series 2012-B Warrant to the Bank upon payment to the City of the purchase price therefor, or the validity of the Series 2012-B Warrant as a general obligation of the City that is payable out of any funds of the City available therefor. The Ordinance has not been amended, repealed or revoked, and is still in full force and effect.

(5) The undersigned Mayor of the City has manually signed the Series 2012-B Warrant, and the undersigned City Clerk of the City has attested the Series 2012-B Warrant with his or her manual signature. An impression of the official seal of the City is hereunder affixed, which seal has been heretofore adopted as the official seal of the City and has been impressed on the Series 2012-B Warrant. The Series 2012-B Warrant was in the form prescribed therefor in the Ordinance approved by the Council on August 6, 2012. The undersigned have executed no warrants, other than the Series 2012-B Warrant, pursuant to the authority conferred upon them by the Ordinance.

(6) Pursuant to authority granted in the Ordinance, each of the undersigned Mayor of the City and the undersigned City Clerk of the City is authorized to execute and deliver, for and in the name and behalf of the City, such additional documents as may be required in connection with the funding and administration of the indebtedness evidenced by the Series 2012-B Warrant, including payment requisitions, the Bank's "Loan Disbursement Authorization" and the like.

(7) We have no knowledge or information of any agreement, representation, condition, understanding, stipulation or facts, whether oral or written or express or implied, respecting the authorization of the Series 2012-B Warrant, or the disposition of the proceeds therefrom, other than such facts as are set forth in the closing papers of which this certificate forms a part and in the other documents which have been furnished to the Bank and its counsel for their examination preliminary to the Bank's purchase of the Series 2012-B Warrant.

WITNESS our signatures in our respective capacities hereunder noted, under the seal of the City, this ____ day of August, 2012.

Mayor

City Clerk/Treasurer

[S E A L]

PAYMENT AND DELIVERY CERTIFICATE

We, the undersigned Mayor and the undersigned City Treasurer of the **CITY OF DECATUR, ALABAMA** (herein called the "City"), hereby certify that on the date of this certificate, PNC Bank, National Association, paid to the City the following, representing the full purchase price for the City's \$1,237,500 in principal amount General Obligation Warrant, Series 2012-B, dated the date hereof (herein called the "Series 2012-B Warrant"), viz.:

Dollar Price	\$1,237,500.00
Accrued interest on the Series 2012-B Warrant from dated date to the date of payment	<u>-0-</u>
Total Payment	<u>\$1,237,500.00</u>

DATED this ____ day of August, 2012.

Mayor

City Clerk/Treasurer

RECEIPT FOR WARRANT

The undersigned hereby acknowledges receipt from the **CITY OF DECATUR, ALABAMA** of the said City's \$1,237,500 in principal amount General Obligation Warrant, Series 2012-B, dated the date hereof, which has been delivered to the undersigned as the purchaser thereof.

DATED this ____ day of August, 2012.

PNC BANK, NATIONAL ASSOCIATION

By: _____
Its Authorized Representative

TAX CERTIFICATE AND AGREEMENT

This Tax Certificate and Agreement is entered into by the **City of Decatur, Alabama**, a municipal corporation organized and existing under the laws of the State of Alabama (the “City”).

ARTICLE 1

Introduction and Structure of Financing

SECTION 1.1 Identification of Issue

Simultaneously with the delivery of this Agreement, the City is issuing its \$1,237,500 General Obligation Warrant, Series 2012-B (the “Series 2012-B Warrant”) pursuant to an Warrant Ordinance No. _____, adopted by the governing body of the City on August 6, 2012 (the “Warrant Ordinance”). Capitalized terms not otherwise defined in this Agreement shall have the meanings assigned in the Warrant Ordinance.

SECTION 1.2 Plan of Financing

(a) **Purpose of Financing.** The Series 2012-B Warrant are being issued by the City to provide funds (i) to finance the costs of certain motor vehicles and other equipment (the “Warrant-Financed Equipment”) in the City and (ii) to pay the costs of issuing the Series 2012-B Warrant.

(b) **Sources and Uses of Funds.** The estimated sources and uses of funds for the plan of financing are identified in Exhibit 1.2(b) to this Agreement.

SECTION 1.3 Receipt of Sale Proceeds

The Series 2012-B Warrant will be sold on this date to PNC Bank, National Association (the “Purchaser”) for a purchase price computed as follows:

Principal amount of Series 2012-B Warrant	\$1,237,500.00
Less net original issue discount	-0-
Less Purchaser’s discount	-0-
Subtotal	1,237,500.00
Plus accrued interest	-0-
Total purchase price	<u>\$1,237,500.00</u>

SECTION 1.4 Disposition of Sale Proceeds

The proceeds of the Series 2012-B Warrant will be applied as follows:

(a) **No Accrued Interest.** Because the Series 2012-B Warrant will be dated the date of its issuance and delivery, there will be no accrued interest as part of the purchase price of the Series 2012-B Warrant.

(b) **Deposit to Acquisition Fund.** \$1,237,500.00 will be deposited in the Acquisition Fund established internally by the City and will be applied to the payment of the costs of certain Warrant-Financed Equipment and costs of issuance.

SECTION 1.5 References to Internal Revenue Code and Regulations

For purposes of this Agreement:

- (a) **“Internal Revenue Code”** means the Internal Revenue Code of 1986, as amended;
- (b) **“1954 Code”** means the Internal Revenue Code of 1954, as amended; and
- (c) **“Regulations”** means final, temporary and proposed regulations promulgated pursuant to the Internal Revenue Code and the 1954 Code.

ARTICLE 2

Qualification as Governmental Bond

SECTION 2.1 Description of the Warrant-Financed Equipment

The Warrant-Financed Equipment consist of the following motor vehicles: 17 police cars, 2 pickup trucks, 4 sports utility vehicles and such other capital equipment and/or capital improvements as funds permit and are approved by the City Council.

SECTION 2.2 Use of the Warrant-Financed Equipment

No person will have actual or beneficial use, direct or indirect, of the Warrant-Financed Equipment. The expected use of the Warrant-Financed Equipment will be as follows:

- (a) **Owner.** The City will have title to the Warrant-Financed Equipment and will be treated as the sole owner of the Warrant-Financed Equipment for federal income tax purposes.
- (b) **General Public.** The Warrant-Financed Equipment will be available for municipal use, which (i) will include natural persons not engaged in a trade or business and (ii) may include use by nongovernmental persons who are engaged in a trade or business, but only if such use is on the same basis as use by members of the general public (that is, natural persons not engaged in a trade or business). No preference or priority rights will be established with respect to the use or capacity of the Warrant-Financed Equipment. If used other than for municipal purposes, the Warrant-Financed Equipment will be made available for general public use either at no charge to any user, or at charges or rates that are generally applicable and uniformly applied for all users.

(c) **Incidental Use.** The Warrant-Financed Equipment may have use by persons providing incidental services such as pay telephones, vending machines, advertising displays and television cameras, but such incidental uses will not involve transfer of possession and control of space that is separated from other areas of the Warrant-Financed Equipment by walls, partitions or other barriers, and such incidental uses will not, in the aggregate, involve the use of more than 2.5%.

(d) **Services Provided.** Services may be provided with respect to the Warrant-Financed Equipment by nongovernmental persons, but only if:

(i) such persons are providing services that are solely incidental to the primary governmental function or functions of the Warrant-Financed Equipment (for example, contracts for janitorial, office equipment repair, hospital billing or similar services); or

(ii) such persons are providing services pursuant to contracts that comply with guidelines of Revenue Procedure 97-13.

(e) **Lessee or Manager.** The Warrant-Financed Equipment will not be leased to any person and will not be managed or operated by any person other than the City.

(f) **Incentive Payment Contracts.** No person will have any contract providing for incentive payments (including any share of net profits) with respect to the use or operation of the Warrant-Financed Equipment.

(g) **Research Agreements.** No person will enter into any research agreements with respect to the Warrant-Financed Equipment that will result in such person being treated as a lessee or owner of any portion of the Warrant-Financed Equipment for federal income tax purposes. Any research agreements with respect to the Warrant-Financed Equipment will comply with the guidelines of Revenue Procedure 97-14.

SECTION 2.3 Private Loans

Proceeds of the Series 2012-B Warrant will not be used to make or finance loans to persons other than governmental units, and no person other than the City will be treated as the owner of any portion of the Warrant-Financed Equipment for federal income tax purposes.

ARTICLE 3

Arbitrage and Rebate

SECTION 3.1 Identification of Gross Proceeds

(a) **Gross Proceeds.** The “gross proceeds” of the Series 2012-B Warrant for purposes of the arbitrage and rebate requirements are expected to include the following:

(1) **Sale proceeds.** Proceeds received from the sale of the Series 2012-B Warrant, which are being applied as provided in Article 1. Funds and accounts established under the plan of financing that will hold sale proceeds are identified in Section 3.1(c) below.

(2) **Investment proceeds.** Investment earnings on Series 2012-B Warrant sale proceeds until such proceeds are expended for the purpose or purposes of the issue. Funds and accounts established under the plan of financing that will hold investment proceeds are identified in Section 3.1(c) below.

(3) **Replacement proceeds.** Replacement proceeds, which includes money from a source other than sale or investment proceeds (e.g., the City's revenues) that meets one of the following tests:

(A) The money is expected to be used to pay principal or interest on the Series 2012-B Warrant.

(B) The money is pledged directly or indirectly as security for payment of the Series 2012-B Warrant, and there is reasonable assurance that the money will be available to pay debt service if financial difficulty is encountered.

Funds and accounts established under the plan of financing that will hold replacement proceeds are described in Section 3.1(d) below.

(b) **Funds and Accounts Established Under Plan of Financing.** The Warrant Ordinance establishes the following funds and accounts: the Warrant Fund. The City will establish the Acquisition Fund internally.

(c) **Funds and Accounts Holding Sale and Investment Proceeds.** The Acquisition Fund will be the only fund or accounts established under the plan of financing that will hold sale or investment proceeds.

(d) **Funds and Accounts Holding Replacement Proceeds.** The Warrant Fund is the only fund or account established under the plan of financing that will hold replacement proceeds.

SECTION 3.2 Yield on Series 2012-B Warrant

(a) **Yield.** The Series 2012-B Warrant will be fixed-rate Warrant, and the yield on the Series 2012-B Warrant is computed to be _____%.

(b) **Initial Offering Price.** The yield on the Series 2012-B Warrant is based on the initial offering price, computed as follows:

Principal amount of Series 2012-B Warrant	\$1,237,500.00
Less net original issue discount	-0-
Plus accrued interest	-0-
Total purchase price	<u>\$1,237,500.00</u>

(c) **Simultaneous Issues.** Except for the City's \$1,354,000 General Obligation Warrant, Series 2012-C and the City's \$2,750,000 General Obligation Warrant, Series 2012-D, both of which are being issued contemporaneously with the issuance of the Series 2012-B Warrant, there are no tax-exempt bonds, warrants or other tax-exempt obligations that (i) were sold within 15 days of the date of sale of the Series 2012-B Warrant, (ii) provide financing for the City or any related or affiliated person and (iii) are part of the same plan of financing.

SECTION 3.3 Investment of Gross Proceeds

(a) **Improvements Fund and Issuance Expense Account.** Proceeds held by the City in the Improvement Fund will be used to pay the costs of acquiring and constructing the Warrant-Financed Equipment.

(1) **Expenditure Test.** All issuance expenses are expected to be paid either directly at closing within 30 days following issuance of the Series 2012-B Warrant. All of the Warrant-Financed Equipment is expected to be acquired by March 1, 2013. The entire principal proceeds from the sale of the Series 2012-B Warrant and any investment income therefrom will be expended by April 1, 2013.

(2) **Time Test.** A binding obligation or obligations to third parties for some part of the Warrant-Financed Equipment in excess of 5% of net sale proceeds of the Series 2012-B Warrant will be incurred by the City within 6 months of the date of issuance of the Series 2012-B Warrant.

(3) **Due Diligence Test.** Work on or acquisition of the Warrant-Financed Equipment will proceed with due diligence to completion.

(4) **Payment of Costs of Issuance.** All costs of issuance financed with proceeds of the Series 2012-B Warrant will be paid within 30 days from the date of issuance of the Series 2012-B Warrant.

Money in the Acquisition Fund may be invested at an unrestricted yield pursuant to the temporary period provisions of Section 148(c)(1) of the Internal Revenue Code and § 1.148-2(e)(2) of the Regulations.

(b) **Warrant Fund.** The Warrant Fund is designed primarily to achieve a proper matching of revenues and debt service within each Warrant year. Any money deposited in the Warrant Fund will be spent within a 13-month period beginning on the date of deposit, and any amount received from the investment of money held in the Warrant Fund will be spent within a 12-month period beginning on the date of receipt. Money in the Warrant Fund may be invested at an unrestricted yield pursuant to Regulations § 1.148-2(e)(5).

SECTION 3.4 Overissuance

The original proceeds of the Series 2012-B Warrant (net amount remaining after payment of all expenses of issuance) will not exceed the amount necessary for the purpose or purposes of the issue.

SECTION 3.5 Artifice or Device

No artifice or device has been employed in the issuance of the Series 2012-B Warrant that attempts to circumvent the provisions of Sections 103 and 148 of the Internal Revenue Code or the related Regulations relating to “arbitrage bonds”. The terms of issuance of the Series 2012-B Warrant are not designed to enable the City to exploit the difference between tax-exempt and taxable interest rates to gain a material financial advantage. Furthermore, issuance of the Series 2012-B Warrant will not increase the burden on the market for tax-exempt obligations by selling obligations that would not otherwise be sold, by selling more obligations than would otherwise be necessary, or by issuing obligations sooner or allowing them to remain outstanding longer than would otherwise be necessary.

SECTION 3.6 Relationship of Maturity to Economic Life

(a) **Warrant Maturity.** The weighted average maturity of the Series 2012-B Warrant is _____ years.

(b) **Asset Life of Warrant-Financed Equipment.** The remaining average life of the Warrant-Financed Equipment is greater than 3 years.

ARTICLE 4

Other Requirements for Tax-Exempt Status

SECTION 4.1 Information Reporting

Form 8038-G executed by the City in connection with the issuance of the Series 2012-B Warrant is accurate and complete in all material respects and will be submitted to the Secretary of the Treasury not later than November 15, 2012.

ARTICLE 5

Covenants Regarding Continued Tax-Exempt Status

SECTION 5.1 General Covenants

(a) The City covenants and agrees that it will not take any action, or fail to take any action, if such action or failure to act would cause interest on the Series 2012-B Warrant to be Taxable. “Taxable” shall mean that for purposes of federal income taxation interest on the Series 2012-B Warrant is includible in the gross income of any Holder thereof Interest on the Series 2012-B Warrant shall not be deemed “Taxable” because interest is includible in any calculation of income for purposes of an alternative minimum tax, a foreign branch profits tax or any other type of taxation other than the regular tax imposed on gross income.

(b) The City covenants and agrees that the proceeds of the Series 2012-B Warrant shall not be used or applied in a manner that would cause any Series 2012-B Warrant to be an arbitrage Warrant, within the meaning of Section 148 of the Internal Revenue Code.

SECTION 5.2 Continued Qualification as Governmental Bond

The City covenants and agrees that, to the extent necessary for the Series 2012-B Warrant to remain tax-exempt:

(1) **Private Business Use Tests.** Either:

(A) **Private Business Use Test.** Not more than 10% of the proceeds of the Series 2012-B Warrant shall be used in any private business use; or

(B) **Private Security or Payment Test.** Not more than 10% of the debt service on the Series 2012-B Warrant shall be directly or indirectly (i) secured by any interest in property used or to be used for a private business use, or payments in respect of such property, or (ii) derived from payments in respect of property or borrowed money used or to be used for a private business use.

The test described in this paragraph shall be applied by changing 10% to 5% with respect to any proceeds used for unrelated or disproportionate private business use.

(2) **Private Loan Financing Test.** Not more than 5% of the proceeds of the Series 2012-B Warrant shall be used to make or finance loans to persons other than governmental units.

(3) **Representations in this Agreement.** The City shall not take any action, or fail to take any action, if such action or failure to act would cause any representation in this Agreement to be incorrect or inaccurate.

SECTION 5.3 Rebate.

The City will take all action necessary to comply with the requirements of Section 148 of the Internal Revenue Code and applicable regulations thereunder, including preparing or causing to be prepared such reports required by Section 148 of the Internal Revenue Code and applicable regulations showing the amounts, if any, that will be required to be paid to the United States of America pursuant to the provisions of said Section 148 as of the end of all required computation periods. The City will timely pay to the United States of America all amounts required to be so paid in accordance with said Section 148 and applicable regulations and will maintain all records required to be maintained pursuant to said Section 148 and applicable regulations. The City agrees to furnish to the Purchaser of the Series 2012-B Warrant such reports, certificates and documentation (including, without limitation, certificates of accountants and opinions of counsel) as they may reasonably request to evidence compliance with the provisions hereof.

ARTICLE 6

Miscellaneous

SECTION 6.1 Purpose of Agreement

This Agreement is entered into for the benefit of the holder of the Series 2012-B Warrant (i.e., the Purchaser). Pursuant to Section 7 of the Warrant Ordinance, the City has agreed to comply with the terms of this Agreement.

SECTION 6.2 Agreement to Constitute Arbitrage Certificate

Article 3 and related portions of this Agreement shall constitute an “arbitrage certificate” that is being executed and delivered pursuant to the Regulations prescribed under the Internal Revenue Code, and the undersigned are officers charged with the responsibility of issuing the Series 2012-B Warrant.

SECTION 6.3 Reasonable Expectations

To the best of the knowledge and belief of the undersigned, the expectations set forth in this Agreement are reasonable.

SECTION 6.4 Reliance

The Purchaser may rely upon the facts, expectations and representations made in this Agreement in its understanding that interest on the Series 2012-B Warrant is excluded from gross income of the Purchaser for purposes of federal income taxation. The City acknowledges that such facts, expectations and representations must be true and correct as of this date and that the City must comply with the covenants contained in Article 5 hereof in order for interest on the Series 2012-B Warrant to be and remain tax-exempt.

IN WITNESS WHEREOF, the City has caused this Agreement to be executed and delivered by its duly authorized officer.

Dated: August ____, 2012

Don Stanford, Mayor

EXHIBIT 1.2(b)

Sources and Uses of Funds

Sources:

Warrant Principal Proceeds	\$1,237,500.00
Accrued Interest	-0-
Original Issue Discount	<u>-0-</u>
Total Sources	<u>\$1,237,500.00</u>

Uses:

Acquisition Fund	\$1,234,500.00
Purchaser's Discount	-0-
Issuance Expenses	<u>3,000.00</u>
Total Uses	<u>\$1,237,500.00</u>