

April 20, 2016

City Council of the
City of Palm Coast, Florida

Garganese, Weiss & D'Agresta, P.A.
Orlando, Florida

Ameris Bank
Palm Coast, Florida

\$40,193,000
CITY OF PALM COAST, FLORIDA
UTILITY SYSTEM REFUNDING REVENUE NOTE, SERIES 2016

Ladies and Gentlemen:

We have acted as Note Counsel to our client, the City of Palm Coast, Florida (the "Issuer") in connection with the issuance by the Issuer of its \$40,193,000 Utility System Refunding Revenue Note, Series 2016 (the "Note"), pursuant to and under the authority of Article VIII, Section 2, of the Constitution of the State of Florida, Chapter 159, Part I and Chapter 166, Part II, Florida Statutes, as amended, the Charter of the Issuer, and other applicable provisions of law, the Master Utility System Bond Resolution No. 2003-22, as amended, duly adopted by the City Council of the Issuer on September 30, 2003 (the "Master Resolution") and Resolution No. 2016-23 duly adopted by the City Council of the Issuer on March 29, 2016 (the "Resolution" and together with the Master Resolution the "Note Legislation") and the Loan Agreement dated as of April 20, 2016 (the "Loan Agreement") between the Issuer and Ameris Bank. In such capacity, we have examined such law and, certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. Any capitalized undefined terms used herein shall have the meaning set forth in the Note Legislation and the Loan Agreement.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Note Legislation and the Loan Agreement and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Garganese, Weiss, D'Agresta, P.A, City Attorney, as to the due creation and valid existence of the Issuer, the due adoption of the Note Legislation, the due execution and delivery of the Loan Agreement and the Note, and the compliance by the Issuer with all conditions contained in ordinances and resolutions of the Issuer precedent to the issuance of the Note.

The Note is payable from and is secured by the Pledged Revenues which consist primarily of Net Revenues of the System, the Sewer System Capital Facilities Fees and the Water System Capital Facilities Fees, on a parity and equal status with the Issuer's outstanding Utility System Refunding Revenue Bonds, Series 2013 (the "Parity Bonds") heretofore issued under the Master Resolution, in the manner and to the extent provided in the Master Resolution. Pursuant to the terms, conditions and limitations contained in the Master Resolution, the Issuer has reserved the right to issue Additional Parity Obligations in the future which shall have a lien on the Pledged Revenues equal to that of the Note and the Parity Bonds.

The Note does not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional statutory or other limitation of indebtedness and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power of the Issuer or taxation in any form on any real or personal property for the payment of the principal of or interest on the Note.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based on our examination, we are of the opinion that, under existing law:

1. The Note Legislation and the Loan Agreement constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their respective terms.
2. The Note is a valid and binding limited obligation of the Issuer enforceable in accordance with its terms, payable solely from the Pledged Revenues in the manner and to the extent provided in the Note Legislation and the Loan Agreement.
3. The Master Resolution creates a valid lien upon the Pledged Revenues for the security of the Note on a parity with the Parity Bonds and any Additional Parity Obligations hereafter issued, all in the manner and to the extent provided in the Master Resolution.
4. Interest on the Note is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Note will be taken into account in

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determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinions set forth in the preceding two sentences is subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended, (the "Code") that must be satisfied subsequent to the issuance of the Note in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted in the Loan Agreement to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Note to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Note.

It is to be understood that the rights of the owner of the Note and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

For purposes of this opinion, we have not been engaged or undertaken to review and therefore, express no opinion herein regarding the accuracy, completeness or adequacy of any offering material relating to the Note. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Note. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Issuer or the purchaser of the Note with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Note or regarding the perfection or priority of the lien on the Pledged Revenues except as described in paragraph 3 above. Further, we express no opinion regarding federal income or state tax consequences arising with respect to the Note other than as expressly set forth herein.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof. No one other than the addressees may rely upon this opinion. Delivery of this opinion to non-clients does not create an attorney-client relationship.

Very truly yours,


BRYANT MILLER OLIVE P.A.

Bryant Miller Olive

Attorneys at Law
255 South Orange Avenue
Suite 1350
Orlando, FL 32801
Tel 407.426.7001
Fax 407.426.7262
www.bmolaw.com

April 20, 2016

City of Palm Coast, Florida
Palm Coast, Florida

Ameris Bank
Palm Coast, Florida

Wells Fargo Bank, N.A.,
as Escrow Agent
Chicago, Illinois

National Public Finance Guarantee
Corporation
Armonk, New York

Ladies and Gentlemen:

We have acted as Note Counsel to the City of Palm Coast, Florida (the "City"), in connection with the issuance by the City of its \$40,193,000 aggregate principal amount of Utility System Refunding Revenue Note, Series 2016 (the "Note") and we have participated in various proceedings relating thereto. The Note is being issued to advance refund the City's outstanding Utility System Revenue Bonds, Series 2007 (the "Refunded Bonds") as described in the Escrow Deposit Agreement, dated as of April 20, 2016 (the "Escrow Deposit Agreement") by and between the City and Wells Fargo Bank, N.A., as Escrow Agent. All terms not otherwise defined herein shall have the meanings ascribed thereto in the Escrow Deposit Agreement, or the hereinafter defined Bond Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Escrow Deposit Agreement; the certified proceedings; and other certifications furnished to us by or on behalf of the City, without undertaking to verify the same by independent investigation.

The Refunded Bonds were issued pursuant to Resolution No. 2003-22 adopted by the City on September 30, 2003, as amended and supplemented (the "Master Bond Resolution"), and Resolution 2006-24 adopted by the City on December 19, 2006 (together, the "Bond Resolution").

City of Palm Coast, Florida
Ameris Bank
Wells Fargo Bank, N.A., as Escrow Agent
National Public Finance Guarantee Corporation
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Assuming the deposit and the application of cash with and by the Escrow Agent in accordance with the terms and provisions of the Escrow Deposit Agreement, such deposit and application will result in a defeasance of the Refunded Bonds, in accordance with Section 24 of Master Bond Resolution and the Refunded Bonds will no longer be Outstanding under the Bond Resolution.

In rendering the opinion set forth above, we are relying upon the arithmetical accuracy of certain computations included in the verification report of Grant Thornton LLP, Minneapolis, Minnesota, dated as of the date hereof wherein there is presented the adequacy of amounts deposited with the Escrow Agent to pay the principal of, redemption premium, if any, and interest on the Refunded Bonds.

Our opinion expressed herein is predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof. Delivery of this opinion to non-clients does not create an attorney-client relationship.

Respectfully submitted,


BRYANT MILLER OLIVE P.A.

GARGANESE, WEISS & D'AGRESTA, P.A.

Attorneys at Law

111 N Orange Ave., Suite 2000
P.O. Box 2873
Orlando, Florida 32802-2873
Phone (407) 425-9566
Fax (407) 425-9596

April 20, 2016

City Council of the
City of Palm Coast, Florida

Ameris Bank Palm
Coast, Florida

Bryant Miller Olive P. A.
Orlando, Florida

\$40,193,000

City of Palm Coast, Florida

Utility System Refunding Revenue Note, Series 2016

We have served as City Attorney to the City of Palm Coast, Florida (the "City") in connection with the issuance by the City of its Utility System Refunding Revenue Note, Series 2016 (the "Note"), pursuant to Resolution No. 2003-22 duly adopted by the City Council of the City on September 30, 2003, as amended, (the "Master Resolution") and Resolution No. 2016-23 adopted by the City Council of the City on March 29, 2016 (the "Resolution" and together with the Master Resolution, the "Note Legislation"), and the Loan Agreement dated April 20, 2016 (the "Loan Agreement") by and between the City and Ameris Bank (the "Bank"). All undefined capitalized terms used herein shall have the meanings ascribed in the Note Legislation and the Loan Agreement.

As to questions of fact material to our opinion, we have relied upon representations of the City contained in the Note Legislation by the City Council and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates, and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to original documents submitted as copies. It is also understood that the City has relied on Note Counsel, Bryant Miller & Olive, P.A., for the issuance of legal advice and opinions regarding the Note Legislation, Note, Loan Agreement, and related instruments.

Whenever in this opinion a matter is limited by the term "to the best of our knowledge" such statement is deemed to refer to our actual knowledge and excludes imputed knowledge, and we disclaim any duty to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that as of the date of this letter:

1. The City is a municipal corporation within the State of Florida, duly created and validly existing and has full legal right, power and authority to adopt, enact and perform its obligations under the Note Legislation, and to authorize, execute and deliver and to perform its obligations under the Loan Agreement and the Note.

2. The City has duly adopted or enacted, as the case may be, the Note Legislation and such instruments constitute legal, binding and valid obligations of the City, enforceable in accordance with their respective terms; provided, however, the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity and the exercise of judicial discretion.

3. Except for post-closing disclosures to be filed with the State Division of Bond Finance and Form 8038G to be filed with the Internal Revenue Service, all authorizations, consents, approvals, enactments and reviews of governmental bodies or regulatory authorities required for the City's adoption, enactment, execution, approval and performance of the Loan Agreement, the Note and the Note Legislation have been obtained, provided that no opinion is expressed with respect to any authorizations, consents, approvals or reviews required by the securities laws of the United States of America or of any state, or of any other jurisdiction.

4. The meetings of the City during which matters relating to the Note were considered were held in accordance with all applicable ordinances, rules and all of the laws of the State that govern the meetings of the City.

5. The Loan Agreement and the Note have been duly executed and delivered, and the City is in compliance with all conditions in the Note Legislation and the Loan Agreement precedent to the issuance of the Note.

6. To the best of our knowledge after due inquiry, as of the date hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best of our knowledge, threatened against the City, affecting or

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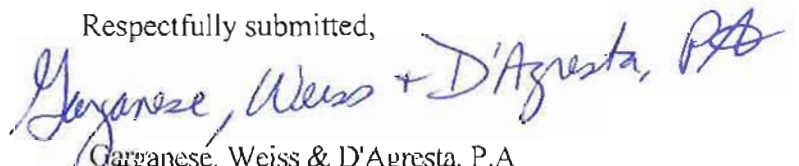
seeking to prohibit, restrain or enjoin the City from entering into the Loan Agreement or the issuance or delivery of the Note or contesting or affecting as to the City the validity or enforceability of the Act in any respect relating to the authorization of the Loan Agreement or authorization for the issuance of the Note and the Note Legislation, or contesting the tax-exempt status of interest on the Note, or contesting the powers of the City to collect the Pledged Revenues as provided in the Loan Agreement or any authority for the issuance of the Note or the adoption of the Note Legislation. Notwithstanding the foregoing, we express no opinion on the applicability of any approvals, consents and orders as may be required under the Blue Sky or securities laws or legal investment laws of any state in connection with the offering and sale of the Note or in connection with the registration of the Note under the Federal Securities laws.

In accordance with our understanding with the parties participating in the closing on the date hereof, we have not passed upon and consequently express no opinion as to the accuracy or completeness of any offering literature that may have been used in connection with the offering or placement of the Note. We have not passed upon any matters relating to the financial condition of the City, and no inference should be drawn that we have expressed any opinion on matters relating to the financial ability of the City to perform its obligations under the Note Legislation, the Loan Agreement and the Note.

With respect to our foregoing opinion, in its entirety, we express no opinion as to matters governed by any laws other than the laws of the state of Florida. This opinion is furnished by us as counsel for the City, and may be relied upon solely by the addressees hereof and solely in connection with the transaction to which this opinion relates.

Our opinions expressed herein are predicated upon present law (and interpretations thereof)/ facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws (and interpretations thereof), facts or circumstances change after the date hereof.

Respectfully submitted,


Garganese, Weiss & D'Agresta, P.A.
City Attorney

\$40,193,000
City of Palm Coast, Florida
Utility System Refunding Revenue Note,
Series 2016

**TAX CERTIFICATE AS TO ARBITRAGE AND
THE PROVISIONS OF SECTIONS 141-150 OF
THE INTERNAL REVENUE CODE OF 1986, AS AMENDED**

In connection with the issuance by the City of Palm Coast, Florida (the "City") of its \$40,193,000 Utility System Refunding Revenue Note, Series 2016 (the "Series 2016 Note"), the City makes and enters into the following Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, as amended (the "Code").

The City acknowledges that the opinion of Note Counsel regarding the exclusion of interest on the Series 2016 Note from gross income under Section 103(a) and Sections 141-150 of the Code is rendered in reliance upon the representations and statements of fact and expectations contained herein and assumes the City's continued compliance with the provisions of this Certificate.

1. The Series 2016 Note is being issued pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 159, Part I, and Chapter 166, Part II, Florida Statutes, as amended, the City Charter of the City and Resolution No. 2003-22 adopted by the City Council of the City (the "City Council") on September 30, 2003, as amended and supplemented, and particularly as amended and supplemented by Resolution No. 2016-23 adopted by the City Council on March 29, 2016 (collectively, the "Resolution") to provide for the deposit of the proceeds of the Series 2016 Note and other legally available moneys of the City to various funds and accounts established pursuant to the Resolution and the transfer of money to Wells Fargo Bank, National Association, as Escrow Agent (the "Escrow Agent") pursuant to the terms of an Escrow Deposit Agreement dated as of April 20, 2016 between the City and the Escrow Agent ("Escrow Agreement"):

(a) to advance refund the outstanding principal amount of the City's Utility System Revenue Bonds, Series 2007 (the "Series 2007 Bonds"); and

(b) to pay the costs of issuing the Series 2016 Note (the "Issuance Expenses").

Unless otherwise specifically defined, all capitalized terms used in this Certificate shall have the meanings as those set forth in the Resolution or in Sections 1.148-1 through 1.148-10 and Section 1.150-1 of the Income Tax Regulations (the "Regulations").

2. The refunding of the Series 2007 Bonds is being undertaken by the City in order to realize a significant present value interest cost savings. The callable Series 2007 Bonds will be redeemed on April 1, 2017, which is the first optional redemption date for the Series 2007 Bonds. The Series 2007 Bonds were issued for the purpose of financing a portion of the costs of certain capital improvements to the City's water and wastewater utility system which were included in the City's Five Year Capital Improvement Plan (collectively, the "2007 Project").

3. On the basis of the facts, estimates and circumstances in existence on the date hereof, I reasonably expect the following with respect to the Series 2016 Note and as to the use of the proceeds thereof:

(a) Proceeds in the amount of \$40,193,000.00 (the "Sale Proceeds") from the sale of the Series 2016 Note to Ameris Bank (the "Original Purchaser") are expected to be needed and fully expended as follows:

(i) \$161,551.25 of said proceeds will be used to pay the Issuance Expenses; and

(ii) \$40,031,448.75 of said proceeds, together with \$632,500.00 previously accumulated to pay debt service on the Series 2007 Bonds and \$3,130,931.26 previously on deposit in the Reserve Fund, will be deposited with the Escrow Agent, \$1.01 of which will remain uninvested in cash and \$43,794,879.00 of which will be used to acquire certain U.S. Treasury Obligations – State and Local Government Series ("SLGS"), which mature at such times, together with the interest earned thereon, as will be necessary to pay the principal of and interest on the Series 2007 Bonds as it comes due, and to provide for the redemption of the Series 2007 Bonds on April 1, 2017.

(b) The SLGS purchased with proceeds of the Series 2016 Note (the "Restricted Escrow Investments") are more fully described in the Schedules attached as Exhibit A hereto, which were prepared by FirstSouthwest, a division of Hilltop Securities Inc. (the "Financial Advisor") in connection with the issuance of the Series 2016 Note. SLGS purchased with amounts previously on deposit in the Reserve Fund will be invested on a pro-rata basis with the Restricted Escrow Investments. SLGS purchased with amounts previously accumulated to pay debt service on the Series 2007 Bonds (the "Unrestricted Escrow Investments") will be used to pay debt service on the Series 2007 Bonds on October 1, 2016, the next payment date on the Series 2007 Bonds. The Unrestricted Escrow Investments constitute a portion of the earliest maturing investments in the Escrow Account. The Unrestricted Escrow Investments are more fully described in the Schedules attached as Exhibit A hereto.

(c) The total proceeds to be received from the sale of the Series 2016 Note, together with investment earnings thereon and certain funds made available as a result

of the refunding of the Series 2007 Bonds, do not exceed the total of the amounts necessary for the purposes described above.

(d) The City does not expect to sell or otherwise dispose of any property comprising a part of the 2007 Project prior to the final maturity date of the Series 2016 Note, except such minor parts or portions thereof as may be disposed of due to normal wear, obsolescence, or depreciation in the ordinary course of business.

4. On the date of issuance of the Series 2007 Bonds, it was reasonably expected that not less than 85% of the Spendable Proceeds of the Series 2007 Bonds would be used to carry out the governmental purposes of such issue within three years of the date of issuance thereof. Not more than 50%, if any, of the proceeds of the Series 2007 Bonds were invested in obligations having a substantially guaranteed yield for four years or more.

5. Pursuant to the Resolution, there is no Reserve Fund created for the Series 2016 Note.

6. On a monthly basis the City will transfer Net Revenues of the System from the Revenue Fund to the Bond Service Fund to provide for the payment of debt service on the Series 2016 Note. In certain cases, the City may transfer Water System Capital Facilities Fees from the Water System Capital Facilities Fees Fund and Sewer System Capital Facilities Fees from the Sewer System Capital Facilities Fees Fund to the Bond Service Fund to pay a portion of the debt service on the Series 2016 Note. The portion of the Bond Service Fund allocable to the Series 2016 Note, the portion of the Revenue Fund allocated to pay debt service on the Series 2016 Note, and the portions of the Water System Capital Facilities Fees Fund or the Sewer System Capital Facilities Fees Fund, if any, allocated to pay debt service on the Series 2016 Note (collectively, the "Debt Service Funds") will be used primarily to achieve a proper matching of Pledged Revenues and the debt service on the Series 2016 Note within each bond year, and amounts deposited in such fund will be depleted at least once a year except for a reasonable carryover amount not to exceed the greater of (A) the earnings on such fund for the immediately preceding bond year, or (B) one-twelfth of the debt service on the Series 2016 Note for the immediately preceding bond year.

7. Other than the Debt Service Funds, there are no other funds or accounts of the City established pursuant to the Resolution or otherwise that are reasonably expected to be used to pay debt service on the Series 2016 Note or for which there is a reasonable assurance on the part of the Original Purchaser that amounts therein would be available to pay debt service on the Series 2016 Note if the City encounters financial difficulties.

8. As of October 1, 2016, the first date that proceeds of the Series 2016 Note are used to pay principal of the Series 2007 Bonds, there will be no unspent proceeds of the Series 2007 Bonds.

9. The amounts derived from the sale of the Series 2016 Note and amounts deposited in the funds and accounts described herein may be invested as follows:

(a) Sale Proceeds to be applied to the payment of Issuance Expenses may be invested at an unrestricted yield for a period not to exceed 13 months from the date hereof.

(b) Investment earnings on obligations acquired with amounts described in subparagraph (a) above may be invested at an unrestricted yield for a period not to exceed one year from the date of receipt.

(c) Amounts described in subparagraphs (a) and (b) that may not be invested at an unrestricted yield pursuant to such subparagraphs, may be invested at an unrestricted yield to the extent such amounts do not exceed \$100,000 (the "Minor Portion").

(d) Amounts described in subparagraph (d), not invested at an unrestricted yield pursuant to such subparagraph, shall be invested at a yield not in excess of the yield on the Series 2016 Note plus 1/8 of one percentage point or invested in tax-exempt obligations under Section 103(a) of the Code the interest on which is not an item of preference within the meaning of Section 57(a)(5) of the Code.

(e) Amounts deposited in the Debt Service Funds allocated to pay debt service on the Series 2016 Note may be invested at an unrestricted yield for a period of thirteen months from the date of deposit to such fund. Earnings on such amounts which are retained in such funds may be invested at an unrestricted yield for a period not exceeding 13 months from the date of receipt of the amount earned.

(f) Amounts applied to acquire the Restricted Escrow Investments for the purpose of refunding the Series 2007 Bonds shall be invested at a yield which is not in excess of the yield of the Series 2016 Note. Pursuant to Section 1.148-9(g) of the Regulations, the City hereby waives its right to invest proceeds of the Series 2016 Note allocated to the Restricted Escrow Investments at a yield materially higher than the yield of the Series 2016 Note during the temporary period specified in Section 1.148-9(d)(2)(i) of the Regulations.

(g) Amounts described in subparagraph (e) that may not be invested at an unrestricted yield pursuant to such subparagraph may be invested at an unrestricted yield to the extent such amount does not exceed the Minor Portion reduced by the amounts described in subparagraph (c) that are invested at a yield in excess of the yield of the Series 2016 Note.

(h) Amounts described in subparagraph (g) that may not be invested at an unrestricted yield pursuant to such subparagraph shall be invested at a yield not in excess of the yield of the Series 2016 Note or be invested in tax-exempt obligations under Section 103(a) of the Code the interest on which is not an item of preference within the meaning of Section 57(a)(5) of the Code.

10. For purposes of this Certificate, "yield" means that yield which when used in computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the purchase price of such obligation. The yield of obligations acquired with amounts described in Paragraph 9 and the yield of the Series 2016 Note is calculated by the use of the same frequency interval of compounding interest. In the case of the Series 2016 Note, the purchase price is \$40,193,000.00. The purchase price of the Series 2016 Note and the interest rate thereon were arrived at as a result of an arms length negotiation between the City and the Original Purchaser. The Original Purchaser has represented to the City that it is acquiring the Series 2016 Note for its own account, and is not acting as a broker or other intermediary for the purpose of reselling the Series 2016 Note to other investors. Any investments acquired with amounts which may not be invested at an unrestricted yield pursuant to Paragraph 9 or which are subject to the rebate requirement described in Paragraph 17 hereof shall be purchased at prevailing market prices and shall be limited to securities for which there is an established market or shall be invested in United States Treasury Obligations - State and Local Government Series or in tax-exempt bonds under Section 103(a) of the Code the interest on which is not an item of tax preference within the meaning of Section 57(a)(5) of the Code.

In accordance with such meaning of the term "yield", the yield of the Series 2016 Note has been determined by the Financial Advisor to be not less than 2.480074%, as shown on the Schedules attached as Exhibit A hereto. The yield on the Restricted Escrow Investments has been determined to be not greater than 0.606019%, which is less than the yield of the Series 2016 Note, as shown in the schedules attached as Exhibit A hereto. Such determinations as to yield have been made on the basis of computations performed by the Financial Advisor which have been verified by Grant Thornton LLP (the "Verification Agent"), as shown in their report of even date herewith.

11. No portion of the proceeds of the Series 2016 Note will be used as a substitute for other moneys of the City which were otherwise to be used to pay debt service on the Series 2007 Bonds and which have been or will be used to acquire, directly or indirectly, obligations producing a yield in excess of the yield of the Series 2016 Note.

12. The weighted average maturity of the Series 2016 Note does not exceed 120% of the reasonably expected average remaining economic life of the assets financed with the proceeds of the Series 2007 Bonds (within the meaning of Section 147(b) of the Code).

13. No action which overburdens the tax-exempt bond market (within the meaning of Section 1.148-10(a) of the Regulations) has been or is expected to be taken in connection with the Series 2016 Note. In particular, no portion of the Series 2016 Note has been issued earlier, or allowed to remain outstanding longer, than is otherwise reasonably necessary to accomplish the governmental purposes of the Series 2016 Note. Furthermore, each action taken or expected to be taken in connection with the Series 2016 Note would reasonably be taken if the interest on the Series 2016 Note were not excluded from gross income for federal income tax purposes (assuming that the hypothetical taxable interest rates would be the same as the actual tax-exempt rates on the Series 2016 Note).

14. Neither the City nor any related entity has entered or is expected to enter into any hedging transaction (such as an interest rate swap, cap or collar transaction) with respect to the Series 2016 Note.

15. There are no other obligations of the City that (A) are being sold at substantially the same time as the Series 2016 Note (within 15 days), (B) are being sold pursuant to a common plan of financing together with the Series 2016 Note, and (C) will be paid out of substantially the same source of funds as the Series 2016 Note.

16. The City is not aware of any facts or circumstances that would cause it to question the accuracy of the representations made by the Original Purchaser described in Paragraph 10 hereof, or the accuracy of the computations performed by the Financial Advisor or the Verification Agent.

17. The City has covenanted in the Resolution that so long as the Series 2016 Note remains outstanding, the moneys on deposit in any fund or account maintained in connection with the Series 2016 Note will not be used in any manner that would cause the Series 2016 Note to be an "arbitrage bond" within the meaning of Section 148 of the Code and the Regulations. Accordingly, the City shall comply with the guidelines and instructions in the Arbitrage Letter of Instructions from Note Counsel, dated the date hereof, by which the City shall, except as otherwise provided in such Letter of Instructions, pay or cause to be paid to the United States an amount equal to the sum of (i) the excess of the aggregate amount earned from the investment of "Gross Proceeds" of the Series 2016 Note from the date of issue over the amount that would have been earned if such amounts had been invested at a yield equal to the yield of the Series 2016 Note, plus (ii) the income or earnings attributable to the excess amount described in (i). See Exhibit B attached hereto.

18. The City will take no action which would cause the Series 2016 Note to be a "private activity bond" within the meaning of Section 141 of the Code. The City will not permit any person other than a state or local governmental unit or as a member of the general public (a "Nonexempt Person") to use, through sale, lease, management contract, output contract or similar agreement, any portions of the 2007 Project which, in the aggregate exceed 10 percent of the 2007 Project (based upon the cost of such portions of the 2007 Project). The percentage

limitation described in the preceding sentence shall be reduced to 5 percent if the private use of the 2007 Project is not related to any governmental use or is disproportionate to governmental use, all as described in Section 141(b)(3) of the Code.

19. The City acknowledges that in determining whether all or any portion of the 2007 Project is used, directly or indirectly, in the trade or business of a Nonexempt Person for purposes of Paragraph 18 above, use of any portion of the 2007 Project by a Nonexempt Person pursuant to a lease, management contract, service contract, output contract or other arrangement must be examined. The City represents that all management and service contracts with persons who are not employees of the City for use of any portion of the 2007 Project will comply with the guidelines set forth in IRS Revenue Procedure 97-13, unless the City receives an opinion from Note Counsel that such contract will not adversely impact the exclusion of interest on the Series 2016 Note from gross income for purposes of federal income taxation. The City agrees to maintain copies of all leases, management contracts, service contracts, output contracts, and other preferential use arrangements with Nonexempt Persons with respect to the use of the 2007 Project throughout the term of the Series 2016 Note and for a period of three years thereafter.

20. The City represents that the 2007 Project has been owned and operated in a manner which complies with the requirements set forth in Paragraph 18 above from the placed in service dates of the various components of the 2007 Project until the date of issuance of the Series 2016 Note. The City reasonably expects that the 2007 Project will be owned and operated in a manner which complies with the requirements set forth in Paragraph 18 above while the Series 2016 Note are outstanding. The City will not change the ownership or use of all or any portion of the 2007 Project in a manner that fails to comply with Paragraph 18 above, unless it receives an opinion of Note Counsel that such change of ownership or use will not adversely affect the exclusion of interest on the Series 2016 Note from gross income for federal income tax purposes.

21. Except for an amount no in excess of 1% of the Sale Proceeds of the Series 2016 Note, all of the Gross Proceeds of the Series 2016 Note will be used (i) to pay principal, interest or call premium on the Series 2007 Bonds, (ii) to pay administrative costs allocable to repaying the Series 2007 Bonds, carrying and repaying the Series 2016 Note, or investments of the Series 2016 Note, (iii) to pay the Issuance Expenses for the Series 2016 Note, or (iv) will constitute Replacement Proceeds that will be used for the purposes of the Series 2016 Note.

22. None of the proceeds of the Series 2016 Note will be used (directly or indirectly) to make or finance loans to any persons.

23. The payment of the principal of and interest on the Series 2016 Note is not and will not be guaranteed directly or indirectly by the federal government within the meaning of Section 149(b) of the Code.

24. This Certificate is, in part, to serve as a guideline in implementing the requirements of Sections 141 to 150 of the Code. If regulations, rulings, announcements and notices validly promulgated under the Code contain requirements which differ from those outlined here which must be satisfied for the Series 2016 Note to be tax-exempt or in order to avoid the imposition of penalties under Section 148 of the Code, pursuant to the covenants contained in the Resolution, the City is obligated to take such steps as are necessary to comply with such requirements. If under those pronouncements, compliance with any of the requirements of this Certificate is not necessary to maintain the exclusion of interest on the Series 2016 Note from gross income and alternative minimum taxable income (except to the extent of certain adjustments applicable to corporations) or to avoid the imposition of penalties under Section 148 of the Code, the City shall not be obligated to comply with that requirement. The City has been advised to seek the advice of competent counsel with a nationally recognized expertise in matters affecting exclusion of interest on municipal bonds from gross income in fulfilling its obligations under the Code to take all steps as are necessary to maintain the tax-exempt status of the Series 2016 Note.

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25. To the best of my knowledge, information and belief, the expectations contained in this Certificate are reasonable.

IN WITNESS WHEREOF, I have hereunto set my hand on this 20th day of April, 2016.

CITY OF PALM COAST, FLORIDA

By: 

Name: Christopher M. Quinn

Title: Finance Director

EXHIBIT A

[Attach Schedules]

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City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

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SOURCES AND USES OF FUNDS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Sources:

Bond Proceeds:	
Par Amount	40,193,000.00
Other Sources of Funds:	
Debt Service Fund	632,500.00
Prior Reserve Fund	3,130,931.26
	3,763,431.26
	43,956,431.26

Uses:

Refunding Escrow Deposits:	
Cash Deposit	1.01
SLGS Purchases	43,794,879.00
	43,794,880.01
Delivery Date Expenses:	
Cost of Issuance	161,551.25
	43,956,431.26

BOND SUMMARY STATISTICS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date	04/20/2016
Delivery Date	04/20/2016
First Coupon	10/01/2016
Last Maturity	10/01/2036
Arbitrage Yield	2.480074%
True Interest Cost (TIC)	2.486528%
Net Interest Cost (NIC)	2.480000%
All-In TIC	2.521882%
Average Coupon	2.480000%
Average Life (years)	11.519
Duration of Issue (years)	9.759
Par Amount	40,193,000.00
Bond Proceeds	40,193,000.00
Total Interest	11,481,933.83
Net Interest	11,481,933.83
Bond Years from Dated Date	462,981,202.78
Bond Years from Delivery Date	462,981,202.78
Total Debt Service	51,674,933.83
Maximum Annual Debt Service	2,521,887.20
Average Annual Debt Service	2,527,234.91
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	
Total Underwriter's Discount	
Bid Price	100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	40,193,000.00	100.000	2.480%	11.519	38,835.37
	40,193,000.00			11.519	38,835.37

	TIC	All-In TIC	Arbitrage Yield
Par Value	40,193,000.00	40,193,000.00	40,193,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		(161,551.25)	
- Other Amounts	(25,000.00)		
Target Value	40,168,000.00	40,031,448.75	40,193,000.00
Target Date	04/20/2016	04/20/2016	04/20/2016
Yield	2.486528%	2.521882%	2.480074%

BOND PRICING

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Bond Component:					
	10/01/2016	846,000	2.480%	2.480%	100.000
	10/01/2017	1,544,000	2.480%	2.480%	100.000
	10/01/2018	1,581,000	2.480%	2.480%	100.000
	10/01/2019	1,620,000	2.480%	2.480%	100.000
	10/01/2020	1,663,000	2.480%	2.480%	100.000
	10/01/2021	1,705,000	2.480%	2.480%	100.000
	10/01/2022	1,745,000	2.480%	2.480%	100.000
	10/01/2023	1,787,000	2.480%	2.480%	100.000
	10/01/2024	1,832,000	2.480%	2.480%	100.000
	10/01/2025	1,878,000	2.480%	2.480%	100.000
	10/01/2026	1,925,000	2.480%	2.480%	100.000
	10/01/2027	1,970,000	2.480%	2.480%	100.000
	10/01/2028	2,023,000	2.480%	2.480%	100.000
	10/01/2029	2,073,000	2.480%	2.480%	100.000
	10/01/2030	2,120,000	2.480%	2.480%	100.000
	10/01/2031	2,174,000	2.480%	2.480%	100.000
	10/01/2032	2,229,000	2.480%	2.480%	100.000
	10/01/2033	2,286,000	2.480%	2.480%	100.000
	10/01/2034	2,339,000	2.480%	2.480%	100.000
	10/01/2035	2,397,000	2.480%	2.480%	100.000
	10/01/2036	2,456,000	2.480%	2.480%	100.000
		40,193,000			

Dated Date	04/20/2016	
Delivery Date	04/20/2016	
First Coupon	10/01/2016	
Par Amount	40,193,000.00	
Original Issue Discount		
Production	40,193,000.00	100.000000%
Underwriter's Discount		
Purchase Price	40,193,000.00	100.000000%
Accrued Interest		
Net Proceeds	40,193,000.00	

BOND DEBT SERVICE

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
10/01/2016	846,000	445,785.03	1,291,785.03	1,291,785.03
04/01/2017		487,902.80	487,902.80	
10/01/2017	1,544,000	487,902.80	2,031,902.80	2,519,805.60
04/01/2018		468,757.20	468,757.20	
10/01/2018	1,581,000	468,757.20	2,049,757.20	2,518,514.40
04/01/2019		449,152.80	449,152.80	
10/01/2019	1,620,000	449,152.80	2,069,152.80	2,518,305.60
04/01/2020		429,064.80	429,064.80	
10/01/2020	1,663,000	429,064.80	2,092,064.80	2,521,129.60
04/01/2021		408,443.60	408,443.60	
10/01/2021	1,705,000	408,443.60	2,113,443.60	2,521,887.20
04/01/2022		387,301.60	387,301.60	
10/01/2022	1,745,000	387,301.60	2,132,301.60	2,519,603.20
04/01/2023		365,663.60	365,663.60	
10/01/2023	1,787,000	365,663.60	2,152,663.60	2,518,327.20
04/01/2024		343,504.80	343,504.80	
10/01/2024	1,832,000	343,504.80	2,175,504.80	2,519,009.60
04/01/2025		320,788.00	320,788.00	
10/01/2025	1,878,000	320,788.00	2,198,788.00	2,519,576.00
04/01/2026		297,500.80	297,500.80	
10/01/2026	1,925,000	297,500.80	2,222,500.80	2,520,001.60
04/01/2027		273,630.80	273,630.80	
10/01/2027	1,970,000	273,630.80	2,243,630.80	2,517,261.60
04/01/2028		249,202.80	249,202.80	
10/01/2028	2,023,000	249,202.80	2,272,202.80	2,521,405.60
04/01/2029		224,117.60	224,117.60	
10/01/2029	2,073,000	224,117.60	2,297,117.60	2,521,235.20
04/01/2030		198,412.40	198,412.40	
10/01/2030	2,120,000	198,412.40	2,318,412.40	2,516,824.80
04/01/2031		172,124.40	172,124.40	
10/01/2031	2,174,000	172,124.40	2,346,124.40	2,518,248.80
04/01/2032		145,166.80	145,166.80	
10/01/2032	2,229,000	145,166.80	2,374,166.80	2,519,333.60
04/01/2033		117,527.20	117,527.20	
10/01/2033	2,286,000	117,527.20	2,403,527.20	2,521,054.40
04/01/2034		89,180.80	89,180.80	
10/01/2034	2,339,000	89,180.80	2,428,180.80	2,517,361.60
04/01/2035		60,177.20	60,177.20	
10/01/2035	2,397,000	60,177.20	2,457,177.20	2,517,354.40
04/01/2036		30,454.40	30,454.40	
10/01/2036	2,456,000	30,454.40	2,486,454.40	2,516,908.80
	40,193,000	11,481,933.83	51,674,933.83	51,674,933.83

BOND DEBT SERVICE

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Period Ending	Principal	Interest	Debt Service
10/01/2016	846,000	445,785.03	1,291,785.03
10/01/2017	1,544,000	975,805.60	2,519,805.60
10/01/2018	1,581,000	937,514.40	2,518,514.40
10/01/2019	1,620,000	898,305.60	2,518,305.60
10/01/2020	1,663,000	858,129.60	2,521,129.60
10/01/2021	1,705,000	816,887.20	2,521,887.20
10/01/2022	1,745,000	774,603.20	2,519,603.20
10/01/2023	1,787,000	731,327.20	2,518,327.20
10/01/2024	1,832,000	687,009.60	2,519,009.60
10/01/2025	1,878,000	641,576.00	2,519,576.00
10/01/2026	1,925,000	595,001.60	2,520,001.60
10/01/2027	1,970,000	547,261.60	2,517,261.60
10/01/2028	2,023,000	498,405.60	2,521,405.60
10/01/2029	2,073,000	448,235.20	2,521,235.20
10/01/2030	2,120,000	396,824.80	2,516,824.80
10/01/2031	2,174,000	344,248.80	2,518,248.80
10/01/2032	2,229,000	290,333.60	2,519,333.60
10/01/2033	2,286,000	235,054.40	2,521,054.40
10/01/2034	2,339,000	178,361.60	2,517,361.60
10/01/2035	2,397,000	120,354.40	2,517,354.40
10/01/2036	2,456,000	60,908.80	2,516,908.80
	40,193,000	11,481,933.83	51,674,933.83

COST OF ISSUANCE

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Cost of Issuance	\$/1000	Amount
Financial Advisor	1.37320	55,193.00
Bond Counsel	0.92000	36,977.56
Bond Counsel Fees	0.12440	5,000.00
City Attorney	0.69664	28,000.00
Financial Advisor Expenses	0.04976	2,000.00
Escrow Agent	0.06220	2,500.00
Verification Agent	0.02986	1,200.00
Contingency	0.14134	5,680.69
Lender's Fee	0.62200	25,000.00
	4.01939	161,551.25

FORM 8038 STATISTICS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Bond Component:						
	10/01/2016	846,000.00	2.480%	100.000	846,000.00	846,000.00
	10/01/2017	1,544,000.00	2.480%	100.000	1,544,000.00	1,544,000.00
	10/01/2018	1,581,000.00	2.480%	100.000	1,581,000.00	1,581,000.00
	10/01/2019	1,620,000.00	2.480%	100.000	1,620,000.00	1,620,000.00
	10/01/2020	1,663,000.00	2.480%	100.000	1,663,000.00	1,663,000.00
	10/01/2021	1,705,000.00	2.480%	100.000	1,705,000.00	1,705,000.00
	10/01/2022	1,745,000.00	2.480%	100.000	1,745,000.00	1,745,000.00
	10/01/2023	1,787,000.00	2.480%	100.000	1,787,000.00	1,787,000.00
	10/01/2024	1,832,000.00	2.480%	100.000	1,832,000.00	1,832,000.00
	10/01/2025	1,878,000.00	2.480%	100.000	1,878,000.00	1,878,000.00
	10/01/2026	1,925,000.00	2.480%	100.000	1,925,000.00	1,925,000.00
	10/01/2027	1,970,000.00	2.480%	100.000	1,970,000.00	1,970,000.00
	10/01/2028	2,023,000.00	2.480%	100.000	2,023,000.00	2,023,000.00
	10/01/2029	2,073,000.00	2.480%	100.000	2,073,000.00	2,073,000.00
	10/01/2030	2,120,000.00	2.480%	100.000	2,120,000.00	2,120,000.00
	10/01/2031	2,174,000.00	2.480%	100.000	2,174,000.00	2,174,000.00
	10/01/2032	2,229,000.00	2.480%	100.000	2,229,000.00	2,229,000.00
	10/01/2033	2,286,000.00	2.480%	100.000	2,286,000.00	2,286,000.00
	10/01/2034	2,339,000.00	2.480%	100.000	2,339,000.00	2,339,000.00
	10/01/2035	2,397,000.00	2.480%	100.000	2,397,000.00	2,397,000.00
	10/01/2036	2,456,000.00	2.480%	100.000	2,456,000.00	2,456,000.00
		40,193,000.00			40,193,000.00	40,193,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	10/01/2036	2.480%	2,456,000.00	2,456,000.00		
Entire Issue			40,193,000.00	40,193,000.00	11.5190	2.4801%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	161,551.25
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00
Proceeds used to currently refund prior issues	0.00
Proceeds used to advance refund prior issues	40,031,448.75
Remaining weighted average maturity of the bonds to be currently refunded	0.0000
Remaining weighted average maturity of the bonds to be advance refunded	11.9308

FORM 8038 STATISTICS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS. As of March 29, 2016

Ameris Bank @ 2.48%

Refunded Bonds

Bond Component	Date	Principal	Coupon	Price	Issue Price
Utility System Revenue Bonds, Series 2007:					
BOND	10/01/2016	1,265,000.00	4.000%	101.684	1,286,302.60
BOND	10/01/2017	1,315,000.00	5.000%	109.607	1,441,332.05
BOND	10/01/2018	1,380,000.00	4.000%	100.411	1,385,671.80
BOND	10/01/2019	1,435,000.00	4.000%	99.699	1,430,680.65
BOND	10/01/2020	1,495,000.00	4.000%	99.162	1,482,471.90
BOND	10/01/2021	1,555,000.00	4.000%	98.574	1,532,825.70
TERM24	10/01/2022	1,615,000.00	5.000%	107.944	1,743,295.60
TERM24	10/01/2023	1,695,000.00	5.000%	107.944	1,829,650.80
TERM24	10/01/2024	1,780,000.00	5.000%	107.944	1,921,403.20
TERM28	10/01/2025	1,870,000.00	4.250%	97.994	1,832,487.80
TERM28	10/01/2026	1,950,000.00	4.250%	97.994	1,910,883.00
TERM28	10/01/2027	2,030,000.00	4.250%	97.994	1,989,278.20
TERM28	10/01/2028	2,120,000.00	4.250%	97.994	2,077,472.80
TERM33	10/01/2029	2,210,000.00	4.500%	100.808	2,227,856.80
TERM33	10/01/2030	2,305,000.00	4.500%	100.808	2,323,624.40
TERM33	10/01/2031	2,410,000.00	4.500%	100.808	2,429,472.80
TERM33	10/01/2032	2,520,000.00	4.500%	100.808	2,540,361.60
TERM33	10/01/2033	2,635,000.00	4.500%	100.808	2,656,290.80
TERM36	10/01/2034	2,750,000.00	4.375%	98.505	2,708,887.50
TERM36	10/01/2035	2,870,000.00	4.375%	98.505	2,827,093.50
TERM36	10/01/2036	2,995,000.00	4.375%	98.505	2,950,224.75
		42,200,000.00			42,527,568.25

	Last Call Date	Issue Date	Remaining Weighted Average Maturity
Utility System Revenue Bonds, Series 2007	04/01/2017	01/25/2007	11.9308
All Refunded Issues	04/01/2017		11.9308

PROOF OF ARBITRAGE YIELD

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Date	Debt Service	Present Value to 04/20/2016 @ 2.4800741214%
10/01/2016	1,291,785.03	1,277,623.57
04/01/2017	487,902.80	476,643.51
10/01/2017	2,031,902.80	1,960,699.36
04/01/2018	468,757.20	446,790.30
10/01/2018	2,049,757.20	1,929,771.59
04/01/2019	449,152.80	417,681.56
10/01/2019	2,069,152.80	1,900,603.21
04/01/2020	429,064.80	389,286.63
10/01/2020	2,092,064.80	1,874,862.56
04/01/2021	408,443.60	361,554.78
10/01/2021	2,113,443.60	1,847,908.13
04/01/2022	387,301.60	334,492.75
10/01/2022	2,132,301.60	1,819,004.43
04/01/2023	365,663.60	308,116.22
10/01/2023	2,152,663.60	1,791,664.55
04/01/2024	343,504.80	282,397.63
10/01/2024	2,175,504.80	1,766,590.89
04/01/2025	320,788.00	257,301.17
10/01/2025	2,198,788.00	1,742,026.31
04/01/2026	297,500.80	232,812.98
10/01/2026	2,222,500.80	1,717,942.74
04/01/2027	273,630.80	208,919.72
10/01/2027	2,243,630.80	1,692,051.44
04/01/2028	249,202.80	185,636.25
10/01/2028	2,272,202.80	1,671,878.33
04/01/2029	224,117.60	162,885.06
10/01/2029	2,297,117.60	1,649,059.08
04/01/2030	198,412.40	140,692.03
10/01/2030	2,318,412.40	1,623,824.49
04/01/2031	172,124.40	119,079.92
10/01/2031	2,346,124.40	1,603,226.35
04/01/2032	145,166.80	97,984.82
10/01/2032	2,374,166.80	1,582,888.93
04/01/2033	117,527.20	77,397.21
10/01/2033	2,403,527.20	1,563,448.80
04/01/2034	89,180.80	57,299.88
10/01/2034	2,428,180.80	1,541,029.86
04/01/2035	60,177.20	37,723.30
10/01/2035	2,457,177.20	1,521,464.83
04/01/2036	30,454.40	18,626.15
10/01/2036	2,486,454.40	1,502,108.66
	51,674,933.83	40,193,000.00

Proceeds Summary

Delivery date	04/20/2016
Par Value	40,193,000.00
Target for yield calculation	40,193,000.00

SUMMARY OF BONDS REFUNDED

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Utility System Revenue Bonds, Series 2007, 2007:					
BOND	10/01/2016	4.000%	1,265,000.00		
	10/01/2017	5.000%	1,315,000.00	04/01/2017	100.000
	10/01/2018	4.000%	1,380,000.00	04/01/2017	100.000
	10/01/2019	4.000%	1,435,000.00	04/01/2017	100.000
	10/01/2020	4.000%	1,495,000.00	04/01/2017	100.000
TERM24	10/01/2021	4.000%	1,555,000.00	04/01/2017	100.000
	10/01/2022	5.000%	1,615,000.00	04/01/2017	100.000
	10/01/2023	5.000%	1,695,000.00	04/01/2017	100.000
	10/01/2024	5.000%	1,780,000.00	04/01/2017	100.000
	10/01/2025	4.250%	1,870,000.00	04/01/2017	100.000
TERM28	10/01/2026	4.250%	1,950,000.00	04/01/2017	100.000
	10/01/2027	4.250%	2,030,000.00	04/01/2017	100.000
	10/01/2028	4.250%	2,120,000.00	04/01/2017	100.000
	10/01/2029	4.500%	2,210,000.00	04/01/2017	100.000
	10/01/2030	4.500%	2,305,000.00	04/01/2017	100.000
TERM33	10/01/2031	4.500%	2,410,000.00	04/01/2017	100.000
	10/01/2032	4.500%	2,520,000.00	04/01/2017	100.000
	10/01/2033	4.500%	2,635,000.00	04/01/2017	100.000
	10/01/2034	4.375%	2,750,000.00	04/01/2017	100.000
	10/01/2035	4.375%	2,870,000.00	04/01/2017	100.000
TERM36	10/01/2036	4.375%	2,995,000.00	04/01/2017	100.000
			42,200,000.00		

PRIOR BOND DEBT SERVICE

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Utility System Revenue Bonds, Series 2007 (2007)

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
10/01/2016	1,265,000	932,340.63	2,197,340.63	2,197,340.63
04/01/2017		907,040.63	907,040.63	
10/01/2017	1,315,000	907,040.63	2,222,040.63	3,129,081.26
04/01/2018		874,165.63	874,165.63	
10/01/2018	1,380,000	874,165.63	2,254,165.63	3,128,331.26
04/01/2019		846,565.63	846,565.63	
10/01/2019	1,435,000	846,565.63	2,281,565.63	3,128,131.26
04/01/2020		817,865.63	817,865.63	
10/01/2020	1,495,000	817,865.63	2,312,865.63	3,130,731.26
04/01/2021		787,965.63	787,965.63	
10/01/2021	1,555,000	787,965.63	2,342,965.63	3,130,931.26
04/01/2022		756,865.63	756,865.63	
10/01/2022	1,615,000	756,865.63	2,371,865.63	3,128,731.26
04/01/2023		716,490.63	716,490.63	
10/01/2023	1,695,000	716,490.63	2,411,490.63	3,127,981.26
04/01/2024		674,115.63	674,115.63	
10/01/2024	1,780,000	674,115.63	2,454,115.63	3,128,231.26
04/01/2025		629,615.63	629,615.63	
10/01/2025	1,870,000	629,615.63	2,499,615.63	3,129,231.26
04/01/2026		589,878.13	589,878.13	
10/01/2026	1,950,000	589,878.13	2,539,878.13	3,129,756.26
04/01/2027		548,440.63	548,440.63	
10/01/2027	2,030,000	548,440.63	2,578,440.63	3,126,881.26
04/01/2028		505,303.13	505,303.13	
10/01/2028	2,120,000	505,303.13	2,625,303.13	3,130,606.26
04/01/2029		460,253.13	460,253.13	
10/01/2029	2,210,000	460,253.13	2,670,253.13	3,130,506.26
04/01/2030		410,528.13	410,528.13	
10/01/2030	2,305,000	410,528.13	2,715,528.13	3,126,056.26
04/01/2031		358,665.63	358,665.63	
10/01/2031	2,410,000	358,665.63	2,768,665.63	3,127,331.26
04/01/2032		304,440.63	304,440.63	
10/01/2032	2,520,000	304,440.63	2,824,440.63	3,128,881.26
04/01/2033		247,740.63	247,740.63	
10/01/2033	2,635,000	247,740.63	2,882,740.63	3,130,481.26
04/01/2034		188,453.13	188,453.13	
10/01/2034	2,750,000	188,453.13	2,938,453.13	3,126,906.26
04/01/2035		128,296.88	128,296.88	
10/01/2035	2,870,000	128,296.88	2,998,296.88	3,126,593.76
04/01/2036		65,515.63	65,515.63	
10/01/2036	2,995,000	65,515.63	3,060,515.63	3,126,031.26
	42,200,000	22,568,753.33	64,768,753.33	64,768,753.33

SAVINGS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 04/20/2016 @ 2.5218822%
10/01/2016	2,197,340.63	632,500.00	1,564,840.63	1,291,785.03	273,055.60	262,962.89
10/01/2017	3,129,081.26		3,129,081.26	2,519,805.60	609,275.66	592,670.57
10/01/2018	3,128,331.26		3,128,331.26	2,518,514.40	609,816.86	578,348.32
10/01/2019	3,128,131.26		3,128,131.26	2,518,305.60	609,825.66	563,949.96
10/01/2020	3,130,731.26		3,130,731.26	2,521,129.60	609,601.66	549,694.84
10/01/2021	3,130,931.26		3,130,931.26	2,521,887.20	609,044.06	535,501.52
10/01/2022	3,128,731.26		3,128,731.26	2,519,603.20	609,128.06	522,212.64
10/01/2023	3,127,981.26		3,127,981.26	2,518,327.20	609,654.06	509,528.43
10/01/2024	3,128,231.26		3,128,231.26	2,519,009.60	609,221.66	496,361.56
10/01/2025	3,129,231.26		3,129,231.26	2,519,576.00	609,655.26	484,202.17
10/01/2026	3,129,756.26		3,129,756.26	2,520,001.60	609,754.66	472,135.16
10/01/2027	3,126,881.26		3,126,881.26	2,517,261.60	609,619.66	460,182.34
10/01/2028	3,130,606.26		3,130,606.26	2,521,405.60	609,200.66	448,313.54
10/01/2029	3,130,506.26		3,130,506.26	2,521,235.20	609,271.06	437,088.44
10/01/2030	3,126,056.26		3,126,056.26	2,516,824.80	609,231.46	426,032.18
10/01/2031	3,127,331.26		3,127,331.26	2,518,248.80	609,082.46	415,167.86
10/01/2032	3,128,881.26		3,128,881.26	2,519,333.60	609,547.66	404,972.94
10/01/2033	3,130,481.26		3,130,481.26	2,521,054.40	609,426.86	394,635.31
10/01/2034	3,126,906.26		3,126,906.26	2,517,361.60	609,544.66	384,696.66
10/01/2035	3,126,593.76		3,126,593.76	2,517,354.40	609,239.36	374,746.72
10/01/2036	3,126,031.26		3,126,031.26	2,516,908.80	609,122.46	365,152.10
	64,768,753.33	632,500.00	64,136,253.33	51,674,933.83	12,461,319.50	9,678,556.17

Savings Summary

Dated Date	04/20/2016
Delivery Date	04/20/2016
PV of savings from cash flow	9,678,556.17
Less: Prior funds on hand	(3,130,931.26)
Net PV Savings	6,547,624.91

SUMMARY OF REFUNDING RESULTS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date	04/20/2016
Delivery Date	04/20/2016
Arbitrage yield	2.480074%
Escrow yield	0.606019%
Value of Negative Arbitrage	745,172.60
Bond Par Amount	40,193,000.00
True Interest Cost	2.486528%
Net Interest Cost	2.480000%
All-In TIC	2.521882%
Average Coupon	2.480000%
Average Life	11.519
Par amount of refunded bonds	42,200,000.00
Average coupon of refunded bonds	4.431165%
Average life of refunded bonds	12.017
PV of prior debt to 04/20/2016 @ 2.521882%	50,342,504.92
Net PV Savings	6,547,624.91
Percentage savings of refunded bonds	15.515699%

ESCROW REQUIREMENTS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Prior Debt (2007)

Period Ending	Principal	Interest	Principal Redeemed	Total
10/01/2016	1,265,000.00	932,340.63		2,197,340.63
04/01/2017		907,040.63	40,935,000.00	41,842,040.63
	1,265,000.00	1,839,381.26	40,935,000.00	44,039,381.26

ESCROW DESCRIPTIONS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS. As of March 29, 2016

Ameris Bank @ 2.48%

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Apr 20, 2016:						
SLGS	Certificate	10/01/2016	10/01/2016	2,193,398	0.400%	0.400%
SLGS	Certificate	04/01/2017	04/01/2017	41,601,481	0.610%	0.610%
				43,794,879		

SLGS Summary

SLGS Rates File 29MAR16
Total Certificates of Indebtedness 43,794,879.00

ESCROW DESCRIPTIONS DETAIL

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
DSF, Apr 20, 2016:						
SLGS	Certificate	10/01/2016	10/01/2016	632,498.99	0.400%	0.400%
DSRF, Apr 20, 2016:						
SLGS	Certificate	10/01/2016	10/01/2016	113,225.17	0.400%	0.400%
SLGS	Certificate	04/01/2017	04/01/2017	3,017,706.09	0.610%	0.610%
				3,130,931.26		
BP, Apr 20, 2016:						
SLGS	Certificate	10/01/2016	10/01/2016	1,447,673.84	0.400%	0.400%
SLGS	Certificate	04/01/2017	04/01/2017	38,583,774.91	0.610%	0.610%
				40,031,448.75		
				43,794,879.00		

SLGS Summary

SLGS Rates File	29MAR16
Total Certificates of Indebtedness	43,794,879.00

ESCROW COST

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	10/01/2016	2,193,398	0.400%	2,193,398.00
SLGS	04/01/2017	41,601,481	0.610%	41,601,481.00
		43,794,879		43,794,879.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
04/20/2016	43,794,879	1.01	43,794,880.01
	43,794,879	1.01	43,794,880.01

ESCROW COST DETAIL

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds, Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
DSF:				
SLGS	10/01/2016	632,498.99	0.400%	632,498.99
DSRF:				
SLGS	10/01/2016	113,225.17	0.400%	113,225.17
SLGS	04/01/2017	3,017,706.09	0.610%	3,017,706.09
		3,130,931.26		3,130,931.26
BP:				
SLGS	10/01/2016	1,447,673.84	0.400%	1,447,673.84
SLGS	04/01/2017	38,583,774.91	0.610%	38,583,774.91
		40,031,448.75		40,031,448.75
		43,794,879.00		43,794,879.00

Escrow	Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
DSF	04/20/2016	632,498.99	1.01	632,500.00	0.401916%
DSRF	04/20/2016	3,130,931.26		3,130,931.26	0.606019%
BP	04/20/2016	40,031,448.75		40,031,448.75	0.606019%
		43,794,879.00	1.01	43,794,880.01	

ESCROW CASH FLOW

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Date	Principal	Interest	Net Escrow Receipts
10/01/2016	2,193,398.00	3,942.11	2,197,340.11
04/01/2017	41,601,481.00	240,559.14	41,842,040.14
	43,794,879.00	244,501.25	44,039,380.25

Escrow Cost Summary

Purchase date	04/20/2016
Purchase cost of securities	43,794,879.00

ESCROW SUFFICIENCY

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds, Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
04/20/2016		1.01	1.01	1.01
10/01/2016	2,197,340.63	2,197,340.11	(0.52)	0.49
04/01/2017	41,842,040.63	41,842,040.14	(0.49)	
	44,039,381.26	44,039,381.26	0.00	

ESCROW STATISTICS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
DSF	632,500.00	0.446	0.401916%	0.401916%	626,690.40	5,809.59	0.01
DSRF	3,130,931.26	0.926	0.606019%	0.606019%	3,077,299.03	53,632.23	
BP	40,031,448.75	0.926	0.606019%	0.606019%	39,345,717.96	685,730.78	0.01
	43,794,880.01				43,049,707.39	745,172.60	0.02

Delivery date 04/20/2016
Arbitrage yield 2.480074%

EXHIBIT B

April 20, 2016

City of Palm Coast, Florida

\$40,193,000

City of Palm Coast, Florida

Utility System Refunding Revenue Note, Series 2016

Ladies and Gentlemen:

This Letter instructs you as to certain requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to the City of Palm Coast, Florida (the "City") Utility System Refunding Revenue Note, Series 2016 (the "Series 2016 Note"). Capitalized terms used in this Letter, not otherwise defined herein, shall have the same meanings as set forth in your Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, as amended (the "Tax Certificate") executed on the date hereof.

This letter is intended to provide you with general guidance regarding compliance with Section 148(f) of the Code. Because the requirements of the Code are subject to amplification and clarification, you should seek supplements to this letter from time to time to reflect any additional or different requirements of the Code. In particular, you should be aware that regulations implementing the rebate requirements of Section 148(f) (the "Regulations") have been issued by the United States Treasury Department. This complex set of regulations will, by necessity, be subject to continuing interpretation and clarification through future rulings or other announcements of the United States Treasury Department. You should seek further advice of Note Counsel as to the effect of any such future interpretations before the computation and payment of any arbitrage rebate.

For the purposes of this Letter, (i) any instructions relating to a fund or account shall be deemed to apply only to the portion of such fund or account allocable to the Series 2016 Note and (ii) any reference to "the date hereof" shall be deemed to mean April 20, 2016.

Section 1. Tax Covenants. Pursuant to the terms of the Resolution (as defined in the Tax Certificate), the City has made certain covenants designed to assure that interest with respect to the Series 2016 Note is and shall remain excluded from gross income for federal income tax purposes. The City has agreed, and by this Letter does hereby covenant, that it will not directly or indirectly use or permit the use of any proceeds of the Series 2016 Note or any other funds or take or omit to take any action that would cause the Series 2016 Note to be an "arbitrage bond"

within the meaning of Section 148 of the Code and that would cause interest on the Series 2016 Note to be included in gross income for federal income tax purposes under the provisions of the Code. You have further agreed by this letter to comply with all other requirements as shall be determined by Note Counsel (as hereinafter defined) to be necessary or appropriate to assure that interest on the Series 2016 Note will be excluded from gross income for federal income tax purposes. To that end, the City will comply with all requirements of Section 148 of the Code to the extent applicable to the Series 2016 Note. In particular, the City agrees to cause the proceeds of the Series 2016 Note and certain other amounts described in Paragraph 9 of the Tax Certificate to be invested in a manner that is consistent with the expectations set forth in such Certificate. In the event that at any time the City is of the opinion that for purposes of this Section 1 it is necessary to restrict or to limit the yield on the investment of any moneys held by the City, the City shall take such action as may be necessary.

Section 2. Definitions. Unless the context otherwise requires, in addition to the use of the terms defined in the Tax Certificate, the following capitalized terms have the following meanings:

"Bond Year" shall mean the one year period that ends at the close of business on the day in the calendar year that is selected by the City. The first and last bond years may be short periods.

"Bond Yield" shall mean that discount rate that, when used in computing the present value on the Delivery Date of all unconditionally payable payments of principal, interest, and retirement price payments paid and to be paid on the Series 2016 Note, produces an amount equal to the present value on the Delivery Date, using the same discount rate, of the aggregate Issue Price of the Series 2016 Note. Yield is computed under the Economic Accrual Method using any consistently applied compounding interval of not more than one year. Short first and last compounding intervals may be used. Other reasonable, standard financial conventions, such as the 30 days per month/360 days per year convention, may be used in computing yield but must be consistently applied. The yield on the Series 2016 Note, computed by the Financial Advisor in this manner, is 2.480074%.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations promulgated thereunder.

"Computation Date" shall mean any date selected by the City as a computation date pursuant to Section 1.148-3(e) of the Regulations, and the Final Computation Date.

"Computation Credit Amount" means, as of each Computation Date, the amount specified in Section 1.148-3(d)(1)(iv) of the Regulations.

"Computation Credit Date" means the last day of each Bond Year during which there are amounts allocated to Gross Proceeds of the Series 2016 Note that are subject to the rebate requirement of Section 148(f) of the Code, and the Final Computation Date.

"Delivery Date" shall mean April 20, 2016.

"Economic Accrual Method" shall mean the method of computing yield that is based on the compounding of interest at the end of each compounding period (also known as the constant interest method or the actuarial method).

"Final Computation Date" shall mean the date that the last bond that is part of the Series 2016 Note is discharged.

"Gross Proceeds" shall mean with respect to the Series 2016 Note, any proceeds of the Series 2016 Note and any funds (other than the proceeds of the Series 2016 Note) that are a part of a reserve or replacement fund for the issue, which amounts include amounts which are (A) actually or constructively received by the City from the sale of the Series 2016 Note; (B) treated as transferred proceeds (as defined in Section 1.148-9(b) of the Regulations); (C) treated as Replacement Proceeds under Section 1.148-1(c) of the Regulations; (D) invested in a reasonably required reserve or replacement fund (as defined in Section 1.148-2(f) of the Regulations); (E) pledged by the City as security for payment of debt service on the Series 2016 Note; (F) received with respect to obligations acquired with proceeds of the Series 2016 Note; (G) used to pay debt service on the Series 2016 Note; and (H) otherwise received as a result of investing any proceeds of the Series 2016 Note. The determination of whether an amount is included within this definition shall be made without regard to whether the amount is credited to any fund or account established under the Resolution or (except in the case of an amount described in (E) above) whether the amount is subject to the pledge of such instrument.

"Guaranteed Investment Contract" means any Nonpurpose Investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate, and also includes any agreement to supply investments on two or more future dates (e.g., a forward supply contract).

"Installment Payment Date" shall mean a Computation Date that is not later than 5 years after the Delivery Date and subsequent Computation Dates which occur no later than 5 years after the immediately preceding Installment Payment Date.

"Investment Property" shall mean any security or obligation, any annuity contract or other investment-type property within the meaning of Section 148(b)(2) of the Code. The term Investment Property shall not include any obligation the interest on which is excluded from gross income (other than a Specified Private Activity Bond within the meaning of Section 57(a)(5)(C) of the Code) and shall not include an obligation that is a one-day certificate of

indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series Program described in 31 CFR, part 344.

"Issue Price" shall mean, with respect to the Series 2016 Note, the par amount for the Series 2016 Note, \$40,193,000.00.

"Issue Yield" shall mean the Bond Yield unless the Series 2016 Note are described in Section 1.148-4(b)(3) or (4) of the Regulations, in which case, the Issue Yield shall be the Bond Yield as recomputed in accordance with such provisions of the Regulations.

"Nonpurpose Investment" shall mean any Investment Property in which Gross Proceeds are invested, other than any Purpose Investment as defined in Section 1.148-1(b) of the Regulations. For purposes of this Letter, Investment Property acquired with revenues deposited in the Debt Service Funds to be used to pay debt service on the Series 2016 Note within 13 months of the date of deposit therein shall be disregarded.

"Nonpurpose Payment" shall, with respect to a Nonpurpose Investment allocated to the Series 2016 Note, include the following: (1) the amount actually or constructively paid to acquire the Nonpurpose Investment; (2) the Value of an investment not acquired with Gross Proceeds on the date such investment is allocated to the Series 2016 Note, and (3) any yield reduction payment to the United States Government made pursuant to Section 1.148-5(c) of the Regulations. In addition, the Computation Credit Amount shall be treated as a Nonpurpose Payment with respect to the Series 2016 Note on each Computation Credit Date.

"Nonpurpose Receipt" shall mean any receipt or payment with respect to a Nonpurpose Investment allocated to the Series 2016 Note. For this purpose the term "receipt" means any amount actually or constructively received with respect to the investment. In the event a Nonpurpose Investment ceases to be allocated to the Series 2016 Note other than by reason of a sale or retirement, such Nonpurpose Investment shall be treated as if sold on the date of such cessation for its Value. In addition, the Value of each Nonpurpose Investment at the close of business on each Computation Date shall be taken into account as a Nonpurpose Receipt as of such date, and each refund of Rebatable Arbitrage pursuant to Section 1.148-3(i) of the Regulations shall be treated as a Nonpurpose Receipt.

"Note Counsel" shall mean Bryant Miller Olive P.A., or other nationally recognized Note Counsel.

"Rebatable Arbitrage" shall mean as of any Computation Date the excess of the future value of all Nonpurpose Receipts with respect to the Series 2016 Note over the future value of all Nonpurpose Payments with respect to the Series 2016 Note. The future value of a Nonpurpose Payment or a Nonpurpose Receipt as of any Computation Date is determined using the Economic Accrual Method and equals the value of that payment or receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and

compounded over the period at a rate equal to the Issue Yield, using the same compounding interval and financial conventions used in computing that yield.

"Retirement Price" shall mean, with respect to a bond, the amount paid in connection with the retirement or redemption of the bond.

"Value" means value as determined under Section 1.148-5(d) of the Regulations for investments.

Section 3. Rebate Requirement.

(a) The City specifically covenants that it will pay or cause to be paid to the United States Government the following amounts:

(1) No later than 60 days after each Installment Payment Date, an amount which, when added to the future value of all previous rebate payments made with respect to the Series 2016 Note, equals at least 90 percent of the Rebatable Arbitrage calculated as of each such Installment Payment Date; and

(2) No later than 60 days after the Final Computation Date, an amount which, when added to the future value of all previous rebate payments made with respect to the Series 2016 Note, equals 100 percent of the Rebatable Arbitrage as of the Final Computation Date.

(b) Any payment of Rebatable Arbitrage made within the 60-day period described in Section 3(a)(1) and (2) above may be treated as paid on the Installment Payment Date or Final computation date to which it relates.

(c) On or before 60 days following the Installment Payment Date or Final Computation Date, pay the amount described in Section 3(a) of this Letter to the United States Government at the Internal Revenue Service Center, Ogden, Utah 84201. Payment shall be accompanied by Form 8038-T. A rebate payment is paid on the date when it is mailed to the Internal Revenue Service at the above location.

(d) The City shall keep proper books of record and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the money related to the Series 2016 Note, including money derived from, pledged to, or to be used to make payments on the Series 2016 Note. Such records shall specify the account or fund to which each investment (or portion thereof) held by the City is to be allocated and shall set forth, in the case of each investment security, (a) its purchase price; (b) nominal rate of interest; (c) the amount of accrued interest purchased (included in the purchase price); (d) the par or face amount; (e) maturity date; (f) the amount of original issue discount or premium

(if any); (g) the type of Investment Property; (h) the frequency of periodic payments; (i) the period of compounding; (j) the yield to maturity; (k) date of disposition; (l) amount realized on disposition (including accrued interest); and (m) market price data sufficient to establish the fair market value of any Nonpurpose investment as of any Computation Date, and as of the date such Nonpurpose Investment becomes allocable to, or ceases to be allocable to, Gross Proceeds of the Series 2016 Note.

Section 4. Prohibited Investments and Dispositions.

(a) No Investment Property shall be acquired with Gross Proceeds for an amount (including transaction costs) in excess of the fair market value of such Investment Property. No Investment Property shall be sold or otherwise disposed of for an amount (including transaction costs) less than the fair market value of the Investment Property.

(b) For purposes of subsection 4(a), the fair market value of any Investment Property for which there is an established market shall be determined as provided in subsection 4(c). Except as otherwise provided in subsections 4(e) and (f), any market especially established to provide Investment Property to an City of governmental obligations shall not be treated as an established market.

(c) The fair market value of any Investment Property for which there is an established market is the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's-length transaction. Fair market value is generally determined on the date on which a contract to purchase or sell the Investment Property becomes binding (i.e., the trade date rather than the settlement date). If a United States Treasury obligation is acquired directly from or disposed of directly to the United States Treasury, such acquisition or disposition shall be treated as establishing a market for the obligation and as establishing the fair market value of the obligation.

(d) Except to the extent provided in subsections (e) and (f), any Investment Property for which there is not an established market shall be rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(e) In the case of a certificate of deposit that has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal, the purchase price of such a certificate of deposit is treated as its fair market value on its purchase date if the yield on the certificate of deposit is not less than (1) the yield on reasonably comparable direct obligations of the United States; and (2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(f) The purchase price of a Guaranteed Investment Contract is treated as its fair market value on the purchase date if the City complies with the competitive bidding procedures and other requirements set forth in Section 1.148-5(d)(6)(iii) of the Regulations.

Section 6. Administrative Costs of Investments.

(a) Except as otherwise provided in this Section, an allocation of Gross Proceeds of the Series 2016 Note to a payment or receipt on a Nonpurpose Investment is not adjusted to take into account any costs or expenses paid, directly or indirectly, to purchase, carry, sell or retire the Nonpurpose Investment (administrative costs). Thus, administrative costs generally do not increase the payments for, or reduce the receipts from, Nonpurpose Investments.

(b) In determining payments and receipts on Nonpurpose Investments, Qualified Administrative Costs are taken into account by increasing payments for, or reducing the receipts from, the Nonpurpose Investments. Qualified Administrative Costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody, and similar costs. General overhead costs and similar indirect costs of the City such as employee salaries and office expenses and costs associated with computing Rebutable Arbitrage are not Qualified Administrative Costs

(c) Qualified Administrative Costs include all reasonable administrative costs, without regard to the limitation on indirect costs stated in subsection (b) above, incurred by:

(i) A publicly offered regulated investment company (as defined in Section 67(c)(2)(B) of the Code); and

(ii) A commingled fund in which the City and any related parties do not own more than 10 percent of the beneficial interest in the fund.

(d) For a Guaranteed Investment Contract, a broker's commission paid on behalf of either the City or the provider is not a Qualified Administrative Cost to the extent that the commission exceeds the safe harbor amount specified in Section 1.148-5(e)(2)(iii)(B) of the Regulations.

Section 7. Records; Note Counsel Opinion.

(a) The City shall retain all records with respect to the calculations and instructions required by this Letter for at least 3 years after the date on which the last of

the principal of and interest on the Series 2016 Note has been paid, whether upon maturity, redemption or acceleration thereof.

(b) Notwithstanding any provisions of this Letter, if the City shall be provided an opinion of Note Counsel that any specified action required under this Letter is no longer required or that some further or different action is required to maintain or assure the exclusion from federal gross income of interest with respect to the Series 2016 Note, the City may conclusively rely on such opinion in complying with the requirements of this Letter.

Section 8. Survival of Defeasance. Notwithstanding anything in this Letter to the contrary, the obligation of the City to remit the Rebate Requirement to the United States Department of the Treasury and to comply with all other requirements contained in this Letter must survive the defeasance or payment of the Series 2016 Note.

Very truly yours,

BRYANT MILLER OLIVE P.A.

Received and acknowledged:

City of Palm Coast, Florida

By: 
Name: Christopher M. Quinn
Title: Finance Director

Dated: April 20, 2016

CERTIFICATE OF DELIVERY AND
APPLICATION OF PROCEEDS

I, the undersigned officer of City of Palm Coast, Florida (the "City"), DO HEREBY CERTIFY that on the 20th day of April, 2016 the City delivered to Ameris Bank (the "Purchaser"), the following described obligation of the City:

1. City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2016 in a principal amount of \$40,193,000.00, dated April 20, 2016, bearing a fixed rate of interest equal to 2.48% and maturing on October 1, 2036.

2. At the time of delivery of the Note, there was received by the City from the Purchaser, \$40,168,000 (the "Note Proceeds" consisting of the par amount of the Note of \$40,193,000 less the Lender Fee in the amount of \$25,000), as full payment for the Note.

3. The Note Proceeds, together with \$3,763,431.26 of other legally available funds of the City, shall be applied as follows:


Refunding and Prepayment of Utility System	
Revenue Bonds, Series 2007	\$43,794,880.01
Costs of Issuance (not including Lender's Fee of \$25,000)	<u>136,551.25</u>
Total:	<u>\$43,931,431.26</u>

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, I have hereunto set my hand and seal this 20th day of April, 2016.

CITY OF PALM COAST, FLORIDA

(SEAL)

By: 
Jon Nettles
Mayor

ATTEST:


Virginia Smith
City Clerk

RECEIPT FOR NOTE

RECEIPT IS HEREBY ACKNOWLEDGED of the following described obligation of the City of Palm Coast, Florida:

\$40,193,000 City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2016 dated April 20, 2016, bearing a fixed rate of interest equal to 2.48% and maturing on October 1, 2036.

Dated this 20th day of April, 2016.

AMERIS BANK

By: 

Name: Garry R. Lubi

Title: Senior Vice President

**CERTIFICATE AS TO
SIGNATURES, NO LITIGATION, INCUMBENCY AND OTHER MATTERS**

The undersigned, Jon Netts, Mayor, Virginia Smith, City Clerk, Jim Landon, City Manager and Christopher M. Quinn, Finance Director, of the City of Palm Coast, Florida (the "City") in connection with the issuance this day by the City of the following described obligation of the City:

\$40,193,000 City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2016 dated April 20, 2016, bearing a fixed rate of interest equal to 2.48% and maturing on October 1, 2036.

DO HEREBY CERTIFY to the best of our knowledge, after reasonable investigation, that:

I

The following terms in this Certificate shall have the following meanings (terms not defined herein shall have the meanings set forth in the Note Legislation and the Loan Agreement, as hereinafter defined):

"Bank" means Ameris Bank, Palm Coast, Florida.

"Loan Agreement" means the Loan Agreement by and between the City and the Bank dated as of April 20, 2016.

"Master Resolution" means Resolution No. 2003-22 adopted at a meeting of the City Council of the City on September 30, 2003, as amended.

"Note" means the obligation described above.

"Note Legislation" means, collectively, the Master Resolution and the Resolution.

"Resolution" means Resolution No. 2016-23 duly adopted at a meeting of the City Council of the City on March 29, 2016.

II

Except as has otherwise been disclosed to the Bank, no litigation or other proceedings are pending or, to our knowledge, threatened against the City in any court or other tribunal of competent jurisdiction, State or Federal, in any way (i) restraining or enjoining the issuance, sale, execution or delivery of the Note, or (ii) questioning or affecting the validity of the Note Legislation, the Loan Agreement or the Note, or (iii) questioning or affecting the validity of any of the proceedings for the authorization of the Loan Agreement or the sale, execution, issuance or delivery of the Note.

III

The representations and warranties of the City in the Note Legislation and Loan Agreement are correct as of the date hereof.

IV

The following is a correct list of the names of the members of the City Commission and of the dates of expiration of their respective terms of office:

SECTION 1.	<i>Council Members</i>	<u>Term Expiration Dates</u>
	Jon Netts, Mayor	November 2016
	Bill McGuire, Council Member	November 2016
	Heidi Shipley, Council Member	November 2018
	Jason DeLorenzo, Council Member	November 2016
	Steven Nobile, Council Member	November 2018

V

The City has complied with all agreements and has satisfied all conditions on its part to be observed or satisfied under the Note Legislation and the Loan Agreement.

VI

The Note Legislation been duly enacted or adopted, as the case may be, and has not been repealed, revoked, rescinded or altered in any manner.

VII

The City is not in default, and has not been in default at any time after December 31, 1975, as to principal of and interest on any of its indebtedness.

VIII

The representations and warranties made by the City in the Loan Agreement are true and correct in all material respects on and as of the date hereof, no Default has occurred and is continuing as of the date hereof or will result from the consummation of the Loan.

IX

The Note is signed with the manual signatures of the undersigned Mayor and City Clerk of the City.

X

The seal which has been impressed upon this Certificate is the legally enacted, proper and only official seal of the City and such seal has been imprinted upon said Note.

WITNESS, our hand and said corporate seal this 20th day of April, 2016.

SIGNATURE

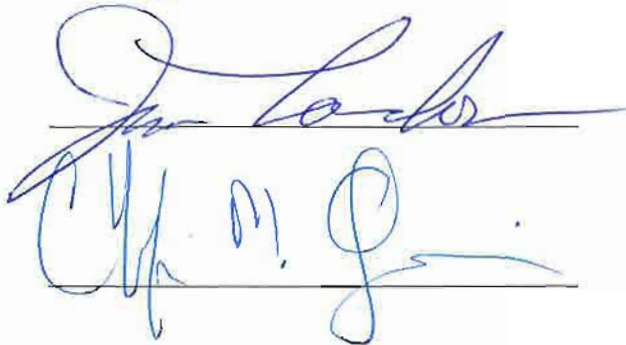
OFFICIAL TITLE

A handwritten signature in blue ink, appearing to read "Jon Netts", written over a horizontal line.

Jon Netts, Mayor
City of Palm Coast, Florida

A handwritten signature in blue ink, appearing to read "Virginia Smith", written over a horizontal line.

Virginia Smith, City Clerk
City of Palm Coast, Florida

A handwritten signature in blue ink, appearing to read "Jim Landon", written over a horizontal line.

Jim Landon, City Manager
City of Palm Coast, Florida

A handwritten signature in blue ink, appearing to read "Christopher M. Quinn", written over a horizontal line.

Christopher M. Quinn, Finance Director
City of Palm Coast, Florida

(SEAL)

CITY CLERK'S CERTIFICATE REGARDING RESOLUTION NO. 2003-22

I, Virginia A. Smith, the undersigned City Clerk of the City of Palm Coast, Florida (the "City"), DO HEREBY CERTIFY that attached hereto is a copy of Resolution No. 2003-22, adopted at a meeting of the City duly called and held on September 30, 2003 (the "Resolution") which has been compared by me with the original thereof as recorded in the Minute Book of said City and said Resolution is a true, complete and correct copy thereof. The Resolution has been duly adopted at a meeting where a quorum was present and acting throughout and has not been further modified, amended, supplemented or repealed, other than as amended and supplemented by Resolution No. 2013-40 adopted on May 21, 2013 and as supplemented by Resolution No. 2016-23 adopted on March 29, 2016 and is in full force and effect as of the date hereof in the form attached hereto.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City as of the 20th day of April, 2016.

(SEAL)



City of Palm Coast, Florida
City Clerk

MASTER UTILITY SYSTEM BOND RESOLUTION

RESOLUTION NO. 2003-22

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RESOLUTION NO. 2003-22

A RESOLUTION OF THE CITY OF PALM COAST, FLORIDA AUTHORIZING THE ISSUANCE OF UTILITY SYSTEM REVENUE BONDS, AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$150,000,000 UTILITY SYSTEM REVENUE BONDS, SERIES 2003 TO FINANCE THE COST OF ACQUISITION OF THE PALM COAST UTILITY SYSTEM AND THE MAKING OF IMPROVEMENTS THERETO AND CERTAIN COSTS IN CONNECTION THEREWITH; PLEDGING CERTAIN NET REVENUES OF THE UTILITY SYSTEM AND CERTAIN CAPITAL FACILITIES FEES FOR THE PAYMENT OF SUCH BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; AUTHORIZING THE ISSUANCE OF SUCH BONDS IN VARIOUS SERIES; DELEGATING THE AUTHORITY TO ACCEPT AN INSURANCE COMMITMENT AND A RESERVE FUND INSURANCE POLICY COMMITMENT; DELEGATING THE AUTHORITY TO APPROVE THE FORM OF AND THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT, AND TO DEEM THE PRELIMINARY OFFICIAL STATEMENT FINAL; MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; REPEALING OTHER INSTRUMENTS; AND PROVIDING AN EFFECTIVE DATE.

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PALM COAST, FLORIDA, AS FOLLOWS:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to Chapter 159, Part I, and Chapter 166, Part II, Florida Statutes, as amended, and other applicable provisions of law (the "Act").

SECTION 2. DEFINITIONS. Unless the context otherwise requires, the terms used in this Resolution shall have the meanings specified in this Section 2. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations.

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus,

with respect to matters related to the payment upon redemption of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year.

"Acquired Obligations" shall mean cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination thereof).

"Additional Parity Obligations" shall mean additional obligations issued or incurred in compliance with the terms, conditions and limitations contained herein and which (i) shall have a lien on the Pledged Revenues equal to that of the Outstanding Bonds and any Parity Contract Obligations, (ii) shall be payable from the Pledged Revenues on a parity with the Outstanding Bonds and any Parity Contract Obligations, and (iii) shall rank equally in all other respects with the Outstanding Bonds and any Parity Contract Obligations.

"Amortization Installment" shall mean an amount designated as such by Supplemental Resolution of the Issuer and established with respect to any Term Bonds.

"Average Annual Bond Service Requirement" shall mean, as of each date on which a Series of Bonds is issued, the total amount of Bond Service Requirement which is to become due on all Bonds deemed to be Outstanding immediately after the issuance of such Series of Bonds divided by the total number of years for which Bonds are deemed to be Outstanding, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds that are to be redeemed from Amortization Installments to be made in prior Bond Years.

"Bond Anticipation Notes" shall mean notes of the Issuer issued in anticipation of any Series of Bonds and shall be secured by a first lien on the proceeds of the Bonds for which such Bond Anticipation Notes were issued.

"Bond Counsel" shall mean any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Insurance Policy" shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the scheduled payment of principal of and interest

on any portion of such Series of Bonds when due as determined by Supplemental Resolution, if any.

"Bond Service Fund" shall mean the Bond Service Fund created and established pursuant to Section 16 of this Resolution.

"Bond Service Requirement" shall mean, for any Bond Year, at any time, the amount required to be deposited in such Bond Year into the Bond Service Fund, as provided herein including any Reimbursement Obligation. In calculating such amount, the Issuer shall subtract therefrom any amounts to be transferred from the Project Fund for the purpose of paying interest on the Bonds. With respect to Variable Rate Bonds which are not subject to a Qualified Agreement, if any, the interest rate used to calculate the Bond Service Requirement shall be (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (1) if the indebtedness has been outstanding for twelve months or less, if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Bonds which are not subject to a Qualified Agreement shall be deemed to bear interest at the actual rate per annum applicable during the test period. If Bonds are Option Bonds, the date or dates of tender shall be disregarded, unless actually tendered and not remarketed, and the stated maturity dates thereof shall be used for purposes of this calculation, if such Option Bonds are required to be paid from Pledged Revenues hereunder on such date of tender. If the Issuer has entered into a Qualified Agreement with respect to certain Variable Rate Bonds Outstanding hereunder or to be issued hereunder, the interest coming due on such Variable Rate Bonds for purposes of this definition shall be deemed to be based upon the synthetic fixed interest rate under the Qualified Agreement, without giving any regards to fees and expenses incurred in connection with the purchase of a liquidity facility.

"Bond Year" shall mean the period commencing on October 2 of the preceding year and ending twelve months later on October 1.

"Bonds" shall mean (i) the Series 2003 Bonds, and (ii) any Additional Parity Obligations issued hereafter in accordance with the provisions hereof.

"Capital Appreciation Bonds" shall mean the aggregate principal amount of the Bonds that bear interest payable solely at maturity or upon redemption prior to maturity in the amounts determined by reference to the Accreted Values, all as shall be determined by Supplemental Resolution of the Issuer. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or redemption of such Bonds, such

Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"Capital Appreciation Income Bonds" shall mean those Bonds initially issued as Capital Appreciation Bonds and which become Serial Bonds when the original issue amount and the Accreted Value equals \$5,000 principal amount or an integral multiple thereof as determined by Supplemental Resolution of the Issuer.

"City Clerk" shall mean the City Clerk of the City.

"City Manager" shall mean the City Manager of the City.

"Connection Fees" shall mean the charges imposed on those connecting to the System for the actual cost of physically connecting into the System; provided, however, that "Connection Fees" shall not include Sewer System Capital Facilities Fees or Water System Capital Facilities Fees.

"Consulting Engineers" shall mean one or more independent, qualified and recognized consulting engineers or firm of consulting engineers having favorable repute, skill and experience with respect to the planning and operation of the System who shall be retained from time to time by the Issuer.

"Contributions in Aid of Construction" shall mean any amount or item of money, services, or property received by the Issuer, any portion of which is provided at no cost to the System, which represents an addition or transfer to the capital of the System, and which is utilized to offset the acquisition, improvement or construction costs of the System.

"Cost of Operation and Maintenance" of the System shall mean the then current expenses, paid or accrued, in the operation, maintenance and repair of the System, as calculated in accordance with generally accepted accounting principles, including, but not limited to, general administrative and indirect labor costs, personal services, contractual services, repairs and maintenance, and materials and supplies, but shall not include expenses not annually recurring, any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation, any Bond Service Requirement, any payments in lieu of taxes, franchise fees or other transfers.

"Credit Facility" or "Credit Facilities" shall mean either individually or collectively, as appropriate, any bond insurance policy, surety bond, letter of credit, line of credit, guaranty or other instrument or instruments that would enhance the credit of the Bonds.

"Credit Facility Issuer" or "Credit Facility Issuers" shall mean the provider or providers of a Credit Facility or Credit Facilities

"Expansion Percentage" with respect to the Sewer System, shall mean that number, expressed as a percentage, which represents that portion of the total cost of any Project or Projects financed from the proceeds of Bonds which is attributable to any improvements, extensions and additions to the Sewer System, together with all lands or interest therein.

* [Bonds] City of Palm Beaches 6/19/03 W&S Reso. 8-200

including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the Sewer System, whether actual or anticipated, created by new users connecting to the Sewer System, as shall be calculated or recalculated by the Consulting Engineers and set forth in a certificate delivered each time a Series of Bonds are issued hereunder. Upon completion of a Project, the Consulting Engineer shall adjust the Expansion Percentage to take into consideration proceeds expected to be utilized for Project purposes which in fact were not utilized for Project purposes.

"Expansion Percentage" with respect to the Water System, shall mean that number, expressed as a percentage, which represents that portion of the total cost of any Project or Projects financed from the proceeds of Bonds which is attributable to any improvements, extensions and additions to the Water System, together with all lands or interest therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property real or personal, tangible or intangible, heretofore or hereafter constructed or acquired in order to meet the increased demand upon the Water System, whether actual or anticipated, created by new users connecting to the Water System, as shall be calculated or recalculated by the Consulting Engineers and set forth in a certificate delivered each time a Series of Bonds are issued hereunder. Upon completion of a Project, the Consulting Engineer shall adjust the Expansion Percentage to take into consideration proceeds expected to be utilized for Project purposes which in fact were not utilized for Project purposes.

"Federal Securities" shall mean direct obligations of (including obligations issued or held in book entry form on the books of) the Department of Treasury of the United States of America or obligations guaranteed as to principal or interest by the United States of America, including, but not limited to, obligations of the Resolution Funding Corporation.

With respect to any Series of Bonds, the definition of Federal Securities set forth above may be further limited as set forth in a Supplemental Resolution of the Issuer adopted prior to the issuance of such Bonds.

"Financial Services Director" shall mean the Financial Services Director of the City.

"Financial Advisor" shall mean the financial advisor appointed from time to time by the Issuer.

"Fiscal Year" shall mean the period commencing on October 1 of each year and ending on the next succeeding September 30 or such other annual period as may be prescribed by law from time to time for the Issuer.

"Fitch" shall mean Fitch Ratings, and any assigns or successors thereto

"Gross Revenues" or "Revenues" shall mean all income and earnings, including Connection Fees, received by the Issuer or accrued to the Issuer from the ownership, use or operation of the System and all parts thereof, moneys deposited from the Rate Stabilization

Fund into the Revenue Fund in accordance with the terms hereof, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 90 days following the end of a Fiscal Year may be designated by the Issuer as Gross Revenues of such prior Fiscal Year, and shall also include investment income, if any, earned on any fund or account created pursuant to this Resolution, except the Rebate Fund, the Sewer System Capital Facilities Fee Fund, the Water System Capital Facilities Fee Fund, and also including any income or earnings (including investment income) derived from the System in any prior Fiscal Year and which is redeposited into the Revenue Fund, all as calculated in accordance with generally accepted accounting principles, and any payment received by the Issuer as contemplated in Section 28 hereof, but "Gross Revenues" or "Revenues" shall not include proceeds from the sale or other disposition of the System or any part thereof, condemnation awards or proceeds of insurance received with respect to the System and moneys deposited to the Rate Stabilization Fund from the Surplus Fund, including any moneys transferred from the Surplus Fund to the Rate Stabilization Fund within 90 days following the end of a Fiscal Year which the Issuer determines not to be Gross Revenues of such prior Fiscal Year, Contributions in Aid of Construction, Sewer System Capital Facilities Fees, Water System Capital Facilities Fees, or unrealized gains or losses from investments.

"Holder" or "Bondholders" or any similar term shall mean any persons who shall be the registered owner of any outstanding Bonds.

"Insurer" shall mean, with respect to any Series of Bonds, such Person as shall be insuring or guaranteeing the scheduled payment of principal of and interest on such Series of Bonds, when due.

"Interest Account" shall mean the special account of the same name created within the Bond Service Fund.

"Interest Date" or "interest payment date" shall be such date or dates for the payment of interest on a Series of Bonds as shall be provided in Section 6 hereof.

"Issuer" or "City" shall mean The City of Palm Coast, Florida.

"Maximum Bond Service Requirement" shall mean, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirement for the then current or any future Bond Year, except that with respect to any Bonds for which Amortization Installments have been established, the amount of principal coming due on the final maturity date with respect to such Bonds shall be reduced by the aggregate principal amount of such Bonds that are to be redeemed from Amortization Installments which were to be made in prior Bond Years.

"Mayor" shall mean the Mayor of the City as provided in the City of Palm Coast Charter.

"Moody's" or "Moody's Investors Service" shall mean Moody's Investors Services, Inc., and any assigns or successors thereto.

"Net Revenues" of the System shall mean the Gross Revenues or Revenues, after deduction of the Cost of Operation and Maintenance.

"Option Bonds" shall mean Bonds subject to tender for payment prior to their maturity at the option of the Holder thereof.

"Outstanding" or "Bonds Outstanding" shall mean all Bonds which have been issued pursuant to this Resolution, except:

(i) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(ii) Bonds for the payment or redemption of which cash funds or Acquired Obligations or any combination thereof shall have been theretofore irrevocably set aside in a special account with an escrow agent (whether upon or prior to the maturity or redemption date of any such Bonds) in an amount which, together with earnings on such Acquired Obligations, will be sufficient to pay the principal of, interest on and any redemption premium with respect to such Bonds at maturity or upon their earlier redemption; provided that, if such Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given according to the requirements of this Resolution or irrevocable instructions directing the timely publication of such notice and directing the payment of the principal of and interest on all such Bonds at such redemption dates shall have been given, and

(iii) Bonds which are deemed paid pursuant to this Resolution or in lieu of which other Bonds have been issued under Sections 11 and 13 hereof.

"Parity Contract Obligation" shall have the meaning set forth in Section 28 hereof.

"Parity Contract Obligation Account" shall mean the special account of the same name created within the Bond Service Fund.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to a Supplemental Resolution and its successors or assigns, and any other Person which may at any time be substituted in its place pursuant to a Supplemental Resolution. Once appointed, no resignation or removal of the Paying Agent shall become effective until a successor has been appointed and has accepted the duties of Paying Agent. Each of the Insurers of Bonds, if any, shall be furnished with written notice of the resignation or removal of the Paying Agent and the appointment of any successor thereto.

"Permitted Investments" shall mean investments permitted by applicable law and the Issuer's written investment policy, if any, as may be further limited as set forth in a Supplemental Resolution of the Issuer.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

"Pledged Revenues" shall mean (i) the Net Revenues of the System, (ii) the Sewer System Capital Facilities Fees, (iii) the Water System Capital Facilities Fees, and (iv) until

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applied in accordance with this Resolution, the moneys on deposit in the various funds and accounts created pursuant to this Resolution, except (A) as for the Rebate Fund, (B) to the extent moneys therein shall be required to pay the Cost of Operation and Maintenance in accordance with the terms hereof, and (C) to the extent moneys on deposit in a subaccount of the Reserve Fund shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions hereof.

"Principal Account" shall mean the special account of the same name created within the Bond Service Fund.

"Project" or "Projects" shall mean any actual, proposed or potential acquisition, addition, extension, supplement, or replacement of the System or joint ownership of similar properties or any interest therein or any right to use the capacity from any facilities or services thereof, or any other lawful purpose related to the System, all as determined by the Issuer and in accordance with plans and specifications on file or to be filed with the Issuer.

"2003 Project" shall mean the Project authorized to be financed with the proceeds of the Series 2003 Bonds, consisting of acquiring the Palm Coast Utility System certain water treatment plant improvements, expansion of an existing wastewater treatment facility and certain additions, extensions and improvements thereto.

"Project Costs" shall mean all costs authorized to be paid from the Project Fund pursuant to Section 18 hereof to the extent permitted under the laws of the State. It is intended that this definition be broadly construed to encompass all costs, expenses and liabilities of the Issuer related to the System which on the date of this Resolution or in the future shall be permitted to be funded with the proceeds of any Series of Bonds pursuant to the laws of the State.

"Project Fund" shall mean the Project Fund created and established pursuant to Section 16 of this Resolution.

"Prudent Utility Practice" shall mean, in respect of any particular municipal utility industry, any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of such utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

"Qualified Agreement" means, to the extent from time to time permitted pursuant to law, any contract or contracts, in whole or in part, basis on the interest rate, currency, cashflow, or other basis desired by the Issuer, including, without limitation, contracts commonly known

as current or forward interest rate swap or swaption agreements, currency swap agreements, forward payment conversion agreements, futures, or contracts providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or contracts to exchange cash flows or a series of payments, or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, currency, rate, spread, or similar exposure. The contracts or arrangements may also be entered into by the Issuer in connection, with or incidental to, entering into or maintaining any agreement which secures all or a portion of the Bonds.

"Qualified Agreement Provider" means, an entity whose senior long term obligations, other senior long term obligations or claims paying ability or whose payment obligations under a Qualified Agreement are guaranteed by an entity whose senior long term debt obligations, other senior unsecured long term obligations or claims paying ability are rated at the time of execution of such Qualified Agreement either (i) at least as high as A3 by Moody's, and A- by S&P, or the equivalent thereof by any successor thereto for so long as such rating agency is then maintaining a rating on the Bonds Outstanding, or (ii) any such lower rating categories which each such rating agency then maintaining a rating on the Bonds Outstanding indicates in writing to the Issuer will not, by itself, result in a reduction or withdrawal of its rating on the Bonds Outstanding that is in effect prior to entering into such Qualified Agreement.

"Qualified Independent Consultant" shall mean one or more qualified and recognized independent consultants, having favorable reputation, skill and experience with respect to the acts and duties of the Qualified Independent Consultant to be provided to the Issuer, as shall from time to time be retained by the Issuer to perform the acts and carry out the duties herein provided for such consultants.

"Rate Stabilization Fund" shall mean the "Rate Stabilization Fund" established pursuant to Section 16 (f) hereof.

"Rebate Fund" shall mean the Rebate Fund created pursuant to Section 31 of this Resolution.

"Record Date" shall mean each date that is 15 days prior to an interest payment date.

"Redemption Account" shall mean the special account of the same name created within the Bond Service Fund

"Refunding Bonds" shall mean that amount of any Series of Bonds, the proceeds of which will be applied to the refunding of any previously issued Bonds.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to Supplemental Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to Supplemental Resolution. Once appointed, no resignation or removal of the Registrar shall become effective until a successor has been appointed and has accepted the duties of Registrar. The Insurers of Bonds shall be furnished

with written notice of the resignation or removal of the Registrar and the appointment of any successor thereto.

"Reimbursement Obligation" shall have the meaning set forth in Section 29 hereof.

"Renewal, Replacement and Improvement Fund" shall mean the Renewal, Replacement and Improvement Fund created and established pursuant to Section 16 of this Resolution.

"Reserve Fund" shall mean the Reserve Fund created and established pursuant to Section 16 of this Resolution.

"Reserve Fund Insurance Policy" shall mean an insurance policy or surety bond deposited in the Reserve Fund in lieu of or in substitution for cash on deposit therein pursuant to Section 20(B)(2) hereof.

"Reserve Fund Letter of Credit" shall mean an unconditional irrevocable letter of credit or line of credit (other than a Reserve Fund Insurance Policy) deposited in the Reserve Fund in lieu of or in substitution for cash on deposit therein pursuant to Section 20(B)(2) hereof.

"Reserve Requirement" shall be the lesser of (i) the Maximum Bond Service Requirement, (ii) 125% of the Average Annual Bond Service Requirement, or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes; provided, however, the Issuer may establish by Supplemental Resolution a different Reserve Requirement for a subaccount of the Reserve Fund which secures a Series of Bonds pursuant to Section 20(B)(2) hereof. In computing the Reserve Requirement in accordance with clause (iii) of this definition in respect of any Capital Appreciation Bonds, the principal amount of such Bonds shall be the original principal amount thereof, not the Accreted Value.

"Resolution" shall mean this Resolution as from time to time may be amended or supplemented by Supplemental Resolution, in accordance with the terms hereof.

"Revenue Fund" shall mean the Revenue Fund created and established pursuant to Section 16 of this Resolution.

"Separately Financed Project" means any Project described as such in Section 27 hereof.

"Serial Bonds" shall mean all of the Bonds other than Term Bonds.

"Series" or "Series of Bonds" or "Bonds of a Series" shall mean all Bonds designated as being of the same Series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to this Resolution.

"Series 2003 Bonds" shall mean the Issuer's Utility System Revenue Bonds, Series 2003, the proceeds of which will be applied to finance the cost of the 2003 Project, fund the Reserve Requirement for the Series 2003 Bonds and to pay all or a portion of the costs of issuing the Series 2003 Bonds.

"Sewer System" shall mean the complete sewer system now owned, operated and maintained by the issuer and which the Issuer is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

"Sewer System Capital Facilities Fees" shall mean the impact fees, if any, imposed by the Issuer upon and collected from new users of the Sewer System which represent an equitable share of the capital costs of the Sewer System which are attributable to the increased demand such additional connections create upon the Sewer System. The term "Sewer System Capital Facilities Fees" in each Fiscal Year shall not include any amounts in excess of the Bond Service Requirement for such Bond Year multiplied by the Expansion Percentage.

"Sewer System Capital Facilities Fees Fund" shall mean the Sewer System Capital Facilities Fees Fund created and established pursuant to Section 16 of this Resolution.

"State" shall mean the State of Florida.

"Standard & Poor's" or "Standard & Poor's Corporation" or "S&P" shall mean Standard and Poor's Ratings Group and any assigns and successors thereto.

"Subordinated Debt" shall mean any obligations payable on a junior, inferior and subordinate basis under Section 20(B) hereof. "Subordinated Debt" shall include, but shall not be limited to, (i) Subordinated Contract Obligations, (ii) payments to a Qualified Agreement Provider pursuant to a Qualified Agreement which the Issuer has designated as Subordinated Debt, (iii) Reimbursement Obligations, and (iv) any other obligations payable from any of the Pledged Revenues on a junior, inferior and subordinate basis to the Bonds.

"Subordinated Debt Service Fund" shall mean the Subordinated Debt Service Fund.

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing this Resolution enacted and becoming effective in accordance with the terms of Sections 22 and 23 hereof.

"System" or "Utility System" shall mean, collectively, the Water System and the Sewer System of the Issuer. Upon compliance with the provisions of Section 26 hereof, the term "System" may be deemed to include other utility functions added to the System, including, but not limited to a stormwater system, a residential reuse system, the acquisition, distribution and sale of natural gas, the providing of electricity, the providing of cable television services, the providing of telecommunication services or other utility functions that are authorized from time to time pursuant to the Act. Notwithstanding the foregoing definition of the term System, such term shall not include any properties or interest in properties of the Issuer which the Issuer determines shall not constitute a part of the System for the purpose of this Resolution.

"Term Bonds" shall mean the Bonds other than Serial Bonds which shall be stated to mature on one date, and shall have such Amortization Installments, as shall be determined by Supplemental Resolution of the Issuer.

"Underwriter" or "Underwriters" relating to the Series 2003 Bonds shall mean Prager, Sealy & Co., LLC, Banc of America Securities LLC and Raymond James & Associates, Inc.

"Variable Rate Bonds" shall mean obligations issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage at the date of issue for the entire term thereof as shall be determined by Supplemental Resolution of the Issuer.

"Water System" shall mean the complete water system now owned, operated and maintained by the Issuer or which is proposed to be acquired by and operated and maintained by the Issuer and which the Issuer is, or shall be responsible for maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

"Water System Capital Facilities Fees" shall mean the impact fees, if any, imposed by the Issuer upon and collected from new users of the Water System which represent an equitable share of the capital costs of the Water System which are attributable to the increased demand such additional connections create upon the Water System. The term "Water System Capital Facilities Fees" in each Fiscal Year shall not include any amounts in excess of the Bond Service Requirement for such Bond Year multiplied by the Expansion Percentage.

"Water System Capital Facilities Fees Fund" shall mean the Water System Capital Facilities Fees Fund created and established pursuant to Section 16 of this Resolution.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms shall refer to this Resolution; the term "heretofore" shall mean before the date of adoption of this Resolution; and the term "hereafter" shall mean after the date of adoption of this Resolution.

Words importing the masculine gender include every other gender. Words importing the singular number include the plural number, and vice versa.

SECTION 3. FINDINGS. It is hereby ascertained, determined and declared that:

(A) On April 15, 2003 the Issuer duly adopted Resolution 2003-07 (the "Original Resolution") which authorized the issuance of its Utility System Revenue Bonds in an aggregate amount not to exceed \$150,000,000

(B) In order to accommodate comments received by the Issuer from the rating agencies rating the Series 2003 Bonds and the Credit Facility Issuer providing the Credit Facility Issuer for such bonds, it is necessary and desirable to amend the Original Resolution in certain respects and restate the Original Resolution, as amended, in its entirety.

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(C) It is in the best interest of the health and welfare of the residents of the City and other users of the water and sewer system currently owned by Florida Water Services Corporation to acquire such water and sewer system and use the proceeds of the Series 2003 Bonds to pay the acquisition price and pay other Project Costs.

(D) Upon acquisition of the Utility System by whatever means, the Issuer will own, operate and maintain the System and will derive certain revenue from rates, fees, rentals and other charges made and collected for the services of such System, which such revenues are not now pledged or encumbered in any manner. It serves a paramount public purpose and is in the best interests of the Issuer, the residents thereof and the other current users of the water and sewer system that the Issuer authorize the issuance of the Series 2003 Bonds for the acquisition of the System and constructing and acquiring certain additions, extensions and improvements to the Utility System as more particularly described herein

(E) The Issuer deems it necessary and in its best interest to provide for the acquisition and improvement of the Utility System

(F) The costs associated with issuance of the Series 2003 Bonds shall be deemed to include, but not limited to, legal fees and expenses, engineering expenses, fiscal expenses, underwriting fees and expenses, rating agency fees, expenses for estimates of costs and of revenues, accounting expenses, municipal bond insurance premiums, surety policy premiums, if applicable, costs of printing, fees and expenses for the escrow agent, fees and expenses for the paying agent and registrar, fees and expenses for verification, accrued and capitalized interest, provisions for reserves, and such other fees and expenses as may be necessary or incidental for the financing herein authorized.

(G) As of the issuance of the Series 2003 Bonds, the Pledged Revenues will be pledged to secure the repayment of only the Series 2003 Bonds

(H) Any Series of Bonds, after the issuance of the Series 2003 Bonds, shall be issued upon approval by Supplemental Resolution of the Issuer and compliance with the terms hereof. The proceeds of any Series of Bonds shall be applied as provided in a Supplemental Resolution.

(I) The principal of and interest and redemption premium on the Series 2003 Bonds and all reserve and other payments shall be payable solely from the Pledged Revenues. The Issuer shall never be required to levy ad valorem taxes on any real or personal property therein to pay the principal of and interest on the Bonds herein authorized or to make any other payments provided for herein. The Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer or upon any property other than the Pledged Revenues.

(J) The Pledged Revenues should be sufficient to pay all principal of and interest and redemption premium on the Series 2003 Bonds to be issued hereunder, as the same become due, and to make all required deposits or payments required by this Resolution. The Series

2003 Bonds are a funded indebtedness to be paid from the Pledged Revenues within the meaning of Section 7(3)(c) of the City's Charter.

SECTION 4. AUTHORIZATION OF THE 2003 PROJECT. There is hereby authorized the 2003 Project.

SECTION 5. THIS RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Holders. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the legal Holders of any and all of the Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided therein and herein.

SECTION 6. AUTHORIZATION OF BONDS. Subject and pursuant to the provisions hereof, obligations of the Issuer to be known as "Utility System Revenue Bonds" which may be issued from time to time are hereby authorized to be issued. The aggregate principal amount of the Bonds which may be executed and delivered under this Resolution is not limited except as is or may hereafter be provided in this Resolution or as limited by the Act or by law.

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined herein or by Supplemental Resolution of the Issuer.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Issuer, and, in the case of the Series 2003 Bonds, by Section 7 hereof. The Issuer may issue Bonds which may be secured by a Credit Facility or by a Bond Insurance Policy of an Insurer all as shall be determined by Supplemental Resolution of the Issuer.

SECTION 7. DESCRIPTION OF SERIES 2003 BONDS. The Series 2003 Bonds are hereby authorized to be issued in the aggregate principal amount of not to exceed \$150,000,000, in fully registered form without coupons; may be Capital Appreciation Bonds, Serial Bonds or Term Bonds; shall be dated; shall be numbered consecutively from one upward in order of

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maturity preceded by the letter "R" if Serial Bonds or Term Bonds, and preceded by the letters "CABR" if Capital Appreciation Bonds; shall be in the denomination of \$5,000 each, or integral multiples thereof for the Serial Bonds and Term Bonds, and in \$5,000 Accreted Values at maturity for the Capital Appreciation Bonds or in \$5,000 multiples thereof, or such other denominations as shall be approved by the Issuer in a Supplemental Resolution prior to the delivery of the Series 2003 Bonds, shall bear interest at such rate or rates not exceeding the maximum rate allowed by State law, the actual rate to be approved by the governing body of the Issuer prior to or upon the sale of the Series 2003 Bonds; such interest to be payable semiannually at such times as are fixed by Supplemental Resolution of the Issuer if Serial Bonds or Term Bonds or payable at maturity if Capital Appreciation Bonds, and shall mature annually on such date in such years and such amounts as will be fixed by Supplemental Resolution of the Issuer prior to or upon the sale of the Series 2003 Bonds; and may be issued with variable, adjustable, convertible or other rates with original issue discounts and as zero coupon bonds; all as the Issuer shall provide herein or hereafter by Supplemental Resolution.

Each Serial or Term Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated on an interest payment date, in which case it shall bear interest from such interest payment date, or, unless authenticated prior to the first interest payment date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication, payment of any interest which is due and payable has not been made, such Serial or Term Bond shall bear interest from the date to which interest shall have been paid.

Each Capital Appreciation Bond shall bear interest only at maturity or upon redemption prior to maturity in the amount determined by reference to the Accreted Value.

The principal of and the interest and redemption premium, if any, on the Series 2003 Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The interest on the Serial or Term Bonds shall be payable by the Paying Agent on each interest payment date, or the first business day following an interest payment date if such interest payment date is not a business day, to the person appearing on the registration books of the Issuer hereinafter provided for as the registered Holder thereof, by check or draft mailed to such registered Holder at his address as it appears on such registration books or by wire transfer to Holders of \$1,000,000 or more in principal amount of the Series 2003 Bonds. Payment of the principal of all Serial or Term Bonds (reduced by any Amortization Installments previously paid by the Issuer on any Term Bonds) and the Accreted Value with respect to the Capital Appreciation Bonds shall be made upon the presentation and surrender of such Series 2003 Bonds as the same shall become due and payable.

As long as any Series 2003 Bonds are outstanding in book-entry form, the provisions of this Resolution inconsistent with such system of book-entry registration shall not be applicable to such Series 2003 Bonds, and the Issuer covenants to cause adequate records to be kept with

respect to the ownership of any Series of Bonds issued in book-entry form or the beneficial ownership of bonds issued in the name of a nominee.

SECTION 8. EXECUTION OF BONDS. The Bonds shall be signed by, or bear the facsimile signature of the Mayor and shall be attested by, or bear the facsimile signature of, the City Clerk, and a facsimile of the official seal of the Issuer shall be imprinted on the Bonds.

In case any officer whose signature or a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if such person remained in office until such delivery. Any Bond may bear the facsimile signature of or may be signed by such persons who, at the actual time of the execution of such Bond, shall be the proper officers to sign such Bonds although, at the date of such Bond, such persons may not have been such officers.

SECTION 9. AUTHENTICATION OF BONDS. Only such of the Bonds as shall have endorsed thereon a certificate of authentication substantially in the form hereinbelow set forth, duly executed by the Registrar, as authenticating agent, shall be entitled to any benefit or security under this Resolution. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Registrar, and such certificate of the Registrar upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The Registrar's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Registrar, but it shall not be necessary that the same officer sign the certificate of authentication of all of the Bonds that may be issued hereunder at any one time.

SECTION 10. EXCHANGE OF BONDS. Any Bonds, upon surrender thereof at the designated corporate trust office of the Registrar, together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar, may, at the option of the Bondholder, be exchanged for an aggregate principal amount of Bonds of the same Series equal to the principal amount of the Bond or Bonds so surrendered.

The Registrar shall make provision for the exchange of Bonds at the designated corporate trust office of the Registrar.

SECTION 11. NEGOTIABILITY, REGISTRATION AND TRANSFER OF BONDS. The Registrar shall keep books for the registration of and for the registration of transfers of Bonds as provided in this Resolution. The transfer of any Bonds may be registered only upon such books and only upon surrender thereof to the Registrar together with an assignment duly executed by the Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar. Upon any such registration of transfer, the Issuer shall execute and the Registrar shall authenticate and deliver in exchange for such Bond, a new

Bond or Bonds registered in the name of the transferee, and in an aggregate principal amount equal to the principal amount of such Bond or Bonds so surrendered and of the same Series.

In all cases in which Bonds shall be exchanged, the Issuer shall execute and the Registrar shall authenticate and deliver, at the earliest practicable time, a new Bond or Bonds of the same type (e.g., Serial Bonds will be exchanged for Serial Bonds and Capital Appreciation Bonds will be exchanged for Capital Appreciation Bonds) and of the same Series in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchange or registration of transfer shall forthwith be canceled by the Registrar. The Issuer or the Registrar may make a charge for every such exchange or registration of transfer of Bonds sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or registration of transfer, but no other charge shall be made to any Bondholder for the privilege of exchanging or registering the transfer of Bonds under the provisions of this Resolution. Neither the Issuer nor the Registrar shall be required to make any such exchange, registration or transfer of Bonds after the Record Date.

SECTION 12. OWNERSHIP OF BONDS. The person in whose name any Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or redemption price of any such Bond, and the interest on any such Bonds shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond including the premium, if any, and interest thereon to the extent of the sum or sums so paid.

SECTION 13. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, cause to be executed, and the Registrar shall authenticate and deliver, a new Bond of like date and tenor as the Bond so mutilated, destroyed, stolen or lost (e.g., Serial Bonds shall be issued in exchange for Serial Bonds and Capital Appreciation Bonds shall be issued in exchange for Capital Appreciation Bonds) in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer and the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered shall be canceled by the Issuer. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 13 shall constitute original, additional contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Bonds issued hereunder

SECTION 14. PROVISIONS FOR REDEMPTION. The Bonds shall be subject to redemption prior to their maturity, at the option of the Issuer, at such times and in such manner as shall be fixed by Supplemental Resolution of the Issuer prior to or at the time of sale of the Bonds.

Notice of such redemption shall, at least thirty (30) days prior to the redemption date, be filed with the Registrar, and mailed by the Registrar on behalf of the Issuer, first class mail, postage prepaid, to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books hereinbefore provided for on the Record Date, but failure to mail such notice to one or more Holders of Bonds, or any defect therein, shall not affect the validity of the proceedings for such redemption with respect to Holders of Bonds to which notice was duly mailed hereunder and no defect occurred. Such notice shall also be sent to the registered securities depositories and two or more nationally recognized municipal securities information repositories. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Bonds of one maturity are to be called, the distinctive numbers of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Any notice of optional redemption given pursuant to this Section 14 may state that it is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price, plus interest accrued to the redemption date, or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price and accrued interest if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Paying Agent to affected Holders of Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Issuer shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar at the redemption price. Each check or other transfer of funds issued by the Registrar for the purpose of the payment of the redemption price of Bonds being redeemed shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Holder a new Bond or Bonds of the same maturity in the amount of the unpaid principal of such partially redeemed Bond. All Bonds which have been redeemed shall be canceled and destroyed by the Registrar and shall not be reissued.

SECTION 15. FORM OF BONDS. The text of the Bonds, together with the certificate of authentication to be endorsed therein, shall be in substantially the following form, with such omissions, insertions and variations as may be necessary, desirable, authorized or permitted by this Resolution or by any Supplemental Resolution adopted prior to the issuance of a Series of Bonds, or as may be necessary if the Bonds or a portion thereof are issued as Capital Appreciation Bonds, Capital Appreciation Income Bonds, Option Bonds, Variable Rate Bonds, or as may be necessary to comply with applicable laws, rules and regulations of the United States and of the State in effect upon the issuance thereof

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{FORM OF BOND}

No. R- _____

\$ _____

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF FLAGLER
THE CITY OF PALM COAST
UTILITY SYSTEM REVENUE BONDS, SERIES _____

MATURITY DATE: INTEREST RATE: DATED DATE: CUSIP:

Registered Owner:

Principal Amount:

The City of Palm Coast, Florida (hereinafter called the "Issuer") for value received, hereby promises to pay to the order of the Registered Owner identified above or registered assigns, as herein provided, on the Maturity Date identified above, upon the presentation and surrender hereof at the designated corporate trust office of _____, Florida from the sources hereinafter mentioned, the Principal Amount identified above in any coin or currency of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts, and to pay, solely from said sources, to the Registered Owner hereof by wire transfer or check transmitted to the Registered Owner at his address as it appears on the Bond registration books of the Issuer as it appears on the 15th day of the calendar month preceding the applicable interest payment date, interest on said Principal Amount at the Interest Rate per annum identified above on each _____ 1 and _____ 1 commencing _____ 1, _____ from the interest payment date next preceding the date of registration and authentication of this Bond, unless this Bond is registered and authenticated as of an interest payment date, in which case it shall bear interest from said interest payment date, or unless this Bond is registered and authenticated prior to _____, _____, in which event this Bond shall bear interest from _____.

The Bonds of this issue shall be subject to redemption prior to their maturity at the option of the Issuer.

(Insert Optional and/or Mandatory Redemption Provisions)

Notice of such redemption shall be given in the manner required by the Resolution described below.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$ _____ of like date, tenor and effect, except as to number, principal amount, maturity, redemption provisions and interest rate, issued to _____, all in full compliance

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with the Constitution and Statutes of the State of Florida, including particularly Chapter 159, Part I, Chapter 166, Part II, Florida Statutes, as amended, and Resolution No. ____ duly adopted by the Issuer on ____ 2003, as amended and supplemented (hereinafter collectively called the "Resolution") and is subject to all the terms and conditions of such Resolution. All capitalized undefined terms used herein shall have the meaning set forth in the Resolution.

This Bond is payable solely from and secured by a pledge of the Net Revenues of the System levied and collected by the Issuer, the Sewer System Capital Facilities Fees, the Water System Capital Facilities Fees, and the moneys in certain funds and accounts created pursuant to the Resolution (collectively, the "Pledged Revenues") in the manner and to the extent provided in the Resolution. Reference is made to the Resolution for more complete definition and description of the System and the Pledged Revenues.

This Bond does not constitute a general indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provision or limitation, and it is expressly agreed by the Holder of this Bond that such Bondholder shall never have the right to require or compel the exercise of the ad valorem taxing power of the Issuer or taxation of any real or personal property therein for the payment of the principal of and interest on this Bond or the making of any debt service fund, reserve or other payments provided for in the Resolution.

It is further agreed between the Issuer and the Holder of this Bond that this Bond and the indebtedness evidenced thereby shall not constitute a lien upon the System, or any part thereof, or on any other property of or in the Issuer, but shall constitute a lien only on the Pledged Revenues all in the manner provided in the Resolution.

The Issuer has covenanted, in the Resolution, to fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide,

(i) Net Revenues in each Fiscal Year sufficient to pay one hundred ten percent (110%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, or

(ii) Net Revenues in each Fiscal Year sufficient to pay one hundred five percent (105%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year; and Net Revenues, Water System Capital Facilities Fees and Sewer System Capital Facilities Fees in each Fiscal Year sufficient to pay at least one hundred twenty percent (120%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year.

In addition to compliance with either subparagraph (i) or (ii) above, such Net Revenues in each Fiscal Year shall also be sufficient to provide one hundred percent (100%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, any amounts required by the terms hereof to be deposited into the Reserve Fund or with any Credit Facility

Issuer as a result of a withdrawal from the Reserve Fund, the Renewal, Replacement and Improvement Fund and debt service on other obligations payable from the Revenues of the System, and other payments, and all allocations and applications of revenues herein required in such Fiscal Year.

Net Revenues will not be reduced so as to render them insufficient to provide revenues for the purposes provided therefor by the Resolution. Nothing in the Resolution will obligate the Issuer to impose Sewer System Capital Facilities Fees or Water System Capital Facilities Fees.

The Issuer has entered into certain further covenants with the Holders of the Bonds of this issue for the terms of which reference is made to the Resolution.

It is certified that this Bond is authorized by and is issued in conformity with the requirements of the Constitution and Statutes of the State of Florida.

This Bond is and has all the qualities and incidents of a negotiable instrument under Article 8 of the Uniform Commercial Code, the State of Florida, Chapter 678, Florida Statutes, as amended.

The transfer of this Bond is registrable by the Bondholder hereof in person or by his attorney or legal representative at the designated corporate trust office of the Registrar but only in the manner and subject to the conditions provided in the Resolution and upon surrender and cancellation of this Bond.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Resolution until it shall have been authenticated by the execution by the Registrar of the certificate of authentication endorsed hereon.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the City of Palm Coast, Florida, has issued this Bond and has caused the same to be signed by the Mayor and countersigned and attested to by the City Clerk (the signatures of the Mayor and the City Clerk being authorized to be facsimiles of such officers' signatures), and its seal or facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon, all as of the ____ day of _____.

THE CITY OF PALM COAST, FLORIDA

(SEAL)

(manual or facsimile)
Mayor

ATTESTED AND COUNTERSIGNED:

(manual or facsimile)
City Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds issued under the provisions of the within mentioned Resolution.

Date of Authentication:

Registrar, as Authenticating Agent

By: (manual or facsimile)
Authorized Officer

ATTEST:

(manual or facsimile)
Authorized Officer

ASSIGNMENT AND TRANSFER

For value received the undersigned hereby sells, assigns and transfers unto _____
(Please insert Social Security or other identifying number of transferee) _____
the attached bond of the City of Palm Coast, Florida, and does hereby constitute
and appoint, _____, attorney, to transfer the said Bond on the books kept for
Registration thereof, with full power of substitution in the premises.

Date: _____
Signature Guaranteed by _____
[member firm of the New York Stock
Exchange or a commercial bank or a trust
company.]

By: (manual or facsimile)
Authorized Officer

NOTICE: No transfer will be registered and no new Bonds will be issued in the name of the transferee, unless the signature to this assignment corresponds with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever and the Social Security or Federal Employer Identification Number of the transferee is supplied

[END OF FORM OF BOND]

SECTION 16. CREATION OF FUNDS. There are hereby created and established the following funds and accounts, which funds and accounts shall be trust funds held by the Financial Services Director for the purposes herein provided and used only in the manner herein provided:

(A) The "City of Palm Coast Utility System Revenue Fund" (hereinafter sometimes called the "Revenue Fund") to be held by the Issuer and to the credit of which deposits of Gross Revenues shall be made as required by Section 20(A) hereof.

(B) The "City of Palm Coast Utility System Bond Service Fund" (hereinafter sometimes called the "Bond Service Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(B)(1) hereof. In such fund there shall be maintained the following accounts: the Principal Account, the Interest Account, the Parity Contract Obligation Account and the Redemption Account.

(C) The "City of Palm Coast Utility System Reserve Fund" (hereinafter sometimes called the "Reserve Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(B)(2) hereof.

(D) The "City of Palm Coast Utility System Subordinated Debt Service Fund" (hereinafter sometimes called the "Subordinated Debt Service Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(B)(3) hereof.

(E) The "City of Palm Coast Utility System Renewal, Replacement and Improvement Fund" (hereinafter sometimes called the "Renewal, Replacement and Improvement Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(B)(4) hereof.

(F) The "City of Palm Coast Utility System Project Fund" (hereinafter sometimes called the "Project Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 17 hereof. Within such fund there shall be created, established and maintained separate accounts for each Series of Bonds and furthermore be created, established and maintained separate accounts for capitalized interest funded from the proceeds of any Series of Bonds.

(G) The "City of Palm Coast Sewer System Capital Facilities Fees Fund" (hereinafter sometimes called the "Sewer System Capital Facilities Fees Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(R) hereof.

(H) The "City of Palm Coast Water System Capital Facilities Fees Fund" (hereinafter sometimes called the "Water System Capital Facilities Fees Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20(S) hereof.

(I) The "City of Palm Coast Rate Stabilization Fund" (hereinafter sometimes called the "Rate Stabilization Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20 (T) hereof.

(J) The "City of Palm Coast Surplus Fund" (hereinafter sometimes called the "Surplus Fund") to be held by the Issuer and to the credit of which deposits shall be made as required by Section 20 (B)(5) hereof

The Revenue Fund, the Bond Service Fund (including the accounts therein), the Reserve Fund, the Renewal, Replacement and Improvement Fund, the Project Fund, the Sewer System Capital Facilities Fees Fund, the Water System Capital Facilities Fees Fund, the Rate Stabilization Fund, the Surplus Fund and any other special funds hereon established and created shall be deemed to be held in trust for the purposes provided herein for such funds. The money in all such funds shall be continuously secured in the same manner as state and municipal deposits are authorized to be secured by the laws of the State of Florida.

SECTION 17. APPLICATION OF SERIES 2003 BOND PROCEEDS. The proceeds, including accrued interest and premium, if any, received from the sale of the Series 2003 Bonds shall be applied by the Issuer simultaneously with the delivery of such Series 2003 Bonds to the purchaser thereof, as follows or as otherwise provided in a Supplemental Resolution:

(A) The accrued interest shall be deposited in the Interest Account in the Bond Service Fund and shall be used only for the purpose of paying interest becoming due on the Series 2003 Bonds.

(B) Unless otherwise provided in a Supplemental Resolution of the Issuer or unless the Issuer has provided for a surety bond, a letter of credit, or other form of credit enhancement as provided in Section 20(B)(2) hereof, a sum equal to the Reserve Requirement shall be deposited in the Reserve Fund and shall be used only for the purposes provided therefor.

(C) A sufficient amount of the Series 2003 Bond proceeds shall be applied to the payment of the premium of any municipal bond insurance policy applicable to the Series 2003 Bonds, the payment of the premium of any surety bond applicable to the Series 2003 Bonds, and to the payment of costs and expenses, including legal, accounting, engineering, underwriting and financial advisory fees and expenses, and other fees and expenses relating to the issuance of the Series 2003 Bonds which must be paid upon delivery of the Series 2003 Bonds.

(D) A sum as shall be determined by Supplemental Resolution of the Issuer, if any, shall be deposited into the Project Fund and used for the purpose of paying Project Costs.

(E) Any remaining moneys from the Series 2003 Bonds shall be deposited as provided in a Supplemental Resolution of the Issuer, but shall only be used for the purposes permitted by law.

The proceeds of any Series of Bonds, other than the Series 2003 Bonds, shall be applied as provided by Supplemental Resolution of the Issuer adopted at or prior to sale of such series of the Bonds.

SECTION 18. DISBURSEMENTS FROM PROJECT FUND. Moneys on deposit from time to time in the Project Fund shall be used to pay or reimburse the following Project Costs:

(A) Costs incurred directly or indirectly for or in connection with a Project or a proposed or future Project or acquisition including, but not limited to, those for preliminary planning and studies, architectural, legal, financial, engineering and supervisory services, labor, services, materials, equipment, accounts receivable, acquisitions, land, rights-of-way, improvements and installation;

(B) Premiums attributable to all insurance required to be taken out and maintained during the period of construction with respect to a Project to be acquired or constructed, the premium on each surety bond, if any, required with respect to work on such facilities, and taxes, assessments and other charges hereof that may become payable during the period of construction with respect to such a Project;

(C) Costs incurred directly or indirectly in seeking to enforce any remedy against a contractor or subcontractor in respect of any default under a contract relating to a Project or costs incurred directly or indirectly in defending any claim by a contractor or subcontractor with respect to a Project;

(D) Financial, legal, accounting, appraisals, title evidence and printing and engraving fees, charges and expenses, and all other such fees, charges and expenses incurred in connection with the authorization, sale, issuance and delivery of such Series of Bonds;

(E) Capitalized interest funded from Bond proceeds, if any, for a reasonable period of time, which shall be deposited in a separate subaccount of the Project Fund and shall be used as provided in a Supplemental Resolution of the Issuer;

(F) Any other incidental and necessary costs including without limitation any expenses, fees and charges relating to the acquisition, construction or installation of a Project, and the making of extraordinary repairs, renewals and replacements, decommissioning or retirement of any portion of the System, including the cost of temporary employees of the Issuer retained to carry out duties in connection with the acquisition, construction or erection of a Project and costs related to transition of such Project into ownership by the Issuer;

(G) Costs incurred directly or indirectly in placing any Project in operation in order that completion of such Project may occur;

(H) Costs of acquiring an existing utility system from a Person, including but not limited to the costs relating to any real estate transaction related thereto,

(I) Any other costs relating to the System authorized pursuant to a Supplemental Resolution of the Issuer and permitted under the laws of the State subject to the prior written approval of Bond Counsel, and

(J) Reimbursements to the Issuer for any of the above items hereinbefore paid by or on behalf of the Issuer, to the extent deemed advisable by Bond Counsel.

Notwithstanding anything else in this Resolution to the contrary, in the Event of Default, the trustee acting for the Holders of Bonds shall, to the extent there are no other available funds held hereunder, use the remaining funds in the Project Fund to pay principal and interest on the Series of Bonds to which such funds relate and were provided by

SECTION 19. SPECIAL OBLIGATIONS OF ISSUER. The Bonds and any Parity Contract Obligations shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of the State, but shall be payable solely from and secured by a first lien upon and a pledge of the Pledged Revenues as herein provided. No Holder or Holders of any Bonds issued hereunder or Qualified Agreement Provider shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any real or personal property therein, or to compel the Issuer to pay such principal and interest from any other funds of the Issuer.

The payment of principal of and interest on the Bonds and any Parity Contract Obligation shall be secured forthwith equally and ratably by, and the Issuer hereby grants to the Bondholders and any Qualified Agreement Provider (to the extent set forth in the related Qualified Agreement) an irrevocable lien on the Pledged Revenues, prior and superior to all other liens or encumbrances on such Pledged Revenues and the Issuer does hereby irrevocably pledge such Pledged Revenues to the payment of the principal of, redemption premium, if any, and interest on the Bonds and any Parity Contract Obligation, for the reserves therefor and for all other payments required hereunder. Such amounts hereby pledged and assigned shall immediately be subject to the lien of this pledge without any further physical delivery thereof or any further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice thereof.

SECTION 20. COVENANTS OF THE ISSUER. For so long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid or until the Issuer has made provision for payment of principal, interest and redemption premiums, if any, with respect to the Bonds, as provided herein, the Issuer covenants with the Holders of any and all Bonds as follows:

(A) **REVENUE FUND.** All Gross Revenues of the System shall, upon receipt thereof, be deposited in the Revenue Fund. All deposits into such Revenue Fund shall be deemed to be held in trust for the purposes herein provided and used only for the purposes and in the manner herein provided.

(B) DISPOSITION OF REVENUES. All Net Revenues in the Revenue Fund, after payment of Cost of Operation and Maintenance of the System, shall be disposed of monthly, but not later than the twenty-fifth (25th) day of each month commencing in the month immediately following the delivery of the Series 2003 Bonds only in the following manner and the following order of priority:

(1) The Issuer shall first deposit into the Bond Service Fund and credit to the following accounts, in the following order (except that payments into the Interest Account and the Parity Contract Obligations Account shall be on parity with each other, and the payments into the Principal Account and the Redemption Account shall be on a parity with each other), the following identified sums:

(a) Interest Account: Taking into account actual and anticipated earnings in the Interest Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-sixth (1/6th) of all interest coming due on all Outstanding Bonds on the next interest payment date; provided, however, that monthly deposits of interest, or portions thereof, shall not be required to be made to the extent that money on deposit within such Interest Account is sufficient for such purpose. In the event the Issuer has issued Variable Rate Bonds pursuant to the provisions hereof, Net Revenues shall be deposited at such other or additional times and amounts as necessary to pay any interest coming due on such Variable Rate Bonds on the next interest payment date, all in the manner provided in a Supplemental Resolution of the Issuer. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting interest payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of interest payment dates applicable to such Series. Moneys in the Interest Account may be used only for the purposes set forth in this paragraph (a).

(b) Parity Contract Obligations Account: Taking into account the actual and anticipated earnings in the Parity Contract Obligations Account in the Bond Service Fund within the current Bond Year, a pro rata estimated amount necessary to build up over time the amount of any Parity Contract Obligation which will next be due and payable or reasonably expected to be due and payable under any Qualified Agreement on the next payment date thereunder; provided, however, that the monthly amount to be so deposited may be adjusted, as appropriate, to reflect the frequency of payment dates thereunder (e.g., if such Parity Contract Obligations are required to be paid semi-annually, the Issuer shall be required to monthly deposit an amount which is estimated to equal one-sixth (1/6th) of the next such payment). Moneys in the Parity Contract Obligations Account may be used only for the purposes set forth in this paragraph (b).

(c) Principal Account: Taking into account actual and anticipated earnings in the Principal Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12th) of the principal amount of the Outstanding Bonds which will mature and become due on such annual maturity dates

beginning the month which is twelve (12) months prior to the first principal maturity date, provided, however, that monthly deposits for principal, or portions thereof, shall not be required to be made to the extent that money on deposit within such Principal Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting principal payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such Series. Moneys in the Principal Account may be used only for the purposes set forth in this paragraph (c).

(d) Redemption Account: Taking into account actual and anticipated earnings in the Redemption Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12th) of any Amortization Installment established for the mandatory redemption of Outstanding Bonds on such annual maturity date beginning the month which is twelve (12) months prior to the first Amortization Installment date; provided, however, that monthly deposits into the Redemption Account, or portions thereof, shall not be required to be made to the extent that money on deposit in the Redemption Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting Amortization Installments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of dates established for Amortization Installments applicable to such Series. The moneys in the Redemption Account shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The Issuer may at any time purchase any of said Term Bonds at prices not greater than the then redemption price of said Term Bonds. If the Term Bonds are not then redeemable prior to maturity, the Issuer may purchase said Term Bonds at prices not greater than the redemption price of such Term Bonds on the next ensuing redemption date. If Term Bonds are so purchased by the Issuer, the Issuer shall credit the account of such purchased Term Bonds against any current Amortization Installment to be paid by the Issuer. If the Issuer shall purchase or call for redemption in any year Term Bonds in excess of the Amortization Installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall be credited in such manner and at such times as the Issuer shall determine. Moneys in the Redemption Account in the Debt Service Fund may be used only for the purposes set forth in this paragraph (d).

(2) To the extent that the amounts on deposit in the Reserve Fund are less than the Reserve Requirement, the Issuer shall next make deposits into the Reserve Fund in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, after all required current payments for Cost of Operation and Maintenance as set forth above and all current applications and allocations to the Bond Service Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in case of withdrawal from the Reserve Fund, in no event shall the Issuer be required to deposit into the Reserve Fund an amount greater than that amount necessary to ensure that the

difference between the Reserve Requirement and the amounts on deposit in the Reserve Fund on the date of calculation shall be restored not later than sixty (60) months after the date of such deficiency (assuming equal monthly payments into the Reserve Fund for such sixty (60) month period).

Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as herein provided, the Issuer may, on the date of delivery of such Additional Parity Obligations, increase the sum required to be accumulated and maintained on deposit in the Reserve Fund to be at least equal to the Reserve Requirement on all Outstanding Bonds including the Additional Parity Obligations then issued. Such required sum may be paid in full or in part from the proceeds of such Additional Parity Obligations or may be accumulated in equal monthly payments to the Reserve Fund over a period of months from the date of issuance of the Additional Parity Obligations, which shall not exceed the greater of (a) twelve (12) months, or (b) the number of months for which interest on such Additional Parity Obligations has been capitalized, as determined by Supplemental Resolution. In the event moneys in the Reserve Fund are accumulated as provided above, (i) the amount in said Reserve Fund on the date of delivery of the Additional Parity Obligations shall not be less than the Reserve Requirement on all Bonds Outstanding (excluding the Additional Parity Obligations) on such date, and (ii) the incremental difference between the Reserve Requirement on all Bonds Outstanding (excluding the Additional Parity Obligations) on the date of delivery of the Additional Parity Obligations and the Reserve Requirement on all such Bonds and the Additional Parity Obligations shall be fifty percent (50%) funded upon delivery of the Additional Parity Obligations.

The Issuer may also establish a separate subaccount in the Reserve Fund for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Fund, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Fund. Moneys in a separate subaccount of the Reserve Fund shall be maintained at the Reserve Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Requirement relating to such separate subaccount of the Reserve Fund at such level as the Issuer deems appropriate. Moneys shall be deposited in the separate subaccounts in the Reserve Fund on a pro-rata basis. In the event the Issuer shall maintain a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit and moneys in the Reserve Fund or any subaccount therein, the moneys shall be used prior to making any disbursements under such Reserve Fund Insurance Policy or Reserve Fund Letter of Credit.

Notwithstanding the foregoing, in lieu of or in substitution for the required deposits into the Reserve Fund, the Issuer may, with the prior written consent of the Insurers, cause to be deposited into the Reserve Fund a Reserve Fund Insurance Policy and/or a Reserve Fund Letter of Credit in an amount equal to the difference between the Reserve Requirement and the sums then on deposit in the Reserve Fund plus the amounts to be deposited therein pursuant

to the preceding paragraph. The issuer providing such Reserve Fund Insurance Policy and/or Reserve Fund Letter of Credit shall either be (a) an insurer (i) whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issue results in such issues being rated in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such category) by either Standard & Poor's Corporation, Moody's or Fitch or (ii) who holds the highest policyholder rating accorded insurers by A.M. Best & Company, or any comparable service, or (b) a commercial bank, insurance company or other financial institution the obligations payable or guaranteed by which have been assigned a rating by Moody's, Standard & Poor's Corporation or Fitch in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories); provided, that notwithstanding the foregoing, such insurer or commercial bank must be rated by any rating agency or agencies providing a rating on the Bonds secured by such Reserve Fund Insurance Policy or Reserve Fund Letter of Credit.

In the event the Reserve Fund contains both a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit and cash, the cash shall be drawn down completely prior to any draw on the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit. In the event more than one Reserve Fund Insurance Policy or Reserve Fund Letter of Credit is on deposit in the Reserve Fund, amounts required to be drawn thereon shall be done on a pro-rata basis calculated by reference to the maximum amounts available thereunder. The Issuer agrees to pay all Reimbursement Obligations in regard to any Reserve Fund Insurance Policy or Reserve Fund Letter of Credit from the Pledged Revenues. Pledged Revenues shall be applied in accordance with this Section 20(B)(2), on a pro-rata basis, to pay Reimbursement Obligations to the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit for amounts advanced under such instruments, replenish any cash deficiencies in the Reserve Fund, and to pay the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit interest on amounts advanced under such instruments. Notwithstanding anything herein to the contrary, this Resolution shall not be discharged or defeased while any Reimbursement Obligations are owing in regard to a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit on deposit in the Reserve Fund. The Issuer agrees not to optionally redeem or exercise its rights to an extraordinary mandatory redemption or refund Bonds unless all Reimbursement Obligations owing in regard to a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit on deposit in the Reserve Fund have been paid in full.

If five (5) days prior to an interest payment date, principal payment date or date an Amortization Installment is due or such other period of time as shall be established pursuant to a Supplemental Resolution, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest, principal or Amortization Installment due on the Bonds on such date, the Issuer shall immediately notify (1) the issuer of the applicable Reserve Fund Insurance Policy and/or the issuer of the Reserve Fund Letter of Credit and submit a demand for payment pursuant to the provisions of such Reserve Fund Insurance Policy and/or Reserve Fund Letter of Credit, and (2) the Paying Agent of the amount of such deficiency and the date on which such payment is due, and shall take all

action to cause such issuer to provide moneys sufficient to pay all amounts due on such interest payment date

The Issuer may evidence its obligation to reimburse the issuer of any Reserve Fund Letter of Credit or Reserve Fund Insurance Policy by executing and delivering a reimbursement agreement therefore which evidences a Reimbursement Obligation; provided, however, any reimbursement agreement (1) shall not be or create a general obligation of the Issuer the payment of which is secured by the full faith and credit or taxing power of the Issuer, and (2) shall be payable or obligate the Issuer to pay solely from the Pledged Revenues in a manner which is not inconsistent with the terms hereof.

To the extent the Issuer causes to be deposited into the Reserve Fund a Reserve Fund Insurance Policy and/or a Reserve Fund Letter of Credit for a term of years shorter than the life of the Bonds, then the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit shall provide, among other things, that the issuer thereof shall provide the Issuer and the Paying Agents with notice as of each anniversary of the date of the issuance of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit of the intention of the issuer thereof to either (1) extend the term of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit beyond the expiration dates thereof, or (2) terminate the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit on the initial expiration dates thereof or such other future date as the issuer thereof shall have established. If the issuer of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit notifies the Issuer pursuant to clause (2) of the immediately preceding sentence or if the Issuer terminates the Reserve Fund Letter of Credit and/or Reserve Fund Insurance Policy, then the Issuer shall deposit into the Reserve Fund, on or prior to the end of the first full calendar month following the date on which such notice is received by the Issuer and each month hereafter, such sums as shall be sufficient to pay an amount equal to a fraction, the numerator of which is one (1) and the denominator of which is equal to the number of months remaining in the term of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit on the date such notice was received multiplied by the maximum amount available, assuming full reimbursement by the Issuer, under the Reserve Fund Letter of Credit and/or the Reserve Fund Insurance Policy until amounts on deposit in the Reserve Fund, as a result of the aforementioned deposits, and no later than upon the expiration of such Reserve Fund Insurance Policy and/or such Reserve Fund Letter of Credit, shall be equal to the Reserve Requirement

Additionally, Reserve Fund Letters of Credit shall be for a term of not less than three years. The issuer of the Reserve Fund Letter of Credit shall be required to notify the Issuer and the Paying Agent, not later than 30 months prior to the stated expiration date of the Reserve Fund Letter of Credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

The Reserve Fund Letter of Credit shall permit to draw in full not less than two weeks prior to the expiration or termination of such Reserve Fund Letter of Credit if the Reserve Fund

Letter of Credit has not been replaced or renewed. The Reserve Fund Letter of Credit shall direct the Paying Agent to draw upon the Reserve Fund Letter of Credit five days prior to its expiration or termination unless an acceptable replacement is in place or the funds contained in the Reserve Fund is equal to the Reserve Requirement on all Outstanding Bonds theretofore issued.

The use of any Reserve Fund Insurance Policy or Reserve Fund Letter of Credit pursuant to this Resolution shall be subject to receipt of an opinion of counsel acceptable to the Insurer and in form and substance satisfactory to the Insurer as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such Credit Facility is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Insurer. In addition, the use of a Reserve Fund Letter of Credit shall be subject to receipt of an opinion of counsel acceptable to the Insurer and in form and substance satisfactory to the Insurer to the effect that payments under such Reserve Fund Letter of Credit would not constitute avoidable preference under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the Issuer of the Bonds (or any other account party under the Reserve Fund Letter of Credit).

Notwithstanding anything herein to the contrary, Reimbursement Obligations relating to a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit for any fees, expenses, claims or draws upon such Reserve Fund Insurance Policy or Reserve Fund Letter of Credit shall be subordinate to the payment of debt service on the Bonds and to the payment of Parity Contract Obligations. The right of the issuer of a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit to payment of reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Reserve Fund, and subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be prior to the replenishment of the cash drawn from the Reserve Fund. The Reserve Fund Insurance Policy or Reserve Fund Letter of Credit shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit reimbursement will be further subordinated to cash replenishment of the Reserve Fund to an amount equal to the difference between the full original amount available under the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit and the amount then available for further draws or claims. If (1) the issuer of a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit becomes insolvent or (2) the issuer of a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit defaults in its payment obligations thereunder or (3) the claims-paying ability of the issuer of the Reserve Fund Insurance Policy falls below a S&P "AAA" or Moody's "Aaa" or Fitch "AAA" or (4) the rating of the issuer of the Reserve Fund Letter of Credit falls below a S&P "AA", the obligation to reimburse the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit shall be subordinate to the cash replenishment of the Reserve Fund.

If (1) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (2) the rating of the claims paying ability of the issuer of the Reserve Fund Insurance Policy falls below the S&P "AAA" or a Moody's "Aaa" or (3) the rating of the issuer of the Reserve Fund Letter of Credit falls below a S&P "AA", the Issuer shall either (i) deposit into the Reserve Fund an amount sufficient to cause the cash or Permitted Investments on deposit in the Reserve Fund to equal the Reserve Requirement on all Outstanding Bonds secured thereby, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit meeting the requirements of this Resolution within six months of such occurrence. In the event (1) the rating of the claims-paying ability of the issuer of the Reserve Fund Insurance Policy falls below "A," or (2) the rating of the issuer of the Letter of Credit falls below "A," or (3) the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit defaults in its payment obligations, or (4) the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit becomes insolvent, the Issuer shall either (i) deposit into the Reserve Fund an amount sufficient to cause the cash or Permitted Investments on deposit in the Reserve Fund to equal the Reserve Requirement on all outstanding Bonds, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (ii) replace such instrument with a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit meeting the requirements of this Resolution within six months of such occurrence.

If any Reserve Fund Letter of Credit or Reserve Fund Insurance Policy shall terminate prior to the stated expiration date thereof, the Issuer agrees that it shall fund the Reserve Fund over a period not to exceed twelve (12) months during which it shall make consecutive equal monthly payments in order that the amount on deposit in the Reserve Fund shall equal the Reserve Requirement; provided, the Issuer may obtain a new Reserve Fund Letter of Credit or a new Reserve Fund Insurance Policy in lieu of making the payments required by this paragraph.

Moneys in the Reserve Fund and subaccounts thereon shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Outstanding Bonds secured thereby when the other moneys allocated to the Bond Service Fund are insufficient therefor, and for no other purpose.

Permitted Investments on deposit in the Reserve Fund shall be valued at fair value pursuant to generally accepted accounting principles at least annually. In the event of the refunding of any Series of Bonds, the Issuer may withdraw from the Reserve Fund or subaccount securing such Series, all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the resolution authorizing the refunding of such Series of Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter, the Bonds being refunded shall be deemed to have been paid pursuant to the provisions hereof, and (b) the amount remaining in the Reserve Fund after giving effect to the issuance of such refunding obligations and the disposition of the

proceeds thereof shall not be less than the Reserve Requirement for any Bonds then Outstanding which are secured thereby

(3) From the moneys remaining in the Revenue Fund, the Issuer shall next deposit into the Subordinated Debt Service Fund an amount required to be paid as provided in the resolution or agreement of the Issuer authorizing such Subordinated Debt, but for no other purposes

(4) The Issuer shall next apply and deposit monthly from the moneys remaining on deposit in the Revenue Fund into the Renewal, Replacement and Improvement Fund, an amount at least equal to one-twelfth (1/12th) of five percent (5%) of the Gross Revenues received during the immediately preceding Fiscal Year. The moneys in the Renewal, Replacement and Improvement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System or emergency repairs or extraordinary repairs thereto. No further deposits shall be required to be made into the Renewal, Replacement and Improvement Fund when there shall be on deposit therein an amount equal to or greater than one percent (1%) of the gross book value of the fixed assets of the System pursuant to generally accepted accounting principles, or such other amount as may be determined from time to time by the Consulting Engineer. Funds on hand in the Renewal, Replacement and Improvement Fund may be used to pay current Cost of Operation and Maintenance to the extent moneys on deposit in the Revenue Fund are insufficient for such purposes. The moneys on deposit in such fund may also be used to supplement the Reserve Fund, if necessary, in order to prevent a default in the payment of the principal and interest on the Bonds.

(5) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made shall be deposited into the Surplus Fund and may be used for any lawful purpose of the Issuer; provided, however, that none of such moneys shall be used for any purposes other than those hereinabove specified unless all current payments, including any deficiencies for prior payments, have been made in full and unless the Issuer shall have complied fully with all the covenants and provisions of this Resolution.

(C) INVESTMENTS. Moneys in any fund or account created hereunder may be invested and reinvested in Permitted Investments which mature not later than the dates on which the moneys on deposit therein will be needed for the purpose of such fund. All income on such investments, except as otherwise provided, shall be deposited in the respective funds and accounts from which such investments were made and be used for the purposes thereof unless and until the maximum required amount (or, with respect to the Project Fund, the amount required to acquire, construct and erect the Project) is on deposit therein, and thereafter shall be deposited in the Revenue Fund.

In determining the amount of any of the payments required to be made pursuant to this Section 20(C), credit may be given for all investment income accruing to the respective funds and accounts described herein, except as otherwise provided.

The cash required to be accounted for in each of the funds and accounts described in Section 20(B) may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein for the various purposes of such funds and accounts as herein provided. The designation and establishment of the various funds in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

The Issuer may at any time and from time to time appoint one or more depositaries to hold, for the benefit of the Bondholders, any one or more of the funds, accounts and subaccounts established hereby. Such depository or depositaries shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds and accounts as herein set forth, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agent and employees. Any such depository shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than fifty million dollars (\$50,000,000).

(D) OPERATION AND MAINTENANCE. The Issuer will maintain the System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

(E) RATE COVENANT. The Issuer will fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide,

(i) Net Revenues in each Fiscal Year sufficient to pay one hundred ten percent (110%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, or

(ii) Net Revenues in each Fiscal Year sufficient to pay one hundred five percent (105%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year; and Net Revenues, Water System Capital Facilities Fees and Sewer System Capital Facilities Fees in each Fiscal Year sufficient to pay at least one hundred twenty percent (120%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year.

In addition to compliance with either subparagraph (i) or (ii) above, Net Revenues in each Fiscal year shall also be sufficient to provide one hundred percent (100%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, any amounts

required by the terms hereof to be deposited into the Reserve Fund or with any Credit Facility Issuer as a result of a withdrawal from the Reserve Fund, the Renewal, Replacement and Improvement Fund and debt service on other obligations payable from the Revenues of the System, and other payments, and all allocations and applications of revenues herein required in such Fiscal Year.

Net Revenues shall not be reduced so as to render them insufficient to provide revenues for the purposes provided therefor by this Resolution. Nothing herein will obligate the Issuer to impose Sewer System Capital Facilities Fees or Water System Capital Facilities Fees.

(F) BOOKS AND ACCOUNTS; AUDIT. The Issuer shall keep proper books, records and accounts, separate and apart from all other records and accounts, showing correct and complete entries of all transactions of the System, and the Holders of any of the Bonds or any duly authorized agent or agents of such Holders shall have the right at any and all reasonable times to inspect such books, records and accounts. The Issuer shall, within two hundred ten (210) days following the close of each Fiscal Year of the Issuer, cause an audit of such books, records and accounts to be made by an independent firm of certified public accountants.

Copies of each such audit report shall be placed on file with the Issuer and be made available at reasonable times for inspection by Holders of the Bonds.

(G) DISPOSITION OF SYSTEM.

(i) The System may be sold or otherwise disposed of as a whole or substantially as a whole, only if the net proceeds to be realized, together with other moneys available for such purpose, shall be sufficient to fully retire all of the Outstanding Bonds issued pursuant to this Resolution and all interest thereon to their respective dates of maturity or earlier redemption dates and to make any termination payments required under any Qualified Agreement. The proceeds from such sale or other disposition of the System shall immediately be deposited first in the Bond Service Fund and then in the Subordinated Debt Service Fund and shall be used only for the purpose of paying Parity Contract Obligations, and paying the principal of and interest on the Bonds and Subordinated Debt as the same shall become due, or the redemption of callable Bonds and Subordinated Debt, or the purchase of Bonds and Subordinated Debt at a price not greater than the redemption price of said Bonds and Subordinated Debt, or, if the Bonds or Subordinated Debt are not then redeemable prior to maturity, at prices not greater than the redemption price of such Bonds or Subordinated Debt on the next ensuing redemption date.

(ii) The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease, exchange or otherwise dispose of any of the tangible property or ownership interest in tangible property comprising a part of the System in the following manner, if any one of the following

conditions exist: (a) such property is not necessary for the operation of the System or (b) such property is not useful in the operation of the System or (c) such property is not profitable in the operation of the System.

Prior to any sale, lease, exchange or other disposition of said property.

(1) If the amount to be received therefor is not in excess of one-half (1/2) of one percentum (1%) of the value of the gross plant investment in the System, the officer of the Issuer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought, may determine that such property comprising a part of such System is either no longer necessary, useful or profitable in the operation thereof.

(2) If the amount to be received therefor is in excess of one-half (1/2) of one percentum (1%) of the value of the gross plant investment in the System, the officer of the Issuer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought and the Consulting Engineer shall each first make a finding in writing determining that such property comprising a part of such System is either no longer necessary, useful or profitable in the operation thereof, and the Issuer shall, by resolution duly adopted, approve and concur in the finding of such authorized officer and the Consulting Engineer.

The net proceeds realized from such disposal of a part of the System shall be deposited in the Renewal, Replacement and Improvement Fund to the extent necessary to make the amount on deposit therein equal to the amount then required to be on deposit therein; and any additional moneys not needed for said fund shall be used for any capital expenditures in connection with the System or the purchase or redemption of Outstanding Bonds.

(i) Notwithstanding any other provision of this Section 20(G) or this Resolution to the contrary, except for the initial paragraph of this Section 20(G), the Issuer may sell, lease, exchange or otherwise dispose of tangible property or an ownership interest in tangible property comprising a part of the System provided the duly authorized officer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought, and the Qualified Independent Consultant each make a finding in writing, adopted and confirmed by resolution of the Issuer, determining that (i) such sale, lease, exchange or other disposition will not materially impair or restrict the Issuer's ability to realize Gross Revenues in compliance with the requirements therefor as set forth herein, and (ii) such sale, lease, exchange or other disposition is in the economic best interests of the Issuer.

(ii) Notwithstanding any other provision of this Section 20(G) or this Resolution to the contrary, the Issuer may transfer ownership and/or operation of all or a portion of the System to any public body authorized by the laws of the

State to own and/or operate such System on an installment sale basis provided that the Issuer (a) has received an opinion of Bond Counsel stating the federal income tax exemption of the interest on the Bonds (not including taxable Bonds) will not be affected and has received an opinion of Bond Counsel stating that such sale is not prohibited by any applicable Florida law, and (b) the Issuer adopts a resolution to the effect that, based upon such certificates and opinions of its Consulting Engineer, independent certified public accountants, Bond Counsel, Financial Advisor or other Qualified Independent Consultant as the Issuer shall deem necessary, desirable or appropriate, such transfer will not materially adversely affect the rights of the Holders of the Bonds.

(H) INSURANCE. The Issuer shall provide protection for the System both in accordance with the requirements of all agreements, if any, to which the Issuer may at the time be a party with respect to joint ownership of properties by the Issuer with others which is part of the System, and in accordance with Prudent Utility Practice. Said protection may consist of insurance, self insurance and indemnities. The Issuer will keep, or cause to be kept, the works, plants and facilities comprising the properties of the System insured, and will carry such other insurance against fire and other risks, accidents or casualties at least to the extent and of the kinds that insurance is usually carried by utilities operating like properties. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the Issuer and may provide for such deductibles, exclusions, limitations, restrictions, and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the System. Any self insurance shall be in the amounts, manner and of the type provided by entities operating properties similar to the properties of the System. In the event of any loss or damage to the System covered by insurance, the Issuer will, with respect to each such loss, promptly repair, reconstruct or replace the parts of the System affected by such loss or damage to the extent necessary to the proper conduct of the operation of the business of the System in accordance with Prudent Utility Practice, shall cause the proceeds of such insurance to be applied for that purpose to the extent required therefor, and pending such application, shall hold the proceeds of any insurance policy covering such damage or loss in trust to be applied for that purpose to the extent required therefor. Any excess insurance proceeds received by the Issuer may be used by the Issuer for any lawful purpose. Notwithstanding the foregoing or any provisions of this Resolution to the contrary, the Issuer shall not be required to maintain insurance with respect to facilities for which insurance shall not be available or for facilities which, in accordance with Prudent Utility Practice, are not customarily insured.

(I) NO FREE SERVICE. So long as any Bonds are outstanding, the Issuer shall not furnish or supply the facilities, services and commodities of the System either free of charge or for a nominal charge to any person, firm or corporation, public or private, including the Issuer's departments, agencies and instrumentalities which avail themselves of the services of the System. The Issuer shall promptly enforce the payment of any and all accounts owing to

the Issuer and delinquent, by discontinuing service or by filing suits, actions or proceedings, or by both discontinuance of service and filing suit.

(J) MANDATORY CUT OFF The Issuer shall establish a written policy consistent with sound business judgment for the disconnection from the System of any customer who fails to pay for services rendered by the System, and shall enforce such policy diligently and fairly.

(K) ENFORCEMENT OF COLLECTIONS The Issuer will diligently enforce and collect the rates, fees and other charges for the services and facilities of the System and will take all steps, actions and proceedings for the enforcement and collection of such rates, charges and fees as shall become delinquent to the full extent permitted or authorized by law; and will maintain accurate records with respect thereof. All such fees, rates, charges and revenues shall, as collected, be held in trust to be applied as herein provided.

(L) OPERATING BUDGET. The Issuer shall annually, prior to commencement of each of its Fiscal Years, prepare and adopt a budget of the estimated expenditures for the operation and maintenance of the System during such next succeeding Fiscal Year. The Issuer shall mail copies of such annual budgets (including any amendments thereto) to any Holder or Holders of Bonds who shall file his address with the Issuer and request in writing that copies of all such budgets be furnished him and shall make available such budgets of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders. Bondholders shall pay reasonable actual cost of printing and mailing of such copies.

(M) MANDATORY CONNECTIONS; NO COMPETING SYSTEM So long as service is in fact available as reasonably determined by the Issuer, the Issuer will, to the full extent permitted by law, require all lands, buildings and structures within the area being served by the System as of the date of issuance of the Series 2003 Bonds, to connect with and use such facilities within sixty (60) days after notification. To the extent permitted by law, the Issuer will not grant a franchise for the operation of any competing utility system or systems within the area served by the System as of the date of issuance of the Series 2003 Bonds until all Bonds issued hereunder, together with the interest thereon, and premium, if any, have been paid in full. Notwithstanding the foregoing, the Issuer shall not be required to duplicate services being provided by private or public utilities in the area being served by such private or public utilities on the date of issuance of the Series 2003 Bonds. In addition, the Issuer shall not be prohibited from allowing other private or public utilities to provide services within the area being served by the System as of the date of issuance of the Series 2003 Bonds, if the issuer shall not be providing such service in such area on that date. Nothing herein shall be deemed to constitute the approval of the Issuer for any private or public utility (other than the System) to provide any services within the boundaries of the Issuer or within the area being served by the System as of the date of issuance of the Series 2003 Bonds or within any other area of the Issuer.

(N) SUPERVISORY PERSONNEL. The Issuer, in operating the System, will employ or designate, as manager, one or more of its qualified employees, or an independent contractor, who have demonstrated ability and experience in operating similar facilities, and will require all such employees or independent contractors, as the case may be, who may have possession of money derived from the operation of the System to be covered by a fidelity bond, written by a responsible indemnity company in amounts fully adequate to protect the Issuer from loss.

(O) PAYMENT OF TAXES, ASSESSMENTS AND OTHER CLAIMS. The Issuer shall from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the properties constituting the System or the Gross Revenues, Sewer System Capital Facilities Fees or Water System Capital Facilities Fees when the same shall become due, as well as all lawful claims for labor and materials and supplies which, if not paid, might become a lien or charge upon such properties or any part thereof, or upon the Gross Revenues, Sewer System Capital Facilities Fees or Water System Capital Facilities Fees or which might in any way impair the security of the Bonds, except assessments, charges or claims which the Issuer shall in good faith contest by proper legal proceedings.

(P) ISSUANCE OF OTHER OBLIGATIONS. The Issuer shall issue no bonds or obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues if such obligations have priority over the Bonds or any Parity Contract Obligations with respect to payment or lien, nor shall the Issuer create or cause or permit to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Bonds and any Parity Contract Obligations upon said Pledged Revenues. Notwithstanding any other provision in this Section 20(P), the Issuer may issue Additional Parity Obligations under the conditions and in the manner provided herein. Any obligations of the Issuer, other than the Bonds and any Parity Contract Obligations, which are payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds and any Parity Contract Obligations as to lien on and source and security for payment from such Pledged Revenues.

(Q) ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. No Additional Parity Obligations shall be issued after the issuance of the Series 2003 Bonds herein authorized, except upon the conditions and in the manner hereinafter provided:

(1) There shall have been obtained and filed with the Clerk a certificate of an Issuer's Financial Services Director stating: (a) that the books and records of the Issuer relative to the System and the Net Revenues, and if applicable, the Sewer System Capital Facilities Fees and the Water System Capital Facilities Fees, have been reviewed by the Financial Services Director; and either (b) that the amount of the Net Revenues derived for any consecutive twelve (12) months out of the preceding thirty (30) months preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period") adjusted as provided in paragraphs (2), (3), (4), (5) and/or (6) below, is equal to not less than 110% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued

under this Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made, or (c) that Net Revenues during the Test Period adjusted as provided in paragraphs (2), (3), (4), (5) and/or (6) below is equal to not less than 105% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under this Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made, and Net Revenues during the Test Period as so adjusted plus Sewer System Capital Facilities Fees and Water System Capital Facilities Fees during the Test Period is equal to not less than 120% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under this Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made.

(2) Upon recommendation of the Qualified Independent Consultants, the Net Revenues certified pursuant to (b) and (c) in the previous paragraph may be adjusted for purposes of this Section 20(Q) by including: (a) 100% of the additional Net Revenues which in the opinion of the Qualified Independent Consultant would have been derived by the Issuer from rate increases adopted before the Additional Parity Obligations are issued, if such rate increases had been implemented before the commencement of such Bond Year and (b) 100% of the additional Net Revenues estimated by the Qualified Independent Consultant to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, improved or added to with the proceeds of the Additional Parity Obligations with respect to which such certificate is made.

(3) Upon recommendation of the Qualified Independent Consultants if the Additional Parity Obligations are to be issued for the purpose of acquiring an existing water system and/or sewer system and/or any other utility system in accordance with Section 26 hereof, the Net Revenues certified pursuant to Section 20(Q)(1)(b) or (c) may be adjusted by including: 100% of the additional estimated Net Revenues which in the written opinion of the Qualified Independent Consultants will be derived from the acquired facilities during the first full 12-month period after the issuance of such Additional Parity Obligations (the Qualified Independent Consultants' report shall be based on the actual operating revenues of the acquired utility for a recent 12-month period adjusted to reflect the Issuer's ownership and the Issuer's rate structure in effect with respect to the System at the time of the issuance of the Additional Parity Obligations).

(4) Upon recommendation of the Qualified Independent Consultants, if the number of connections as of the first day of the month in which the proposed Additional Parity Obligations are to be issued exceeds the average number of such connections during such twelve (12) consecutive month period, then the Net Revenues certified pursuant to Section 20(Q)(1)(b) or (c) may be adjusted to include the Net Revenues which would have been received in such twelve (12) consecutive months if those additional connections had also been connected to the System during all of such twelve (12) consecutive months.

(5) Upon recommendation of the Qualified Independent Consultant, if the Issuer shall have entered into a contract, which contract shall be for a duration of not less than the final maturity of the proposed Additional Parity Obligations, with any public body, whereby the Issuer shall have agreed to furnish services for the collection, treatment or disposal of sewage or agreed to furnish services in connection with any water system or any other utility system, then the Net Revenues certified pursuant to Section 20(Q)(1)(b) or (c) may be increased (to the extent such amounts were not reflected in such Net Revenues) by the minimum amount which the public body shall guarantee to pay in any one year for the furnishing of services by the Issuer, after deducting from such payment the estimated Cost of Operation and Maintenance attributable in such year to such services.

(6) Upon recommendations of the Qualified Independent Consultants, if there is an estimated increase in Net Revenues to be received by the Issuer as a result of additions, extensions or improvements to the System during the period of three (3) years following the completion of such additions, extensions or improvements financed with the proceeds of Bonds or Additional Parity Obligations, then the Net Revenues derived from the System certified pursuant to Section 20(Q)(1)(b) or (c) may be increased by fifty percent (50%) of the average annual additional Net Revenues calculated for such three year period.

(7) The Issuer need not comply with the provisions of paragraph (1) of this Section 20(Q) if and to the extent the Bonds to be issued are Refunding Bonds, if the Issuer shall cause to be delivered a certificate of the Financial Services Director of the Issuer setting forth the Average Annual Debt Service Requirement (i) for the Bonds then Outstanding and (ii) for all Series of Bonds to be immediately Outstanding thereafter and stating that the Average Annual Debt Service Requirement pursuant to (ii) above is not greater than that set forth pursuant to (i) above.

(8) The Issuer need not comply with the provisions of paragraph (1) of this Section 20(Q) if and to the extent the Bonds to be issued are for the purpose of providing any necessary additional funds required for completion of any improvements to the System ("Completion Bonds") if originally financed with the proceeds of Bonds; provided that such Completion Bonds for which the Issuer need not comply with the provision of such paragraph (1) of this Section 20(Q) may not exceed 10% of the total principal amount of Bonds estimated to be required for such improvements to the System at the time of issuance of the initial Series of Bonds to finance such improvements.

(9) The Financial Services Director of the Issuer shall have certified that the Issuer is not in default in the carrying out of any of the obligations assumed under this Resolution and no event of default shall have occurred under this Resolution and shall be continuing, and all payments required by this Resolution to be made into the funds and accounts established hereunder shall have been made to the full extent required.

(10) The Supplemental Resolution authorizing the issuance of the Additional Parity Obligations shall recite that all of the covenants contained herein will be applicable to such Additional Parity Obligations.

(R) SEWER SYSTEM CAPITAL FACILITIES FEES. All Sewer System Capital Facilities Fees, if any, shall be deposited into the Sewer System Capital Facilities Fees Fund. All moneys remaining on deposit in such fund shall be utilized on or before the 26th day of each month and shall be applied by the Issuer as follows:

(1) Such moneys shall, in the case of a deficiency in the Bond Service Fund, first be applied and allocated, together with Water System Capital Facilities Fees to the Bond Service Fund to supplement other Pledged Revenues to be deposited therein or in substitution of other Pledged Revenues to be deposited therein.

(2) Thereafter, all moneys in the Sewer System Capital Facilities Fees Fund may be applied by the Issuer for any use allowed by law.

Notwithstanding any provision of this Resolution to the contrary, the amount of Sewer System Capital Facilities Fees used for the payment of principal of, redemption premium, if any, and interest on the Bonds in any Bond Year shall never exceed the maximum amount permitted by law.

(S) WATER SYSTEM CAPITAL FACILITIES FEES. All Water System Capital Facilities Fees, if any, shall be deposited into the Water System Capital Facilities Fees Fund. All moneys remaining on deposit in such fund shall be utilized on or before the 26th day of each month and shall be applied by the Issuer as follows:

(1) Such moneys shall, in the case of a deficiency in the Bond Service Fund, first be applied and allocated, together with Sewer System Capital Facilities Fees to the Bond Service Fund to supplement other Pledged Revenues to be deposited therein or in substitution of other Pledged Revenues to be deposited therein.

(2) Thereafter, all moneys in the Sewer System Capital Facilities Fees Fund may be applied by the Issuer for any use allowed by law.

Notwithstanding any provision of this Resolution to the contrary, the amount of Water System Capital Facilities Fees used for the payment of principal of, redemption premium, if any, and interest on the Bonds in any Bond Year shall never exceed the maximum amount permitted by law.

(T) RATE STABILIZATION FUND. The Issuer may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Surplus Fund as it deems appropriate. The Issuer may transfer such amount of moneys from the Rate Stabilization Fund to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, the Parity Contract Obligation Account, the Principal

Account and the Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due and to pay any Parity Contract Obligations, but only to the extent moneys transferred from the Surplus Fund and Renewal, Replacement and Improvement Fund for such purposes pursuant to Sections 20(B)(4) and 20(B)(5) hereof, shall be inadequate to fully provide for such insufficiency.

SECTION 21. DEFAULTS; EVENTS OF DEFAULT AND REMEDIES. Except as provided below, if any of the following events occur, it is hereby defined as and declared to be and to constitute an "Event of Default:"

(A) Default in the due and punctual payment of any interest on the Bonds;

(B) Default in the due and punctual payment of the principal of and premium, if any, on any Bond, at the stated maturity thereof, or upon proceedings for redemption thereof;

(C) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Issuer contained in this Resolution or in the Bonds and the continuance thereof for a period of thirty (30) days after written notice to the Issuer given by the Holders of not less than twenty-five percent (25%) of aggregate principal amount of Bonds then Outstanding (provided, however, that with respect to any obligation, covenant, agreement or condition which requires performance by a date certain, if the Issuer performs such obligation, covenant, agreement or condition within thirty (30) days of written notice as provided above, the default shall be deemed to be cured);

(D) Failure by the Issuer promptly to remove any execution, garnishment or attachment of such consequence as will materially impair its ability to carry out its obligations hereunder; or

(E) Any act of bankruptcy or the rearrangement, adjustment or readjustment of the obligations of the Issuer under the provisions of any bankruptcy or moratorium laws or similar laws relating to or affecting creditors' rights.

The term "default" shall mean default by the Issuer in the performance or observance of any of the covenants, agreements or conditions on its part contained in this Resolution, any Supplemental Resolution or in the Bonds, exclusive of any period of grace required to constitute a default or an "Event of Default" as hereinabove provided.

Notwithstanding the foregoing, the occurrence of any default under a Qualified Agreement, including without limitation failure on the part of the Issuer to pay Parity Contract Obligations or to pay a termination fee under a Qualified Agreement, shall not be construed as or deemed to constitute an "Event of Default" hereunder; rather, such occurrence shall be remedied pursuant to such Qualified Agreement and applicable legal and equitable principles taking into account the parity status as to lien on Pledged Revenues which the counterparty to such Qualified Agreement enjoys as to Parity Contract Obligations only, relative to that of the Bondholders and their rights to payments hereunder.

For purposes of Section 21(A) and (B) hereof, no effect shall be given to any payments made under any Bond Insurance Policy.

Any Holder of Bonds issued under the provisions hereof or any trustee acting for the Holders of such Bonds may, either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under State or federal law, or granted and contained herein, and may enforce and compel the performance of all duties required herein or by any applicable law to be performed by the Issuer or by any officer thereof.

Nothing herein, however, shall be construed to grant to any Holder of the Bonds any lien on any property of the Issuer, except the Pledged Revenues.

The foregoing notwithstanding:

(i) No remedy conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy, but each remedy shall be cumulative and shall be in addition to any other remedy given to the Bondholders hereunder.

(ii) No delay or omission to exercise any right or power accruing upon any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein, and every such right and power may be exercised as often as may be deemed expedient.

(iii) No waiver of any default or Event of Default hereunder by the Bondholders shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

(iv) Acceleration of the payment of principal of and interest on the Bonds shall not be a remedy hereunder in the case of an Event of Default.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondholders under this Resolution, the Bondholders shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the System and the funds pending such proceedings, with such powers as the court making such appointment shall confer.

Notwithstanding any provision of this Resolution to the contrary, for all purposes of this Section 21, except the giving of notice of any Event of Default to the Holder of the Bonds, any Insurer of Bonds shall be deemed to be the Holder of the Bonds it has insured.

On the occurrence of an Event of Default, to the extent such rights may then lawfully be waived, neither the Issuer nor anyone claiming through or under it, shall set up, claim or seek to take advantage of any stay, extension or redemption laws now or hereafter in force, in order to prevent or hinder the enforcement of this Resolution, and the Issuer, for itself and all who

may claim through or under it, hereby waives, to the extent it may lawfully do so, the benefit of all such laws and all right of redemption to which it may be entitled

Within 30 days of knowledge thereof, both the Issuer and the Paying Agent shall provide notice to any and all Insurers of Bonds of the occurrence of any Event of Default.

The respective Insurers of Bonds shall be included as a party in interest and as a party entitled to (i) notify the Issuer or any applicable receiver of the occurrence of an Event of Default, and (ii) request the receiver to intervene in judicial proceedings that affect the Bonds or the security therefor. The receiver is required to accept notice of default from each Insurer of Bonds.

Anything in this Resolution to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Insurers of Bonds in default shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders under this Resolution, and the Insurers of Bonds in default shall also be entitled to approve all waivers of events of default.

SECTION 22. AMENDING AND SUPPLEMENTING OF RESOLUTION WITHOUT CONSENT OF HOLDERS OF BONDS. The Issuer, from time to time and at any time and without the consent or concurrence of any Holder of any Bonds, may adopt a Supplemental Resolution amendatory hereof or supplemental hereto if the provisions of such Supplemental Resolution shall not materially adversely affect the rights of the Holders of the Bonds then Outstanding, for any one or more of the following purposes:

(A) To make any changes or corrections in this Resolution as to which the Issuer shall have been advised by Bond Counsel that are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or omission or mistake or manifest error contained in this Resolution, or to insert in this Resolution such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable;

(B) To add additional covenants and agreements of the Issuer for the purpose of further securing the payments of the Bonds and any Parity Contract Obligations;

(C) To surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of this Resolution;

(D) To confirm, as further assurance, any lien, pledge or charge or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Resolution;

(E) To grant to or confer upon the Holders or any Qualified Agreement Provider any additional right, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(F) To assure compliance with federal "arbitrage" provisions in effect from time to time;

(G) To provide such changes as may be necessary in order to adjust the terms hereof (but not including the provisions of Section 20(E) and Section 20(Q) hereof) so as to facilitate

the issuance of Variable Rate Bonds, Option Bonds, the execution of a Qualified Agreement, or to obtain a Credit Facility;

(H) To provide for the combination of the System with any other utility provided the conditions set forth in Section 26 hereof are satisfied,

(I) To provide for the transfer of the ownership and/or operation of the System pursuant to a governmental reorganization as set forth in Section 25 hereof; or

(J) To modify any of the provisions of this Resolution in any other aspects provided that such modifications shall not be effective until after the Bonds Outstanding at the time such Supplemental Resolution is adopted shall cease to be Outstanding, or until the holders thereof consent thereto pursuant to Section 23 hereof, and any Bonds issued subsequent to any such modification shall contain a specific reference to the modifications contained in such Supplemental Resolution.

Except for Supplemental Resolutions providing for the issuance of Bonds pursuant hereto, the Issuer shall not adopt any Supplemental Resolution authorized by the foregoing provisions of this Section unless, in the opinion of Bond Counsel, the adoption of such Supplemental Resolution is permitted by the foregoing provisions of this Section.

Notwithstanding anything else in this Resolution to the contrary, any amendment or supplement to this Resolution, with the exception of that relating to the issuance of Additional Parity Obligations, shall be subject to the prior written consent of each of the Insurers of the Bonds. Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least fifteen (15) days in advance of its execution or adoption. Each of the Insurers of the Bonds shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

SECTION 23. AMENDMENT OF RESOLUTION WITH CONSENT OF HOLDERS OF BONDS. Except as provided in Section 22 hereof, no material modification or amendment of this Resolution or of any resolution supplemental hereto shall be made without the consent in writing of the Holders of fifty-one percent (51%) or more in the principal amount of the Bonds of each Series so affected and then Outstanding and any Qualified Agreement Provider. For purposes of this Section, to the extent any Bonds are insured by a Bond Insurance Policy or are secured by a Credit Facility and such Bonds are then rated in as high a rating category as the rating category in which such Bonds were rated at the time of initial issuance and delivery thereof by either S&P, Moody's or Fitch or successors and assigns, then the consent of the Insurer or Insurers of such Bond Insurance Policy or the issuer or issuers of such letter of credit shall be deemed to constitute the consent of the Holder of such Bonds. No modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon or in the amount of the principal obligation thereof or reduce the percentage of the Holders of the Bonds required to consent to any material modification or amendment hereof without the consent of the Holder or Holders of all such obligations. For purposes of the immediately preceding sentence, the issuer or issuers of a Bond Insurance

Policy or a Credit Facility shall not consent on behalf of the Holders of the Bonds. No amendment or supplement pursuant to this Section 23 (but not including Section 22 hereof) shall be made without the consent of each of the Insurers of Bonds.

Notwithstanding anything else in this Resolution to the contrary, any amendment or supplement to this Resolution, with the exception of that relating to the issuance of Additional Parity Obligations, shall be subject to the prior written consent of each of the Insurers of the Bonds. Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least fifteen (15) days in advance of its execution or adoption. Each of the municipal bond insurers of the Bonds shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

SECTION 24. DEFEASANCE. The covenants and obligations of the Issuer shall be defeased and discharged under terms of this Resolution as follows:

(A) If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to any Qualified Agreement Provider any and all Parity Contract Obligations and to the Holders of all Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, then the pledge of the Pledged Revenues and all covenants, agreements and other obligations of the Issuer to any Qualified Agreement Provider and the Bondholders shall thereupon cease, terminate and become void and be discharged and satisfied. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to any Qualified Agreement Provider any and all Parity Contract Obligations and to the Holders of any Outstanding Bonds the principal, redemption premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated herein, such Parity Contract Obligations and such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and all covenants, agreements and obligations of the Issuer to any Qualified Agreement Provider and the Holders of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

(B) The Bonds, redemption premium, if any, and interest due or to become due for the payment or redemption of which moneys shall have been set aside and shall be held in trust (through deposit by the Issuer of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section 24. Subject to the provisions of paragraph (C) and (D) of this Section 24, any Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in paragraph (A) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Issuer shall have given to the escrow agent instructions accepted in writing by the escrow agent to notify Holders of Outstanding Bonds in the manner required herein of the redemption of such Bonds on said date, and (ii) there shall have been deposited with the escrow agent either moneys in an amount which shall be sufficient, or Acquired Obligations (including any Acquired Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the

interest on which when due will provide moneys which, together with the moneys, if any, deposited with the escrow agent at the same time, shall be sufficient, to pay when due the principal of and premium, if any, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be. In the event of an advance refunding pursuant to clause (ii) above, the Issuer shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding project relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement and this Resolution, the terms of the escrow agreement and this Resolution shall be controlling.

(C) For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Acquired Obligations and moneys, if any, in accordance with paragraph (B) of this Section 24, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the highest of (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (1) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Acquired Obligations on deposit with the escrow agent for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited with the escrow agent on such date in respect of such Variable Rate Bonds in order to satisfy the second sentence of paragraph (B) of this Section 24, the escrow agent shall, if requested by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

(D) Option Bonds shall be deemed to have been paid in accordance with the second sentence of paragraph (B) of this Section 24 only if, in addition to satisfying the requirements of clauses (i) and (ii) of such sentence, there shall have been deposited with the escrow agent

moneys in an amount which shall be sufficient to pay when due the maximum amount of principal of and redemption premium, if any, and interest on such Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made with the escrow agent pursuant to paragraph (B) of this Section 24, the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this paragraph (D). If any portion of the moneys deposited with the escrow agent for the payment of the principal of and redemption premium, if any, and interest on Option Bonds is not required for such purpose, the escrow agent shall, if requested by the Issuer, pay the amount of such excess to the Issuer free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under the Resolution.

SECTION 25. GOVERNMENTAL REORGANIZATION. Notwithstanding any other provisions of this Resolution, this Resolution shall not prevent any lawful reorganization of the governmental structure of the Issuer, including a merger or consolidation of the Issuer with another public body or the transfer of a public function of the Issuer to another public body, provided that any reorganization which affects the System shall provide that the System shall be continued as a single enterprise and that any public body which succeeds to the ownership and operation of the System shall also assume all rights, powers, obligations, duties and liabilities of the Issuer under this Resolution and pertaining to all Bonds and any Qualified Agreement.

SECTION 26. ADDITIONAL UTILITY FUNCTIONS. The Issuer may expand the utility functions of the System as they exist on the date hereof as permitted in the definition of "System" contained herein, provided that the Issuer has received the prior written consent of the Insurer (provided the Insurer is not in default of its obligations under its Credit Facility) and adopted resolutions of the Issuer to the effect that, based upon such certificates and opinions of its Consulting Engineer, independent certified public accountants, Bond Counsel, Financial Advisor or other Qualified Independent Consultants as the Issuer shall deem necessary, desirable or appropriate, the addition of such utility functions (a) will not impair the ability of the Issuer to comply with the provisions of this Resolution, and (b) will not materially adversely affect the rights of the Holders of the Bonds.

SECTION 27. SEPARATELY FINANCED PROJECT. Nothing in this Resolution shall prevent the Issuer from authorizing and issuing bonds, notes, or other obligations or evidences of indebtedness other than Bonds or Subordinated Debt, for any purpose of the Issuer authorized by the Act or from financing any such purpose from other available funds (such purpose being referred to herein as a "Separately Financed Project"), if the debt service on such bonds, notes, or other obligations or evidences of indebtedness, if any, and the Issuer's share of any operating expenses related to such Separately Financed Project, are payable solely from the revenues or other income derived from the ownership or operation of such Separately Financed Project or from other legally available funds of the Issuer,

including but not limited to funds withdrawn from the Revenue Fund pursuant to Section 20(B)(5) hereof.

SECTION 28. QUALIFIED AGREEMENTS. Any payments received by the Issuer from a Qualified Agreement Provider shall constitute Gross Revenues hereunder. Any payments to a Qualified Agreement Provider under a Qualified Agreement so designated by the Issuer, can constitute Parity Contract Obligations or Subordinated Debt. Notwithstanding the foregoing, termination payments, indemnification payment, or other fees to be paid by the Issuer to a Qualified Agreement Provider under a Qualified Agreement and which do not constitute regularly scheduled payments determined by reference to interest on a notional amount may only constitute Subordinated Debt, and may not constitute Parity Contract Obligations.

The Issuer may enter into one or more Qualified Agreements with respect to one or more Series of Bonds (or portions thereof); provided, however, that if such Qualified Agreement is not entered into at the time of initial issuance of the Series of Bonds to which it relates, the requirements of Section 20(Q)(1) hereof must be met, applying the same as if \$1.00 in principal amount of Additional Parity Bonds is being issued as of the effective date of such Qualified Agreement.

SECTION 29. PAYMENTS TO CREDIT FACILITY. In connection with any Bonds, the Issuer may obtain or cause to be obtained one or more Credit Facilities and agree with any Credit Facility Issuer to reimburse such issuer directly for amounts paid under the terms of such Credit Facility, together with interest thereof; provided, however, that no obligation to reimburse a Credit Facility Issuer shall be created, for purposes of this Resolution, until amounts are paid under such Credit Facility. Such payments are referred to herein as "Reimbursement Obligations." Any Reimbursement Obligation may be secured by a pledge of and a lien on the Pledged Revenues on a subordinate basis to the lien created herein in favor of the Holders of the Bonds and any Qualified Agreement Provider. Any such Reimbursement Obligation shall be deemed to be a part of the Series to which the Credit Facility which gave rise to such Reimbursement Obligation relates. Payments to reimburse the issuer of a Credit Facility shall constitute Subordinated Debt.

SECTION 30. CAPITAL APPRECIATION BONDS. For the purposes of (i) receiving payment of the redemption price of a Capital Appreciation Bond if redeemed prior to maturity, (ii) computing Bond Service Requirement, and (iii) computing the amount of Holders required for any notice, consent, request or demand hereunder for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 31. TAX COVENANTS. With respect to any Bonds for which the Issuer intends on the date of issuance thereof for the interest thereon to be excluded from gross income for purposes of Federal income taxation:

(A) The Issuer shall not use or permit the use of any proceeds of any such Series of Bonds or any other funds of the Issuer, directly or indirectly, to acquire any securities or

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obligations, and shall not use or permit the use of any amounts received by the Issuer with respect to such Series of Bonds in any manner, and shall not take or permit to be taken any other action or actions, which would cause any such Series of Bonds to be a "private activity bond" within the meaning of Section 141 or an "arbitrage bond" within the meaning of Section 148, or "federally guaranteed" within the meaning of Section 149(b), of the Internal Revenue Code of 1986, as amended (the "Code"), or otherwise cause interest on such Series of Bonds to become subject to federal income taxation.

(B) The Issuer shall, at all times, do and perform all acts and things permitted by law and this Resolution which are necessary or desirable in order to ensure that interest paid on such Series of Bonds will be excluded from gross income for purposes of federal income taxes and shall take no action that would result in such interest not being so excluded.

(C) The Issuer shall pay or cause to be paid to the United States Government any amounts required by Section 148(f) of the Code and the regulations thereunder (the "Regulations"). In order to insure compliance with the rebate provisions of Section 148(f) of the Code with respect to any such Series of Bonds for which the Issuer intends on the date of issuance thereof to be excluded from gross income for purposes of Federal income taxation, the Issuer hereby creates the "City of Palm Coast Utility System Rebate Fund" (hereinafter sometimes called the "Rebate Fund") to be held by the Issuer. The Rebate Fund need not be maintained so long as the Issuer timely satisfies its obligation to pay any rebatable earnings to the United States Treasury; however, the Issuer may, as an administrative convenience, maintain and deposit funds in the Rebate Fund from time to time. Any moneys held in the Rebate Fund shall not be considered Pledged Revenues and shall not be pledged in any manner for the benefit of the Holders of the Bonds. Moneys in the Rebate Fund (including earnings and deposits therein) shall be held for future payment to the United States Government as required by the Regulations and as set forth in instructions of Bond Counsel delivered to the Issuer upon issuance of such Bonds.

SECTION 32. BOOK ENTRY ONLY SYSTEM. The person in whose name any Series 2003 Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal or redemption price of any such Series 2003 Bond, and the interest on any such Series 2003 Bonds (or, in the case of the Capital Appreciation Bonds, Accreted Values with respect thereto), shall be made only to or upon the order of the registered owner thereto or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Series 2003 Bond including the premium, if any, and interest thereon to the extent of the sum or sums so paid.

The Issuer elects to use an immobilization system or pure book-entry system with respect to issuance of the Series 2003 Bonds, provided adequate records will be kept with respect to the ownership of Series 2003 Bonds issued in book-entry form or the beneficial ownership of Series 2003 Bonds issued in the name of a nominee. The Series 2003 Bonds shall be initially issued in the form of a separate single certificated fully registered Series 2003 Bonds for each of the maturities of the Series 2003 Bonds. Upon initial issuance, the ownership of

each such Series 2003 Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Except as provided in this Section 32 or by Supplemental Resolution, all of the Series 2003 Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC. As long as the Series 2003 Bonds shall be registered in the name of Cede & Co., all payments of principal on the Series 2003 Bonds shall be made by the Paying Agent by check or draft or by wire transfer to DTC, as Holder of the Series 2003 Bonds.

With respect to Series 2003 Bonds registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the Issuer, the Registrar and the Paying Agent shall have no responsibility or obligation to any participant in the DTC book-entry program (a "Participant") or to any indirect participant. Without limiting the immediately preceding sentence, the Issuer, the Registrar and the Paying Agent shall have no responsibility or obligation with respect to (A) the accuracy of the records of DTC, or any Participant with respect to any ownership interest on the Series 2003 Bonds, (B) the delivery to any Participant or any other Person other than a Series 2003 Bondholder, as shown in the registration books kept by the Registrar, of any notice with respect to the Series 2003 Bonds, including any notice of redemption, or (C) the payment to any Participant or any other Person, other than a Series 2003 Bondholder, as shown in the registration books kept by the Registrar, of any amount with respect to principal of, redemption premium, if any, or interest on the Series 2003 Bonds. The Issuer, the Registrar and the Paying Agent shall treat and consider the Person in whose name each Series 2003 Bond is registered in the registration books kept by the Registrar as the Holder and absolute owner of such Series 2003 Bond for the purpose of payment of principal, redemption premium, if any, and interest with respect to such Series 2003 Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2003 Bond, for the purpose of registering transfers with respect to such Series 2003 Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, redemption premium, if any, and interest on the Series 2003 Bonds only to or upon the order of the respective Holders, as shown in the registration books kept by the Registrar, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the Issuer's obligations with respect to payment of principal, redemption premium, if any, and interest on the Series 2003 Bonds to the extent of the sum or sums so paid. No Person other than a Holder, as shown in the registration books kept by the Registrar, shall receive a certificated bond evidencing the obligation of the Issuer to make payments of principal, redemption premium, if any, and interest pursuant to the provisions hereof. Upon delivery by DTC to the Issuer of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to transfers or mailing of notice of redemption, the words "Cede & Co." in this Supplemental Resolution shall refer to such new nominee of DTC; and upon receipt of such notice, the Issuer shall promptly deliver a copy of same to the Registrar and the Paying Agent.

Upon (A) receipt by the Issuer of written notice from DTC (i) to the effect that a continuation of the requirement that all of the Series 2003 Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Series 2003 Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, or (B) determination by the Issuer that such book-entry only system is burdensome to the Issuer, the Series 2003 Bonds shall no longer be restricted to being registered in registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Holders shall designate, in accordance with the provisions hereof. In such event, the Issuer shall issue and the Registrar shall authenticate, transfer and exchange Series 2003 Bonds of like principal amount and maturity, in denominations of \$5,000 or any integral multiple thereof to the Holders thereof.

A blanket letter of representation will be entered into by the Issuer with respect to DTC (the "Letter of Representation"). The foregoing notwithstanding, until such time as participation in the book-entry only system is discontinued, the provisions set forth in the Letter of Representations executed by the Issuer and delivered to DTC in order to induce DTC to act as securities depository for the Series 2003 Bonds shall apply to the payment of principal of and interest on the Series 2003 Bonds.

SECTION 33. VALIDATION. To the extent deemed advisable by Bond Counsel, Bond Counsel is hereby authorized to institute appropriate proceedings for the validation of the Bonds and any and all other proceedings necessary for the Issuer to determine its authority to issue the Bonds, and the proper officers of the Issuer are hereby authorized to verify on behalf of the Issuer any pleadings in such proceedings.

SECTION 34. PRELIMINARY OFFICIAL STATEMENT. The Issuer hereby authorizes the distribution of a Preliminary Official Statement for the purpose of marketing the Series 2003 Bonds, and delegates to the Chairman, the City Manager or the Financial Services Director, the authority to deem such Preliminary Official Statement "final" except for "permitted omissions" within the contemplation of Rule 15c2-12 of the Securities and Exchange Commission. The form of such Preliminary Official Statement shall be approved by supplemental resolution

SECTION 35. MUNICIPAL BOND INSURANCE COMMITMENT; RESERVE SURETY BOND COMMITMENT; AND ADDITIONAL RIGHTS TO MUNICIPAL BOND INSURERS. The Issuer hereby delegates to the Chairman, the City Manager or the Financial Services Director, the authority to solicit and accept a bond insurance commitment and a Reserve Fund Insurance Policy commitment from an Insurer to provide a Bond Insurance Policy and a Reserve Fund Insurance Policy for the Series 2003 Bonds.

Pursuant to one or more Supplemental Resolutions, the Issuer may provide additional rights, covenants, agreements and restrictions relating to any Insurer, any Bond Insurance Policy and any Reserve Fund Insurance Policy

SECTION 36. SEVERABILITY. If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid or shall in any manner be held to adversely affect the validity of the Bonds, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution or of the Bonds issued hereunder.

SECTION 37. SALE OF BONDS. The Bonds may be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the requirements of this Resolution and other applicable provisions of law.

SECTION 38. APPOINTMENT OF REGISTRAR AND PAYING AGENT RELATING TO SERIES 2003 BONDS. The Registrar and Paying Agent relating to the Series 2003 Bonds will be appointed by Supplemental Resolution.

SECTION 39. GENERAL AUTHORITY. The members of the City Council of the Issuer and the Issuer's officers, attorneys and other agents and employees are hereby authorized to perform all acts and things required of them by this Resolution or desirable or consistent with the requirements hereof for the full, punctual and complete performance of all of the terms, covenants and agreements contained in the Series 2003 Bonds and this Resolution, and they are hereby authorized to execute and deliver all documents which shall be required by Bond Counsel or the Underwriters of the Series 2003 Bonds to effectuate the sale of the Series 2003 Bonds to said initial purchasers.

SECTION 40. NO THIRD PARTY BENEFICIARIES. Except such other Persons as may be expressly described herein, in the Bonds, or in a Qualified Agreement, nothing in this Resolution, or in the Bonds, expressed or implied, is intended or shall be construed to confer upon any Person, other than the Issuer and the Holders, any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof, or of the Bonds or any Qualified Agreement, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer and the Persons who shall from time to time be the Holders and any Qualified Agreement Provider.

SECTION 41. NO PERSONAL LIABILITY. Neither the members of the City Council of the Issuer nor any person executing the Bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof

SECTION 42. AMENDMENT AND RESTATEMENT OF RESOLUTION 2003-07. This Master Resolution is intended to and does hereby amend and restate Resolution No. 2003-07 of the Issuer in its entirety.


SECTION 43. REPEAL OF INCONSISTENT INSTRUMENTS. All resolutions or parts or resolutions in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 44. EFFECTIVE DATE. The provisions of this Resolution shall take effect immediately upon its passage.

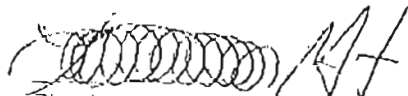
ADOPTED this 30 day of September, 2003.

ATTEST:


City Clerk


Mayor

APPROVED AS TO FORM:


City Attorney

CITY CLERK'S CERTIFICATE REGARDING RESOLUTION NO. 2013-40

I, Virginia A. Smith, the undersigned City Clerk of the City of Palm Coast, Florida (the "City"), DO HEREBY CERTIFY that attached hereto is a copy of Resolution No. 2013-40, adopted at a meeting of the City duly called and held on May 21, 2013 (the "Resolution") which has been compared by me with the original thereof as recorded in the Minute Book of said City and said Resolution is a true, complete and correct copy thereof. The Resolution has been duly adopted at a meeting where a quorum was present and acting throughout and has not been further modified, amended, supplemented or repealed and is in full force and effect as of the date hereof in the form attached hereto.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City as of the 20th day of April, 2016.

(SEAL)



City of Palm Coast, Florida
City Clerk

RESOLUTION NO. 2013- 40
AMENDING AND SUPPLEMENTING RESOLUTION 2003-22

A RESOLUTION AMENDING AND SUPPLEMENTING RESOLUTION NO. 2003-22 OF THE CITY OF PALM COAST, FLORIDA; AUTHORIZING AND APPROVING THE ISSUANCE OF NOT TO EXCEED \$107,000,000 CITY OF PALM COAST, FLORIDA UTILITY SYSTEM IMPROVEMENT AND REFUNDING BONDS, SERIES 2013, TO FINANCE, REFINANCE AND/OR REIMBURSE THE COST OF CERTAIN ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE PALM COAST UTILITY SYSTEM AND TO PAY TRANSACTION COSTS, ALL SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS CONTAINED HEREIN; APPROVING THE PUBLIC SALE OF THE BONDS AND AUTHORIZING A NOTICE OF SALE IN CONNECTION THEREWITH; DELEGATING THE AWARD OF THE SALE OF THE BONDS TO THE SUCCESSFUL BIDDER SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS CONTAINED HEREIN; AUTHORIZING THE PURCHASE OF A BOND INSURANCE POLICY FOR ALL, SOME, OR NONE OF THE BONDS; DESIGNATING AN ESCROW HOLDER AND APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT; APPOINTING THE REGISTRAR AND PAYING AGENT AND APPROVING THE FORM OF A REGISTRAR AND PAYING AGENT AGREEMENT; APPROVING THE FORM OF A PRELIMINARY OFFICIAL STATEMENT AND APPROVING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT; APPROVING THE FORM OF THE DISCLOSURE DISSEMINATION AGENT AGREEMENT; PROVIDING FOR CERTAIN AMENDMENTS TO RESOLUTION NO. 2003-22 WHICH SHALL BECOME EFFECTIVE ONLY UPON OCCURRENCE OF CERTAIN CONDITIONS PRECEDENT; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council (the "City Council") of the City of Palm Coast, Florida (the "Issuer") adopted Resolution No. 2003-22 on September 30, 2003 (as amended and supplemented, the "Master Resolution") to authorize the issuance of not to exceed \$150,000,000 Utility System Revenue Bonds, Series 2003, (the "Series 2003 Bonds") and the issuance thereafter of "Additional Parity Obligations," as such term is defined therein;

WHEREAS, pursuant to the Master Resolution, on October 30, 2003, the Issuer issued \$96,650,000 in original principal amount of its Series 2003 Bonds;

WHEREAS, pursuant to the Master Resolution, on January 25, 2007, the Issuer issued \$49,840,000 in original principal amount of its Utility System Revenue Bonds, Series 2007 (the "Series 2007 Bonds") as an Additional Parity Obligation thereunder;

WHEREAS, the issuance of Bonds pursuant to the Master Resolution has been validated by virtue of the unappealed Final Judgment, upon which the City relies, which determined that such Bonds are and constitute a funded indebtedness within the meaning and effect of Section 7(3)(e) of the City of Palm Coast Charter;

WHEREAS, all capitalized undefined terms shall have the meaning ascribed thereto in the Master Resolution;

WHEREAS, the Issuer has determined to (1) supplement the Master Resolution to (1) authorize issuance of its not to exceed \$107,000,000 City of Palm Coast, Florida Utility System Improvement and Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds") as Additional Parity Obligations, and (2) amend the Master Resolution to (i) include additional provisions related to Direct Subsidy Bonds, as such term is defined herein, and (ii) revise certain covenants pertaining to Reserve Fund Insurance Policies deposited in the Reserve Fund;

WHEREAS, the Master Resolution provides that no material modification or amendment of the Master Resolution shall be made without the consent in writing of the Holders of fifty-one percent (51%) or more in principal amount of the Bonds of each Series so affected and then outstanding;

WHEREAS, by purchasing the Series 2013 Bonds, the Holders thereof will be deemed to have consented to the amendments to the Master Resolution set forth herein;

WHEREAS, such amendments will take effect only upon written consent of fifty-one percent (51%) or more of the Holders of the Series 2007 Bond or at such times as the Series 2007 Bonds are no longer Outstanding within the meaning of the Master Resolution, and/or compliance with the requirements set forth in Section 23 of the Master Resolution;

WHEREAS, the Series 2013 Bonds are being issued to: (i) finance and/or reimburse the costs of certain additions, extensions and improvements to the Utility System (the "2013 Project"), (ii) currently refund all of the City's outstanding Series 2003 Bonds, (iii) fund a cash deposit into a subaccount of the Reserve Fund for the benefit of the Holders of the Series 2013 Bonds in the event such deposit is determined to be in the best financial interests of the Issuer as provided for herein, and (iv) pay the costs of issuance of the Series 2013 Bonds including, without limitation, the premium for a Bond Insurance Policy, if any;

WHEREAS, the Issuer has determined it to be in its best interests and to serve a paramount public purpose to provide in this Resolution for the issuance of the Series 2013 Bonds for the purpose of financing the 2013 Project and refunding the Series 2003 Bonds, and

this Resolution shall constitute a Supplemental Resolution for purposes of the Master Resolution;

WHEREAS, the Issuer has been advised by its Financial Advisor as to the market appropriateness of preparing for the competitive sale of the Series 2013 Bonds in light of the current market levels and conditions and as to the acceptance of the most favorable bid by delegating to the Mayor and the City Manager the authority to accept the most favorable bid for the purchase of the Series 2013 Bonds as provided herein;

WHEREAS, the Series 2013 Bonds will be secured by a lien on the Pledged Revenues on a parity with the Series 2007 Bonds;

WHEREAS, the Issuer deems it necessary, desirable and in the best interest of the Issuer that the Pledged Revenues be pledged to the payment of the principal of and interest on the Series 2013 Bonds,

WHEREAS, because of current volatile market conditions and conditions surrounding the current credit ratings of the various municipal bond insurance companies, the Issuer desires to provide for the option of insuring some, all or none of the Series 2013 Bonds, whichever is determined by the City Manager and the Finance Director to be in the best financial interests of the Issuer as provided herein, with a Bond Insurance Policy;

WHEREAS, in connection with the offering and sale of the Series 2013 Bonds, the Issuer desires to approve the distribution of the Preliminary Official Statement, a form of which is attached hereto as Exhibit A, delegated the authority to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities Exchange Act of 1933, as amended (the "Rule"), and authorize the execution and delivery of a final Official Statement with respect to the Series 2013 Bonds (the "Official Statement");

WHEREAS, the Issuer desires to authorize the execution and publication of a Notice of Sale in connection with the competitive sale of the Series 2013 Bonds, a form of which is attached hereto as Exhibit B;

WHEREAS, the Issuer desires to appoint a Registrar and Paying Agent with respect to the Series 2013 Bonds and authorize the execution and delivery of a Registrar and Paying Agent Agreement, a form of which is attached hereto as Exhibit C (the "Registrar and Paying Agent Agreement");

WHEREAS, in connection with its continuing disclosure obligations under the Rule, the Issuer desires to approve the form of, and authorize the execution and delivery of a Disclosure Dissemination Agent Agreement, a form of which is attached hereto as Exhibit D (the "Disclosure Dissemination Agent Agreement"); and

WHEREAS, except as described above, the Pledged Revenues are not pledged or encumbered in any manner.

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PALM COAST, FLORIDA, AS FOLLOWS:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to Article VIII, Section 2(b) of the Constitution of the State of Florida, Chapter 159, Part I, and Chapter 166, Part II, Florida Statutes, as amended, the City Charter of the City of Palm Coast and other applicable provisions of law and the Master Resolution.

SECTION 2. FINDINGS. The above stated recitals in the whereas clauses and Section 1 are hereby incorporated as the findings of this Supplemental Resolution.

SECTION 3. APPROVAL OF SALE AND ISSUANCE OF SERIES 2013 BONDS. The Series 2013 Bonds are hereby authorized to be issued subject to the terms and conditions set forth herein. Subject and pursuant to the provisions of the Master Resolution, the Issuer hereby determines to issue a Series of Bonds in an aggregate principal amount not to exceed \$107,000,000, to be known as "City of Palm Coast, Florida Utility System Improvement and Refunding Revenue Bonds, Series 2013," for the purposes of (i) financing and/or reimbursing the costs of certain additions, extensions and improvements to the Utility System (the "2013 Project"), (ii) currently refunding all of the City's outstanding Series 2003 Bonds, (iii) fund a cash deposit into a subaccount of the Reserve Fund for the benefit of the Holders of the Series 2013 Bonds in the event such deposit is determined to be in the best financial interests of the Issuer as provided for herein, and (iv) paying the costs of issuance of the Series 2013 Bonds including, without limitation, the premium for a financial guaranty insurance policy, if any. The Series 2013 Bonds shall be sold at a public sale, in accordance with the terms and conditions set forth in the Notice of Sale.

The proceeds of the Series 2013 Bonds, shall be applied in accordance with Section 11 hereof and as provided in a certificate of the City Manager or Finance Director delivered upon issuance and delivery of the Series 2013 Bonds. All covenants contained in the Master Resolution with respect to Bonds shall be applicable to the Series 2013 Bonds.

SECTION 4. DESCRIPTION OF SERIES 2013 BONDS. The Series 2013 Bonds shall be issued in fully registered form without coupons; may be Capital Appreciation Bonds, Serial Bonds or Term Bonds; shall be dated; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R" if Serial Bonds or Term Bonds, and preceded by the letters "CABR" if Capital Appreciation Bonds; shall be in the denomination of \$5,000 each, or integral multiples thereof for the Serial Bonds and Term Bonds, and in \$5,000 Accreted Values at maturity for the Capital Appreciation Bonds or in \$5,000 multiples thereof; shall bear interest at such rate or rates as contained in the bid of the successful bidder for the Series 2013 Bonds; such interest to be payable semiannually on each October 1 and April 1 of each year until maturity if Serial Bonds or Term Bonds or payable at maturity if Capital Appreciation Bonds,

and shall mature annually on October 1 in such years and such amounts as will be provided in the Official Statement.

Each Series 2013 Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated on an interest payment date, in which case it shall bear interest from such interest payment date, or, unless authenticated prior to the first interest payment date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication, payment of any interest which is due and payable has not been made, such Serial or Term Bond shall bear interest from the date to which interest shall have been paid.

Each Capital Appreciation Bond shall bear interest only at maturity or upon redemption prior to maturity in the amount determined by reference to the Accreted Value.

The principal of and the interest and redemption premium, if any, on the Series 2013 Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The interest on the Serial or Term Bonds shall be payable by the Paying Agent on each interest payment date, or the first business day following an interest payment date if such interest payment date is not a business day, to the person appearing on the registration books of the Issuer hereinafter provided for as the registered Holder thereof, by check or draft mailed to such registered Holder at his address as it appears on such registration books or by wire transfer to Holders of \$1,000,000 or more in principal amount of the Series 2013 Bonds. Payment of the principal of all Serial or Term Bonds (reduced by any Amortization Installments previously paid by the Issuer on any Term Bonds) and the Accreted Value with respect to the Capital Appreciation Bonds shall be made upon the presentation and surrender of such Series 2013 Bonds as the same shall become due and payable.

As long as any Series 2013 Bonds are outstanding in book-entry form, the provisions of the Master Resolution inconsistent with such system of book-entry registration shall not be applicable to such Series 2013 Bonds, and the Issuer covenants to cause adequate records to be kept with respect to the ownership of any Series 2013 Bonds issued in book-entry form or the beneficial ownership of bonds issued in the name of a nominee.

The City Manager is hereby authorized, based on the advice of the Financial Advisor, to determine whether it is in the best financial interests of the Issuer to fund a cash deposit into a subaccount of the Reserve Fund for the benefit of the Holders of the Series 2013 Bonds. Such determination, if any, shall be evidenced by a certificate executed by the City Manager upon issuance of the Series 2013 Bonds. Such cash deposit shall be funded with proceeds of the Series 2013 Bonds and deposited into a separate subaccount in the Reserve Fund to be known as the "Series 2013 Reserve Subaccount" which subaccount shall secure only the Series 2013 Bonds. The amount deposited into the Series 2013 Reserve Subaccount shall not exceed the lesser of (i) the Maximum Bond Service Requirement for the Series 2013 Bonds, (ii) 125% of the Average Annual Bond Service Requirement for the Series 2013 Bonds, or (iii) the largest amount as shall

not adversely affect the exclusion of interest on the Series 2013 Bonds from gross income for Federal income tax purposes.

SECTION 5. AUTHORIZATION OF REFUNDING AND THE 2013 PROJECT.

The current refunding of the Series 2003 Bonds and the 2013 Project are hereby authorized.

SECTION 6. SALE OF BONDS; AUTHORIZATION OF PRELIMINARY AND FINAL OFFICIAL STATEMENT. The Series 2013 Bonds shall be issued and sold at public sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Master Resolution, the requirements of this Resolution and other applicable provisions of law. With respect to the Series 2013 Bonds, the Notice of Sale, in substantially the form of which is attached hereto as Exhibit B, is hereby approved and the Issuer's financial advisor is authorized to publish such notice, or summary thereof, as required by law. The form of the Preliminary Official Statement prepared with respect to the sale of the Series 2013 Bonds, in substantially the form of which is attached hereto as Exhibit A, is hereby approved and is authorized to be published with only such permitted omissions as provided in the Rule. Permitted omissions, as defined in the Rule, shall mean the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings, the identity of the underwriters and other terms of the Series 2013 Bonds and any underlying obligations to be stated in the completed competitive bid form, all with respect to the Series 2013 Bonds. The form of Preliminary Official Statement is deemed final for purposes of the Rule.

The Mayor and City Manager are hereby authorized and directed to execute and deliver an Official Statement substantially in the form of the Preliminary Official Statement in the name and on behalf of the Issuer, and thereupon to cause such Official Statement to be delivered to the underwriter with such changes, amendments, modifications, omissions and additions as may be approved by the Mayor and City Manager. Said Official Statement, including any such changes, amendments, modifications, omissions and additions as approved by the Mayor and City Manager, and the information contained therein are hereby authorized to be used in connection with the sale of the Series 2013 Bonds to the public. Execution by the Mayor and City Manager of the Official Statement shall be deemed to be conclusive evidence of approval of such changes.

SECTION 7. OPTIONAL BOND INSURANCE POLICY COMMITMENT. The City Manager and the Finance Director are hereby authorized, based on the advice of the Financial Advisor, to determine whether it is in the best financial interests of the Issuer to obtain financial guaranty insurance for some, all or none of the Series 2013 Bonds, and to take any actions and do all things necessary in order to obtain such insurance. In the event that an insurance commitment setting forth terms and conditions acceptable to the City Manager and Finance Director prior to the award and sale of the Series 2013 Bonds in a form consistent with the authority in this Resolution is not received, then the Series 2013 Bonds shall be issued without such insurance.

A financial guaranty insurance policy (the "Bond Insurance Policy"), which guarantees the payment of principal and interest on any Series 2013 Bonds insured thereby (the "Insured Bonds"), is hereby authorized to be purchased from in accordance with such insurance commitment, and payment for such insurance is hereby authorized from the proceeds of the Series 2013 Bonds. Assuming timely receipt of the insurance commitment as provided for hereunder, the City Manager and the Finance Director are each hereby authorized to execute such insurance commitment. A statement of insurance is hereby authorized to be printed on or attached to the Insured Bonds

SECTION 8. RESERVE FUND. In Section 16(C) of the Master Resolution, the Issuer created and established the Reserve Fund. In the event a cash deposit is made into the Series 2013 Reserve Subaccount in accordance with Section 4 hereof, then such Subaccount shall secure only the Series 2013 Bonds.

As of the date hereof, the Reserve Fund is currently funded with cash and/or Permitted Investments valued as of the date hereof to equal \$9,420,718, which was derived from cash deposits by the Issuer in an amount equal to the Reserve Requirement calculated based on the Series 2003 Bonds (\$6,289,612) and the Series 2007 Bonds (\$3,131,106). Upon the issuance of the Series 2013 Bonds, proceeds thereof in an amount equal to the outstanding principal balance of the Series 2003 Bonds will be used to currently refund the Series 2003 Bonds, and funds on deposit in the Reserve Fund to satisfy the Reserve Requirement for the Series 2003 Bonds shall be released from the Reserve Fund and may be expended by the Issuer for Project Costs associated with the 2013 Project.

Upon issuance of the Series 2013 Bonds and release of funds on deposit in the Reserve Fund to satisfy the Reserve Requirement for the Series 2003 Bonds, the Reserve Fund (exclusive of any subaccounts created therein) shall secure only the Series 2007 Bonds, any Additional Parity Obligations issued in the future to refund any or all of the Series 2007 Bonds (the "Refunding Bonds") and any Additional Parity Obligations issued in the future which are designated to be secured thereby. The Series 2013 Reserve Subaccount, if any, shall secure only the Series 2013 Bonds.

SECTION 9. CREATION OF SERIES 2013 PROJECT ACCOUNT. The Series 2013 Project Account is hereby created within the Project Fund pursuant to Section 16(F) of the Master Resolution to be funded from the proceeds of the Series 2013 Bonds. The moneys on deposit in the Series 2013 Project Account shall be disbursed pursuant to Section 18 of the Master Resolution. When no moneys remain in the Series 2013 Project Account, it shall be closed.

SECTION 10. ESCROW DEPOSIT AGREEMENT. Simultaneously with the delivery of the Series 2013 Bonds to the Purchaser, the Issuer shall enter into an escrow deposit agreement (the "Escrow Deposit Agreement") with Wells Fargo Bank, National Association (the "Escrow Holder") which shall provide for the deposit of sums and for the investment of moneys in appropriate Acquired Obligations so as to produce sufficient funds to make all the payments

described in the Escrow Deposit Agreement. The Escrow Deposit Agreement is to be in substantially the form set forth in Exhibit E attached hereto, together with such changes as shall be approved by the Mayor, such approval to be conclusively evidenced by the execution thereof by the Mayor. The execution of the Escrow Deposit Agreement is hereby approved, and the execution of the Escrow Deposit Agreement by the Mayor is hereby authorized, to be attested by the City Clerk, the form and correctness of which to be approved by the City Attorney. At the time of execution of the Escrow Deposit Agreement, the Issuer shall furnish to the Escrow Holder named therein appropriate documentation to demonstrate that the sums being deposited and the investments to be made will be sufficient for such purposes.

Subject to the execution and delivery of the 2013 Bonds, the Issuer hereby irrevocably calls the callable Series 2003 Bonds for redemption on October 1, 2013, or such other date as determined by the Mayor in the Escrow Deposit Agreement, at a redemption price of 100% of the principal amount of such Series 2003 Bonds to be redeemed, plus accrued interest thereon to the redemption date. Not before issuance of the Series 2013 Bonds and not less than thirty (30) days prior to such redemption date, the Issuer hereby directs Wells Fargo Bank, National Association, as successor to Wachovia Bank, the Paying Agent for the Series 2003 Bonds (the "2003 Paying Agent"), to mail a notice of the redemption of the callable Series 2003 Bonds to each holder thereof in accordance with the requirements of Section 14 of the Master Resolution, in the form to be prepared by Bond Counsel. Furthermore, upon issuance of the Series 2013 Bonds, the Issuer hereby directs the 2003 Paying Agent to mail a notice of defeasance to each holder of the Series 2003 Bonds in the form to be prepared by Bond Counsel.

SECTION 11. APPLICATION OF SERIES 2013 BOND PROCEEDS. The proceeds, including original issue premium, if any, received from the sale of the Series 2013 Bonds shall be applied by the Issuer simultaneously with the delivery of such Series 2013 Bonds to the purchaser thereof, as follows:

(a) A sufficient amount of the Series 2013 Bond proceeds shall be applied to the payment of the premium of the Bond Insurance Policy applicable to the Series 2013 Bonds, if any, and to the payment of costs and expenses, including legal, accounting, engineering, underwriting and financial advisory fees and expenses, and other fees and expenses relating to the issuance of the Series 2013 Bonds which must be paid upon delivery of the Series 2013 Bonds.

(b) A sum specified in the Escrow Deposit Agreement that, together with other legally available funds of the Issuer, if any, and taking into account investments, if any, shall be sufficient to currently refund the Series 2003 Bonds shall be deposited with the Escrow Holder pursuant to the hereinafter defined Escrow Deposit Agreement and used in the manner described therein.

(c) All remaining proceeds shall be deposited into the 2013 Project Fund and used for the purpose of paying Project Costs of the 2013 Project.

(d) Any moneys remaining after all 2013 Project Costs have been paid shall be disbursed as provided in a Supplemental Resolution of the Issuer, but shall only be used for the purposes permitted by law.

SECTION 12. APPOINTMENT OF REGISTRAR AND PAYING AGENT; AUTHORIZATION OF EXECUTION AND DELIVERY OF REGISTRAR AND PAYING AGENT AGREEMENT. Wells Fargo Bank, National Association is hereby appointed Registrar and Paying Agent relating to the Series 2013 Bonds. The Registrar and Paying Agent Agreement, in the form attached hereto as Exhibit C, is hereby approved and authorized. The Mayor and the City Manager are hereby authorized and directed to execute and deliver the Registrar and Paying Agent Agreement. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Registrar and Paying Agent Agreement by the Issuer, including any changes to the form being approved, and shall be deemed to be a part of this instrument as fully and to the same extent as if incorporated verbatim herein.

SECTION 13. CONTINUING DISCLOSURE. The Issuer hereby covenants and agrees that, in order to provide for compliance by the Issuer with the continuing disclosure requirements of the Rule with respect to the Series 2013 Bonds, it will comply with and carry out all of the provisions of the Disclosure Dissemination Agent Agreement, in substantially the form attached hereto as Exhibit D, with such changes, amendments, modifications, omissions, and additions as shall be approved by the Mayor or City Manager to be executed by the Issuer prior to the time the Issuer delivers the Series 2013 Bonds to the underwriter, as it may be amended from time to time in accordance with the terms thereof.

The Issuer hereby approves the Disclosure Dissemination Agent Agreement, in the form attached hereto. The Mayor and City Manager are hereby authorized and directed to execute and deliver the Disclosure Dissemination Agent Agreement. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Disclosure Dissemination Agent Agreement by the Issuer, including any changes to the form being approved, and shall be deemed to be a part of this instrument as fully and to the same extent as if incorporated verbatim herein.

Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with such Disclosure Dissemination Agent Agreement shall not be considered an Event of Default under the Master Resolution. However, the Disclosure Dissemination Agent Agreement shall be enforceable by the Holders of the Series 2013 Bonds in the event that the Issuer fails to cure a breach thereunder within a reasonable time after written notice from a Holder of the Series 2013 Bonds to the Issuer that a breach exists. Any rights of the Holders of the Series 2013 Bonds to enforce the provisions of the Disclosure Dissemination Agent Agreement shall be on behalf of all Holders of the Series 2013 Bonds and shall be limited to a right to obtain specific performance of the Issuer's obligations thereunder.

SECTION 14. MASTER RESOLUTION AMENDMENTS. By purchasing the Series 2013 Bonds, the Holders thereof shall be deemed to have consented to the amendments to the Master Resolution set forth below. The amendments provided for in paragraphs (A) through (I) below shall take effect only upon written consent of fifty-one percent (51%) or more of the Holders of the Series 2007 Bonds or at such time as the Series 2007 Bonds are no longer Outstanding, and/or compliance with the requirements set forth in Section 23 of the Master Resolution. The amendments provided for in paragraph (J) below shall take effect only at such time as the Series 2007 Bonds are no longer Outstanding, and/or compliance with the requirements set forth in Section 23 of the Master Resolution. The amendments provided for in paragraph (K) below are non-material and shall take effect immediately upon adoption hereof.

(A) The definition of "Bond Service Requirement" set forth in Section 2 of the Master Resolution is hereby amended as follows, with additional text indicated by underline.

"Bond Service Requirement" shall mean, for any Bond Year, at any time, the amount required to be deposited in such Bond Year into the Bond Service Fund, as provided herein including any Reimbursement Obligation (any interest shall not include interest to the extent it is to be paid from a direct subsidy payment expected to be received by the Issuer relating to Direct Subsidy Bonds). In calculating such amount, the Issuer shall subtract therefrom any amounts to be transferred from the Project Fund for the purpose of paying interest on the Bonds. With respect to Variable Rate Bonds which are not subject to a Qualified Agreement, if any, the interest rate used to calculate the Bond Service Requirement shall be (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (1) if the indebtedness has been outstanding for twelve months or less, if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus fifty (50) basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, Variable Rate Bonds which are not subject to a Qualified Agreement shall be deemed to bear interest at the actual rate per annum applicable during the test period. If Bonds are Option Bonds, the date or dates of tender shall be disregarded, unless actually tendered and not remarketed, and the stated maturity dates thereof shall be used for purposes of this calculation, if such Option Bonds are required to be paid from Pledged Revenues hereunder on such date of tender. If the Issuer has entered into a Qualified Agreement with respect to certain Variable Rate Bonds Outstanding hereunder or to be issued hereunder, the interest coming due on

such Variable Rate Bonds for purposes of this definition shall be deemed to be based upon the synthetic fixed interest rate under the Qualified Agreement, without giving any regards to fees and expenses incurred in connection with the purchase of a liquidity facility.

(B) The definition of "Cost of Operation and Maintenance" set forth in Section 2 of the Master Resolution is hereby amended as follows, with additional text indicated by underline.

"Cost of Operation and Maintenance" of the System shall mean the then current expenses, paid or accrued, in the operation, maintenance and repair of the System, as calculated in accordance with generally accepted accounting principles, including, but not limited to, general administrative and indirect labor costs, personal services, contractual services, repairs and maintenance, and materials and supplies, but shall not include expenses not annually recurring, any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation, any Bond Service Requirement, any payments in lieu of taxes, franchise fees or other transfers, costs incurred with respect to the issuance of Additional Parity Obligations or amounts budgeted and paid from amounts on deposit in the Renewal, Replacement and Improvement Fund.

(C) Section 2 of the Master Resolution is hereby amended to include the following definition, with additional text indicated by underline.

"Direct Subsidy Bonds" shall mean any taxable bonds issued by the Issuer hereunder for which either (1) the Issuer receives direct subsidy payments or any other interest subsidy or similar payments made by the State and/or Federal Government in an amount equal to a percentage of the interest paid on such bond, or (2) the holder of such bond receives a tax credit in an amount equal to a percentage of the interest paid on such bond.

(D) The definition of "Gross Revenues" or "Revenues" set forth in Section 2 of the Master Resolution is hereby amended as follows, with additional text indicated by underline.

"Gross Revenues" or "Revenues" shall mean all income and earnings, including Connection Fees, received by the Issuer or accrued to the Issuer from the ownership, use or operation of the System and all parts thereof, moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms hereof, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 90 days following the end of a Fiscal Year may be designated by the Issuer as Gross Revenues of such prior Fiscal Year, and shall also include investment income, if any, earned on any fund or account created pursuant to this Resolution, except the Rebate Fund, the Sewer System Capital Facilities Fee Fund, the Water System Capital Facilities Fee

Fund, and also including any income or earnings (including investment income) derived from the System in any prior Fiscal Year and which is redeposited into the Revenue Fund, all as calculated in accordance with generally accepted accounting principles, and any payment received by the Issuer as contemplated in Section 28 hereof, but "Gross Revenues" or "Revenues" shall not include any direct subsidy payments received by the Issuer relating to Direct Subsidy Bonds, proceeds from the sale or other disposition of the System or any part thereof, condemnation awards or proceeds of insurance received with respect to the System and moneys deposited to the Rate Stabilization Fund from the Surplus Fund, including any moneys transferred from the Surplus Fund to the Rate Stabilization Fund within 90 days following the end of a Fiscal Year which the Issuer determines not to be Gross Revenues of such prior Fiscal Year, Contributions in Aid of Construction, Sewer System Capital Facilities Fees, Water System Capital Facilities Fees, or unrealized gains or losses from investments.

(E) Section 20(A) of the Master Resolution is hereby amended as follows, with additional text indicated by underline.

(A) REVENUE FUND. All Gross Revenues of the System and any direct payments received by the Issuer relating to Direct Subsidy Bonds shall, upon receipt thereof, be deposited in the Revenue Fund. All deposits into such Revenue Fund shall be deemed to be held in trust for the purposes herein provided and used only for the purposes and in the manner herein provided.

(F) Section 20(B)(2) of the Master Resolution is hereby amended as follows, with deleted text indicated by strikethrough and additional text indicated by underline.

(2) To the extent that the amounts on deposit in the Reserve Fund are less than the Reserve Requirement, the Issuer shall next make deposits into the Reserve Fund in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, after all required current payments for Cost of Operation and Maintenance as set forth above and all current applications and allocations to the Bond Service Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in case of withdrawal from the Reserve Fund, in no event shall the Issuer be required to deposit into the Reserve Fund an amount greater than that amount necessary to ensure that the difference between the Reserve Requirement and the amounts on deposit in the Reserve Fund on the date of calculation shall be restored not later than sixty (60) months after the date of such deficiency (assuming equal monthly payments into the Reserve Fund for such sixty (60) month period).

Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as herein provided, the Issuer ~~may~~shall, on the date of delivery of such Additional Parity Obligations, increase the sum required to be accumulated and maintained on deposit in the Reserve Fund to be at least equal to the Reserve Requirement on all Outstanding Bonds including the Additional Parity Obligations then issued. Such required sum may be paid in full or in part from the proceeds of such Additional Parity Obligations or may be accumulated in equal monthly payments to the Reserve Fund over a period of months from the date of issuance of the Additional Parity Obligations, which shall not exceed the greater of (a) twelve (12) months, or (b) the number of months for which interest on such Additional Parity Obligations has been capitalized, as determined by Supplemental Resolution. In the event moneys in the Reserve Fund are accumulated as provided above, (i) the amount in said Reserve Fund on the date of delivery of the Additional Parity Obligations shall not be less than the Reserve Requirement on all Bonds Outstanding (excluding the Additional Parity Obligations) on such date, and (ii) the incremental difference between the Reserve Requirement on all Bonds Outstanding (excluding the Additional Parity Obligations) on the date of delivery of the Additional Parity Obligations and the Reserve Requirement on all such Bonds and the Additional Parity Obligations shall be fifty percent (50%) funded upon delivery of the Additional Parity Obligations.

~~The~~Notwithstanding anything herein to the contrary, the Issuer may ~~also~~ establish a separate subaccount in the Reserve Fund for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Fund, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Fund. Moneys in a separate subaccount of the Reserve Fund shall be maintained at the Reserve Requirement applicable to such Series of Bonds secured by the subaccount; provided the Supplemental Resolution authorizing such Series of Bonds may establish the Reserve Requirement relating to such separate subaccount of the Reserve Fund at such level as the Issuer deems appropriate. Moneys shall be deposited in the separate subaccounts in the Reserve Fund on a pro-rata basis. ~~In the event the Issuer shall maintain a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit and moneys in the Reserve Fund or any subaccount therein, the moneys shall be used prior to making any disbursements under such Reserve Fund Insurance Policy or Reserve Fund Letter of Credit.~~

Notwithstanding the foregoing, in lieu of or in substitution for the required deposits into the Reserve Fund, the Issuer may, ~~with the prior written consent of the Insurers,~~ cause to be deposited into the Reserve Fund (or any subaccount therein) a Reserve Fund Insurance Policy and/or a Reserve Fund Letter of Credit

in an amount equal to the difference between the applicable Reserve Requirement and the sums then on deposit in the Reserve Fund (or any subaccount therein) plus the amounts to be deposited therein pursuant to the preceding paragraph. ~~The issuer providing such Reserve Fund Insurance Policy and/or Reserve Fund Letter of Credit shall either be (a) an insurer (i) whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issue results in such issues being rated in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such category) by either Standard & Poor's Corporation, Moody's or Fitch or (ii) who holds the highest policyholder rating accorded insurers by A.M. Best & Company, or any comparable service, or (b) a commercial bank, insurance company or other financial institution the obligations payable or guaranteed by which have been assigned a rating by Moody's, Standard & Poor's Corporation or Fitch in one of the two highest rating categories (without regard to gradations, such as "plus" or "minus" of such categories); provided, that notwithstanding the foregoing, such insurer or commercial bank must be rated by any rating agency or agencies providing a rating on the Bonds secured by such Reserve Fund Insurance Policy or Reserve Fund Letter of Credit.~~

In the event the Reserve Fund (or any subaccount therein) contains both a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit and cash, the cash shall be drawn down completely prior to any draw on the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit. In the event more than one Reserve Fund Insurance Policy or Reserve Fund Letter of Credit is on deposit in the Reserve Fund (or any subaccount therein), amounts required to be drawn thereon shall be done on a pro-rata basis calculated by reference to the maximum amounts available thereunder. ~~The Issuer agrees to pay all Reimbursement Obligations in regard to any Reserve Fund Insurance Policy or Reserve Fund Letter of Credit from the Pledged Revenues. Pledged Revenues shall be applied in accordance with this Section 20(B)(2), on a pro-rata basis, to pay Reimbursement Obligations to the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit for amounts advanced under such instruments, replenish any cash deficiencies in the Reserve Fund, and to pay the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit interest on amounts advanced under such instruments. Notwithstanding anything herein to the contrary, this Resolution shall not be discharged or defeased while any Reimbursement Obligations are owing in regard to a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit on deposit in the Reserve Fund. The Issuer agrees not to optionally redeem or exercise its rights to an extraordinary mandatory redemption or refund Bonds unless all Reimbursement Obligations owing in regard to a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit on deposit in the Reserve Fund have been paid in full.~~

If five (5) days prior to an interest payment date, principal payment date or date an Amortization Installment is due or such other period of time as shall be established pursuant to a Supplemental Resolution, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest, principal or Amortization Installment due on the Bonds on such date, the Issuer shall immediately notify (1) the issuer of the applicable Reserve Fund Insurance Policy and/or the issuer of the Reserve Fund Letter of Credit and submit a demand for payment pursuant to the provisions of such Reserve Fund Insurance Policy and/or Reserve Fund Letter of Credit, and (2) the Paying Agent of the amount of such deficiency and the date on which such payment is due; and shall take all action to cause such issuer to provide moneys sufficient to pay all amounts due on such interest payment date.

The Issuer may evidence its obligation to reimburse the issuer of any Reserve Fund Letter of Credit or Reserve Fund Insurance Policy by executing and delivering a reimbursement agreement therefore which evidences a Reimbursement Obligation; provided, however, any reimbursement agreement (1) shall not be or create a general obligation of the Issuer the payment of which is secured by the full faith and credit or taxing power of the Issuer, and (2) shall be payable or obligate the Issuer to pay solely from the Merged Revenues in a manner which is not inconsistent with the terms hereof.

To the extent the Issuer causes to be deposited into the Reserve Fund a Reserve Fund Insurance Policy and/or a Reserve Fund Letter of Credit for a term of years shorter than the life of the Bonds, then the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit shall provide, among other things, that the issuer thereof shall provide the Issuer and the Paying Agents with notice as of each anniversary of the date of the issuance of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit of the intention of the issuer thereof to either (1) extend the term of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit beyond the expiration dates thereof, or (2) terminate the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit on the initial expiration dates thereof or such other future date as the issuer thereof shall have established. If the issuer of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit notifies the Issuer pursuant to clause (2) of the immediately preceding sentence or if the Issuer terminates the Reserve Fund Letter of Credit and/or Reserve Fund Insurance Policy, then the Issuer shall deposit into the Reserve Fund, on or prior to the end of the first full calendar month following the date on which such notice is received by the Issuer and each month thereafter, such sums as shall be sufficient to pay an amount equal to a fraction, the numerator of which is one (1) and the denominator of which is equal to the number of months remaining in the term of the Reserve Fund Insurance Policy and/or the Reserve Fund Letter of Credit on the date such notice was received multiplied by the maximum amount available, assuming full

reimbursement by the Issuer, under the Reserve Fund Letter of Credit and/or the Reserve Fund Insurance Policy until amounts on deposit in the Reserve Fund, as a result of the aforementioned deposits, and no later than upon the expiration of such Reserve Fund Insurance Policy and/or such Reserve Fund Letter of Credit shall be equal to the Reserve Requirement.

Additionally, Reserve Fund Letters of Credit shall be for a term of not less than three years. The issuer of the Reserve Fund Letter of Credit shall be required to notify the Issuer and the Paying Agent, not later than 30 months prior to the stated expiration date of the Reserve Fund Letter of Credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date.

The Reserve Fund Letter of Credit shall permit to draw in full not less than two weeks prior to the expiration or termination of such Reserve Fund Letter of Credit if the Reserve Fund Letter of Credit has not been replaced or renewed. The Reserve Fund Letter of Credit shall direct the Paying Agent to draw upon the Reserve Fund Letter of Credit five days prior to its expiration or termination unless an acceptable replacement is in place or the funds contained in the Reserve Fund is equal to the Reserve Requirement on all Outstanding Bonds theretofore issued.

The use of any Reserve Fund Insurance Policy or Reserve Fund Letter of Credit pursuant to this Resolution shall be subject to receipt of an opinion of counsel acceptable to the Insurer and in form and substance satisfactory to the Insurer as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such Credit Facility is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Insurer. In addition, the use of a Reserve Fund Letter of Credit shall be subject to receipt of an opinion of counsel acceptable to the Insurer and in form and substance satisfactory to the Insurer to the effect that payments under such Reserve Fund Letter of Credit would not constitute avoidable preference under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the Issuer of the Bonds (or any other account party under the Reserve Fund Letter of Credit).

Notwithstanding anything herein to the contrary, Reimbursement Obligations relating to a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit for any fees, expenses, claims or draws upon such Reserve Fund Insurance Policy or Reserve Fund Letter of Credit shall be subordinate to the payment of debt service on the Bonds and to the payment of Parity Contract Obligations. The right of the issuer of a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit to

~~payment of reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Reserve Fund, and subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be prior to the replenishment of the cash drawn from the Reserve Fund. The Reserve Fund Insurance Policy or Reserve Fund Letter of Credit shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit reimbursement will be further subordinated to each replenishment of the Reserve Fund to an amount equal to the difference between the full original amount available under the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit and the amount then available for further draws or claims. If (1) the issuer of a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit becomes insolvent or (2) the issuer of a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit defaults in its payment obligations thereunder or (3) the claims-paying ability of the issuer of the Reserve Fund Insurance Policy falls below a S&P "AAA" or Moody's "Aaa" or Fitch "AAA" or (4) the rating of the issuer of the Reserve Fund Letter of Credit falls below a S&P "AA", the obligation to reimburse the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit shall be subordinate to the cash replenishment of the Reserve Fund.~~

~~If (1) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated or (2) the rating of the claims-paying ability of the issuer of the Reserve Fund Insurance Policy falls below the S&P "AAA" or a Moody's "Aaa" or (3) the rating of the issuer of the Reserve Fund Letter of Credit falls below a S&P "AA", the issuer shall either (i) deposit into the Reserve Fund an amount sufficient to cause the cash or Permitted Investments on deposit in the Reserve Fund to equal the Reserve Requirement on all Outstanding Bonds secured thereby, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit meeting the requirements of this Resolution within six months of such occurrence. In the event (1) the rating of the claims-paying ability of the issuer of the Reserve Fund Insurance Policy falls below "A," or (2) the rating of the issuer of the Letter of Credit falls below "A," or (3) the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit defaults in its payment obligations, or (4) the issuer of the Reserve Fund Insurance Policy or Reserve Fund Letter of Credit becomes insolvent, the issuer shall either (i) deposit into the Reserve Fund an amount sufficient to cause the cash or Permitted Investments on deposit in the Reserve Fund to equal the Reserve Requirement on all outstanding Bonds, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (ii) replace such instrument with a Reserve Fund Insurance~~

~~Policy or Reserve Fund Letter of Credit meeting the requirements of this Resolution within six months of such occurrence.~~

~~If any Reserve Fund Letter of Credit or Reserve Fund Insurance Policy shall terminate prior to the stated expiration date thereof, the Issuer agrees that it shall fund the Reserve Fund over a period not to exceed twelve (12) months during which it shall make consecutive equal monthly payments in order that the amount on deposit in the Reserve Fund shall equal the Reserve Requirement; provided, the Issuer may obtain a new Reserve Fund Letter of Credit or a new Reserve Fund Insurance Policy in lieu of making the payments required by this paragraph.~~

Moneys in the Reserve Fund and ~~subaccounts~~ any subaccount therein shall be used only for the purpose of the payment of Amortization Installments, principal of, or interest on the Outstanding Bonds secured thereby when the other moneys allocated to the Bond Service Fund are insufficient therefor, and for no other purpose.

Permitted Investments on deposit in the Reserve Fund shall be valued at fair value pursuant to generally accepted accounting principles at least annually. In the event of the refunding of any Series of Bonds, the Issuer may withdraw from the Reserve Fund or subaccount securing such Series, all or any portion of the amounts accumulated therein with respect to the Bonds being refunded and deposit such amounts as required by the resolution authorizing the refunding of such Series of Bonds; provided that such withdrawal shall not be made unless (a) immediately thereafter, the Bonds being refunded shall be deemed to have been paid pursuant to the provisions hereof, and (b) the amount remaining in the Reserve Fund after giving effect to the issuance of such refunding obligations and the disposition of the proceeds thereof shall not be less than the Reserve Requirement for any Bonds then Outstanding which are secured thereby.

(G) Section 20(B)(4) of the Master Resolution is hereby amended as follows, with deleted text indicated by strikethrough and additional text indicated by underline.

(4) The Issuer shall next apply and deposit monthly from the moneys remaining on deposit in the Revenue Fund into the Renewal, Replacement and Improvement Fund, an amount at least equal to one-twelfth (1/12th) of five percent (5%) of the Gross Revenues received during the immediately preceding Fiscal Year. The moneys in the Renewal, Replacement and Improvement Fund shall be used only for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the System or emergency repairs or extraordinary repairs thereto. No further deposits shall be required to be made into the Renewal, Replacement and Improvement Fund when there shall be on deposit therein an ~~amount~~ unencumbered fund balance equal to or greater than one percent (1%) of the gross book value of the fixed depreciable

assets of the System pursuant to generally accepted accounting principles, or such other amount as may be determined from time to time by the Consulting Engineer. Funds on hand in the Renewal, Replacement and Improvement Fund may be used to pay current Cost of Operation and Maintenance to the extent moneys on deposit in the Revenue Fund are insufficient for such purposes. The moneys on deposit in such fund may also be used to supplement the Reserve Fund, if necessary, in order to prevent a default in the payment of the principal and interest on the Bonds.

(H) Section 20(Q)(2) of the Master Resolution is hereby amended as follows, with deleted text indicated by strikethrough.

(2) Upon recommendation of the Qualified Independent Consultants, the Net Revenues certified pursuant to (b) and (c) in the previous paragraph may be adjusted for purposes of this Section 20(Q) by including, (a) 100% of the additional Net Revenues which in the opinion of the Qualified Independent Consultant would have been derived by the Issuer from rate increases adopted before the Additional Parity Obligations are issued, ~~if such rate increases had been implemented before the commencement of such Bond Year~~ and (b) 100% of the additional Net Revenues estimated by the Qualified Independent Consultant to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, improved or added to with the proceeds of the Additional Parity Obligations with respect to which such certificate is made.

(I) Section 22 of the Master Resolution is hereby amended as follows, with additional text indicated by underline.

SECTION 22. AMENDING AND SUPPLEMENTING OF RESOLUTION WITHOUT CONSENT OF HOLDERS OF BONDS. The Issuer, from time to time and at any time and without the consent or concurrence of any Holder of any Bonds, may adopt a Supplemental Resolution amendatory hereof or supplemental hereto if the provisions of such Supplemental Resolution shall not materially adversely affect the rights of the Holders of the Bonds then Outstanding, for any one or more of the following purposes:

(a) To make any changes or corrections in this Resolution as to which the Issuer shall have been advised by Bond Counsel that are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or omission or mistake or manifest error contained in this Resolution, or to insert in this Resolution such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable;

(b) To add additional covenants and agreements of the Issuer for the purpose of further securing the payments of the Bonds and any Parity Contract Obligations;

(c) To surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of this Resolution;

(d) To confirm, as further assurance, any lien, pledge or charge or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Resolution;

(e) To grant to or confer upon the Holders or any Qualified Agreement Provider any additional right, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(f) To assure compliance with federal "arbitrage" provisions in effect from time to time;

(g) To provide such changes as may be necessary in order to adjust the terms hereof (but not including the provisions of Section 20(E) and Section 20(Q) hereof) so as to facilitate the issuance of Variable Rate Bonds, Option Bonds, the execution of a Qualified Agreement, or to obtain a Credit Facility;

(h) To provide for the combination of the System with any other utility provided the conditions set forth in Section 26 hereof are satisfied;

(i) To provide for the transfer of the ownership and/or operation of the System pursuant to a governmental reorganization as set forth in Section 25 hereof;

(j) To amend Section 31 hereof to make covenants relating to Direct Subsidy Bonds, if appropriate; or

(k) To modify any of the provisions of this Resolution in any other aspects provided that such modifications shall not be effective until after the Bonds Outstanding at the time such Supplemental Resolution is adopted shall cease to be Outstanding, or until the holders thereof consent thereto pursuant to Section 23 hereof, and any Bonds issued subsequent to any such modification shall contain a specific reference to the modifications contained in such Supplemental Resolution.

Except for Supplemental Resolutions providing for the issuance of Bonds pursuant hereto, the Issuer shall not adopt any Supplemental Resolution authorized by the foregoing provisions of this Section unless, in the opinion of

Bond Counsel, the adoption of such Supplemental Resolution is permitted by the foregoing provisions of this Section.

Notwithstanding anything else in this Resolution to the contrary, any amendment or supplement to this Resolution, with the exception of that relating to the issuance of Additional Parity Obligations, shall be subject to the prior written consent of each of the Insurers of the Bonds. Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least fifteen (15) days in advance of its execution or adoption. Each of the Insurers of the Bonds shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

(J) Section 23 of the Master Resolution is hereby amended as follows, with deleted text indicated by strikethrough and additional text indicated by underline.

SECTION 23. AMENDMENT OF RESOLUTION WITH CONSENT OF HOLDERS OF BONDS. Except as provided in Section 22 hereof, no material modification or amendment of this Resolution or of any resolution supplemental hereto shall be made without the consent in writing of the Holders of fifty-one percent (51%) or more in the principal amount of the Bonds of each Series so affected ~~and then Outstanding and any Qualified Agreement Provider.~~ For purposes of this Section, to the extent any Bonds are insured by a Bond Insurance Policy or are secured by a Credit Facility and such Bonds are then rated in as high a rating category as the rating category in which such Bonds were rated at the time of initial issuance and delivery thereof by either S&P, Moody's or Fitch or successors and assigns, then the consent of the Insurer or Insurers of such Bond Insurance Policy or the issuer or issuers of such letter of credit shall be deemed to constitute the consent of the Holder of such Bonds. No modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon or in the amount of the principal obligation thereof or reduce the percentage of the Holders of the Bonds required to consent to any material modification or amendment hereof without the consent of the Holder or Holders of all such obligations. ~~For purposes of the immediately preceding sentence, the issuer or issuers of a Bond Insurance Policy or a Credit Facility shall not consent on behalf of the Holders of the Bonds.~~ No amendment or supplement pursuant to this Section 23 (but not including Section 22 hereof) shall be made without the consent of each of the Insurers of Bonds.

Notwithstanding anything else in this Resolution to the contrary, any amendment or supplement to this Resolution, with the exception of that relating to the issuance of Additional Parity Obligations, shall be subject to the prior written consent of each of the Insurers of the Bonds. Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least fifteen (15) days in advance of its execution or adoption. Each of the municipal

bond insurers of the Bonds shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

Notwithstanding any provision herein to the contrary, so long as an Insurer is not in default under its Bond Insurance Policy, such Insurer shall be considered the Holder of all Bonds insured by its Bond Insurance Policy and shall be entitled to give its written consent to amendments in lieu of the Holder consent requirement above relating to such Bonds.

(K) The definition of "Financial Services Director" set forth in Section 2 of the Master Resolution is hereby amended as follows, with deleted text indicated by strikethrough and additional text indicated by underline.

"Financial Services Director" ~~or "Finance Director"~~ shall mean the ~~Financial Services Director of the City~~ chief financial officer of the City, by whatever title as may be designated by the City from time to time.

SECTION 15. RESTATEMENT OF MASTER RESOLUTION. At such time as the amendments to the Master Resolution set forth in Section 14 hereof take effect, the Issuer may restate the Master Resolution for purposes of consolidating the provisions thereof into a single written instrument.

SECTION 16. GENERAL AUTHORITY. The Mayor, the City Manager, the Finance Director, the City Attorney or any other appropriate officers of the Issuer are hereby authorized and directed to execute any and all certifications or other instruments or documents required by the Master Resolution or any other document referred to herein as a prerequisite or precondition to the issuance of the Series 2013 Bonds and any such representation made therein shall be deemed to be made on behalf of the Issuer. All action taken to date by the officers of the Issuer in furtherance of the issuance of the Series 2013 Bonds is hereby approved, confirmed and ratified.

SECTION 17. NO THIRD PARTY BENEFICIARIES. Except as may be expressly described in a Supplemental Resolution, nothing in this Resolution, or in the Series 2013 Bonds, expressed or implied, is intended or shall be construed to confer upon anyone of another entity other than the Issuer, the Holders and the Insurer of the Series 2013 Bonds, any right, remedy or claim, legal or equitable, under and by reason of this resolution or any provision hereof, or of the Series 2013 Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer, the Holders from time to time and the Insurer of the Series 2013 Bonds.

SECTION 18. COVENANTS OF THE ISSUER. The Series 2013 Bonds, herein authorized, shall for all intents and purposes be considered Bonds issued under the authority of the Master Resolution and shall be entitled to all the protection and security provided therein for the Bonds, and shall be in all respects entitled to the same security, rights and privileges

enjoyed by the Series 2003 Bonds. The covenants and pledges contained in the Master Resolution and this Supplemental Resolution shall be applicable to all Bonds issued under the Master Resolution.

SECTION 19. MASTER RESOLUTION TO CONTINUE IN FORCE. Except as herein expressly provided, the Master Resolution and all the terms and provisions thereof are and shall remain in full force and effect.

SECTION 20. SEVERABILITY. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof, thereof or of the Series 2013 Bonds issued under this Resolution.

SECTION 21. NO PERSONAL LIABILITY. Neither the members of the City Council, nor any officials or employees of the Issuer, nor any person executing the Series 2013 Bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 22. REPEAL OF INCONSISTENT INSTRUMENTS. All prior ordinances and resolutions of the Issuer inconsistent with the provisions of this Resolution are hereby repealed to the extent of such conflict and, except as otherwise repealed hereby, shall remain in full force and effect.


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SECTION 23. EFFECTIVE DATE. The provisions of this Resolution shall take effect immediately upon its passage.

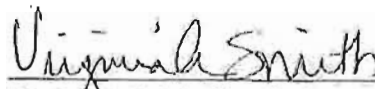
ADOPTED this 21st day of May 2013

CITY OF PALM COAST, FLORIDA

(SEAL)


Jon Nett, Mayor

ATTEST:


Virginia A. Smith, City Clerk

APPROVED AS TO FORM:

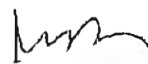

William E. Reischmann, Jr., City Attorney



EXHIBIT C

FORM OF REGISTRAR AND PAYING AGENT AGREEMENT

EXHIBIT D


FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

CITY CLERK'S CERTIFICATE REGARDING RESOLUTION NO. 2016-23

I, Virginia A. Smith, the undersigned City Clerk of the City of Palm Coast, Florida (the "City"), DO HEREBY CERTIFY that attached hereto is a copy of Resolution No. 2016-23, adopted at a meeting of the City duly called and held on March 29, 2016 (the "Resolution") which has been compared by me with the original thereof as recorded in the Minute Book of said City and said Resolution is a true, complete and correct copy thereof. The Resolution has been duly adopted at a meeting where a quorum was present and acting throughout and has not been further modified, amended, supplemented or repealed and is in full force and effect as of the date hereof in the form attached hereto.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City as of the 20th day of April, 2016.

(SEAL)



City of Palm Coast, Florida
City Clerk

RESOLUTION NO. 2016-23

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM COAST, FLORIDA, AUTHORIZING A LOAN FROM AMERIS BANK IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$41,000,000 FOR THE PURPOSE OF ADVANCE REFUNDING THE OUTSTANDING PRINCIPAL AMOUNT OF THE CITY'S UTILITY SYSTEM REVENUE BONDS, SERIES 2007; AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT AND ACCEPTANCE OF THE BANK'S COMMITMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF A CITY OF PALM COAST, FLORIDA UTILITY SYSTEM REFUNDING REVENUE NOTE, SERIES 2016 TO EVIDENCE THE CITY'S OBLIGATION UNDER THE LOAN AGREEMENT, SUCH SERIES 2016 NOTE TO BE A LIMITED OBLIGATION OF THE CITY PAYABLE FROM NET REVENUES OF THE CITY'S WATER AND SEWER SYSTEM, THE SEWER SYSTEM CAPITAL FACILITIES FEES, THE WATER SYSTEM CAPITAL FACILITIES FEES AND MONEYS ON DEPOSIT IN CERTAIN FUNDS AND ACCOUNTS, ALL AS DESCRIBED HEREIN; AUTHORIZING THE EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT AND THE APPOINTMENT OF AN ESCROW AGENT THERETO; AUTHORIZING THE APPOINTMENT OF A VERIFICATION AGENT IN CONNECTION WITH THE REFUNDING OF THE SERIES 2007 BONDS; PROVIDING FOR THE RIGHTS AND SECURITIES OF THE OWNER OF THE NOTE; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City Council (the "City Council") of the City of Palm Coast, Florida (the "City") previously adopted Resolution No. 2003-22 on September 30, 2003, as amended (the "Master Resolution"); and

WHEREAS, pursuant to the Master Resolution and Resolution No. 2006-24 adopted by the City on December 19, 2006, the City previously issued its Utility System Revenue Bonds, Series 2007 (the "Refunded Bonds"); and

WHEREAS, the Series 2016 Note will be secured by a lien on the Net Revenues of the System, the Sewer System Capital Facilities Fees, the Water System Capital Facilities Fee and until applied in accordance with the Master Resolution, the moneys on the deposit in the various funds and accounts, as described therein (the "Pledged Revenues") on parity and equal

status with the outstanding principal amount of the City's Utility System Refunding Revenue Bonds, Series 2013; and

WHEREAS, the City Council determined that it is necessary and desirable and in the best interest of the inhabitants of the City to borrow funds to advance refund the Refunded Bonds and to pay the costs of issuance related thereto (the "Loan") and received proposals from a number of financial institutions in response to the City's request for proposals dated February 29, 2016; and

WHEREAS, the City Council hereby determines, based on recommendations from FirstSouthwest, a Division of Hilltop Securities Inc., the City's financial advisor and City staff, that the proposal from Ameris Bank (the "Bank") dated March 11, 2016, (the "Commitment") contains the terms and provisions that are most favorable for the City; and

WHEREAS, amounts due under the Loan will be evidenced by the issuance by the City of its City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2016 (the "Series 2016 Note") and the Loan Agreement to be entered into between the City and the Bank, the form of which is attached hereto as Exhibit A (the "Loan Agreement"); and

WHEREAS the debt service on the Series 2016 Note shall be payable solely from and secured by the Pledged Revenues; and;

WHEREAS, due to the present volatility of the market for tax-exempt obligations such as the Series 2016 Note, the need to access such market very quickly, the willingness of the Bank to purchase the Series 2016 Note at an interest rate favorable to the City and the critical importance of timing of the sale of the Series 2016 Note, the City has determined to sell the Series 2016 Note through a negotiated sale to the Bank, if certain conditions set forth in this resolution are satisfied; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PALM COAST, FLORIDA, as follows:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to Article VIII, Section 2, of the Constitution of the State of Florida, Chapter 159, Part I and Chapter 166, Part II, Florida Statutes, as amended, the Charter of the City, the Master Resolution) and other applicable provisions of law.

SECTION 2. DEFINITIONS. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Master Resolution or Resolution No. 2006-24.

SECTION 3. FINDINGS. It is hereby found, ascertained, determined and declared that:

A. The WHEREAS clauses recited above are hereby incorporated herein as a part of this Resolution.

B. The City of Palm Coast, Florida is a duly constituted and validly existing municipality within the State of Florida with requisite home rule powers derived from the Constitution and Laws of the State of Florida.

C. It is in the public interest and a valid and proper public purpose to enter into the loan to advance refund the Refunded Bonds.

D. The Bank's offer to provide the Loan to the City in an amount not to exceed \$41,000,000 at the terms set forth in the Loan Agreement, as defined herein, is the best proposal to refund the Refunded Bonds.

E. The Pledged Revenues shall be used to pay principal of and interest on the Series 2016 Note and any other amounts due under the Loan Agreement and the Series 2016 Note.

F. Because of the characteristics of the security pledged to repay the Loan, prevailing conditions in the financial markets, it is in the best interest of the City to accept the offer of the Bank to enter into the Loan Agreement and purchase the Series 2016 Note at a private negotiated sale. Prior to the issuance of the Series 2016 Note, the City shall have received from the Bank a Purchaser's Certificate, the form of which is attached hereto as Exhibit B and the Disclosure Letter containing the information required by Section 218.385, Florida Statutes, the form of which is attached hereto as Exhibit C.

G. In consideration of the purchase and acceptance by the Bank of the Series 2016 Note authorized to be issued hereunder, this Resolution together with the terms and provisions of the Loan Agreement shall constitute a contract between the City and the Bank.

H. The Series 2016 Note shall constitute "Refunding Bonds" under the Master Resolution and all covenants, provisions and conditions contained in the Master Resolution relating to "Refunding Bonds" shall apply to the Series 2016 Note, as applicable.

I. A portion of the proceeds derived from the sale of the Series 2016 Note, together with other legally available moneys, if any, of the City, shall be deposited to a special escrow deposit fund to purchase Acquired Obligations which shall be sufficient, together with the investment earnings therefrom and a cash deposit, if any, to pay the Refunded Bonds as the same become due and payable or are redeemed prior to maturity, all as provided herein and in the Escrow Agreement by and between the City and the escrow agent named therein, the form of which is attached hereto as Exhibit D.

SECTION 4. AUTHORIZATION OF LOAN AGREEMENT AND COMMITMENT.

To provide for the security of the Series 2016 Note and to express the contract between the City and the holder thereof, the City does hereby authorize the execution and delivery on behalf of the City by the Mayor under the seal of the City, attested by the City Clerk, of the Loan

Agreement by and between the City and the Bank. The Loan Agreement shall be in substantially the form attached hereto and marked Exhibit "A" and is hereby approved, with such changes therein as shall be approved by any of the authorized officers executing the same, with such execution constituting conclusive evidence of such officer's approval and the City's approval of any changes therein to the form of the Loan Agreement attached hereto. Subject and pursuant to the provisions of this Resolution and the terms and provisions of the Loan Agreement, there is hereby authorized to be issued the Series 2016 Note to evidence the City's obligations under the Loan Agreement. The Series 2016 Note is authorized to be issued in the aggregate principal amount not to exceed \$41,000,000.

To provide for the terms of the Bank's Commitment to provide the Loan, the City Manager is hereby authorized to accept and execute the Bank's Commitment

SECTION 5. AUTHORIZATION OF THE SERIES 2016 NOTE. There is hereby authorized to be issued the "City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2016" in an aggregate principal amount not to exceed forty-one million dollars (\$41,000,000), which shall secure amounts outstanding under the Loan Agreement and will be repaid over a term not to exceed twenty years as provided in the Loan Agreement. The aggregate principal amount of the Series 2016 Note shall not exceed \$41,000,000, the final maturity of the Series 2016 Note shall not be later than October 1, 2036, and there shall be a net present value debt service savings of not less than 5.00% of Refunded Bonds par amount. The Series 2016 Note shall bear interest at a fixed rate equal to 2.48% per annum, calculated on a 30/360 day basis, and shall be dated the date of delivery. Interest shall be payable semiannually commencing October 1, 2016 and on each April 1 and October 1 thereafter to October 1, 2036. Principal on the Series 2016 Note will be payable annually commencing on October 1, 2016 and on each October 1 thereafter to October 1, 2036. Debt service on the Series 2016 Note shall be due and paid as set forth on Schedule I attached to the Series 2016 Note, and subject to prepayment as provided in the Series 2016 Note.

The Series 2016 Note shall be substantially in the form attached to the Loan Agreement, with such non-material changes as shall be approved by the Mayor, such approval to be conclusively evidenced by the execution thereof by the Mayor. The Series 2016 Note shall be executed on behalf of the City with the manual signature of the Mayor and the City Clerk and the official seal of the City, and be approved as to form and legality with the manual signature of the City Attorney. In case any one or more of the officers who shall have signed or sealed the Series 2016 Note shall cease to be such officer of the City before the Series 2016 Note so signed and sealed has been actually sold and delivered, such Series 2016 Note may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 2016 Note had not ceased to hold such office. The Series 2016 Note may be signed and sealed on behalf of the City by such person who at the actual time of the execution of such Series 2016 Note shall hold the proper office of the City, although, at the date of such Series 2016 Note, such person may not have held such office or may not have been so authorized.

SECTION 6. APPROVAL OF ESCROW DEPOSIT AGREEMENT. The City hereby authorizes the Mayor to execute and the Clerk to attest the Escrow Deposit Agreement and to deliver the Escrow Deposit Agreement to Wells Fargo Bank, N.A. which is hereby appointed as Escrow Agent thereunder. All of the provisions of the Escrow Deposit Agreement when executed and delivered by the City as authorized herein and when duly authorized, executed and delivered by the Escrow Agent, shall be deemed to be a part of this Resolution as fully and to the same extent as if incorporated verbatim herein, and the Escrow Deposit Agreement shall be in substantially the form attached hereto as Exhibit D, with such changes, amendments, modifications, omissions and additions, including the date of such Escrow Deposit Agreement, as may be approved by the Mayor. Execution by the Mayor of the Escrow Deposit Agreement shall be deemed to be conclusive evidence of the approval of such changes.

SECTION 7. APPOINTMENT OF VERIFICATION AGENT. Grant Thornton LLP is hereby designated as Verification Agent in connection with the refunding of the Refunding Bonds.

SECTION 8. PAYMENT OF PRINCIPAL AND INTEREST; LIMITED OBLIGATION. The City promises that it will promptly pay the principal of and interest on the Series 2016 Note and all other amounts due under the Loan Agreement and the Series 2016 Note at the place, on the dates and in the manner provided in the Loan Agreement according to the true intent and meaning hereof and thereof. Amounts due under the Loan Agreement shall not be or constitute a general obligation or indebtedness of the City as a "bond" within the meaning of Article VII, Section 12 of the Constitution of Florida, but shall be payable solely from the Pledged Revenues in accordance with the terms hereof and of the Loan Agreement. The holder of the Series 2016 Note issued hereunder shall never have the right to compel the exercise of any ad valorem taxing power by the City to pay the Series 2016 Note, or be entitled to payment of such Series 2016 Note from any funds of the City except from the Pledged Revenues as described herein and in the Loan Agreement.

Principal and Interest will be paid on the Series 2016 Note from moneys deposited into the Debt Service Fund established under the Master Resolution.

SECTION 9. USE OF PROCEEDS. The proceeds of the Series 2016 Note shall be used as follows:

(A) A sufficient amount of Series 2016 Note proceeds, together with other legally available moneys of the City, if any, shall be deposited irrevocably in trust in an escrow deposit fund or funds established under the terms and provisions of the Escrow Deposit Agreement and, other than a cash deposit, shall be invested in Acquired Obligations in the manner set forth in the Escrow Agreement, which investments shall mature at such times and in such amounts as shall be sufficient, together with such cash deposit, if any, to pay the principal of, premium, if applicable, and interest on the Refunded Bonds, as the same mature or are redeemed on their respective redemption dates.

(B) A sufficient amount of Series 2016 Note proceeds shall be used to pay costs and expenses relating to the issuance of the Series 2016 Note.

SECTION 10. RESERVE FUND. There will be no Reserve Fund established for the Series 2016 Note.

SECTION 11. GENERAL AUTHORITY. The Mayor, the City Manager, the Finance Director, the City Attorney or any other appropriate officers of the City are hereby authorized and directed to execute any and all certifications or other instruments or documents required by the Master Resolution or any other document referred to herein as a prerequisite or precondition to the issuance of the Series 2016 Note and any such representation made therein shall be deemed to be made on behalf of the City. All action taken to date by the officers of the City in furtherance of the issuance of the Series 2016 Note is hereby approved, confirmed and ratified.

SECTION 12. PREREQUISITES PERFORMED. The City has performed all acts, conditions required pursuant to the Master Resolution and this Resolution as are required by the Constitution and Laws of the State of Florida, and the Charter of the City.

SECTION 13. SEVERABILITY. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable in any context, the same shall not affect any other provision herein or render any other provision (or such provision in any other context) invalid, inoperative or unenforceable to any extent whatever.

SECTION 14. APPLICABLE PROVISIONS OF LAW. This Resolution shall be governed by and construed in accordance with the laws of the State of Florida.

SECTION 15. RULES OF INTERPRETATION. Unless expressly indicated otherwise, references to sections or articles are to be construed as references to sections or articles of this instrument as originally executed. Use of the words "herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to this Resolution and not solely to the particular portion in which any such word is used.

SECTION 16. CAPTIONS. The captions and headings in this Resolution are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Resolution.

SECTION 17. MEMBERS OF THE CITY COUNCIL EXEMPT FROM PERSONAL LIABILITY. No recourse under or upon any obligation, covenant or agreement of this Resolution, the Loan Agreement or the Series 2016 Note or for any claim based thereon or otherwise in respect thereof, shall be had against any member of the City Council, as such, of the City, past, present or future, either directly or through the City it being expressly understood (a) that no personal liability whatsoever shall attach to, or is or shall be incurred by, the members of the City Council, as such, under or by reason of the obligations, covenants or agreements contained in this Resolution, the Loan Agreement or the Series 2016 Note or

implied therefrom, and (b) that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such member of the City Council, as such, are waived and released as a condition of, and as a consideration for, the execution of this Resolution and the Loan Agreement and the issuance of the Series 2016 Note, on the part of the City.

SECTION 18. REPEALER. All ordinances and/or resolutions or parts thereof in conflict herewith, if any, are hereby repealed.

SECTION 19. NO THIRD PARTY BENEFICIARIES. Except such other persons as may be expressly described in this Resolution, nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon any person, other than the City and the holder of the Series 2016 Note, any right, remedy or claim, legal or equitable, under and by reason of this Resolution, or any provision thereof, all provisions thereof being intended to be and being for the sole and exclusive benefit of the City and the persons who shall from time to time be the holders of the Series 2016 Note.

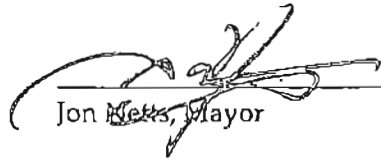
SECTION 20. MASTER RESOLUTION TO CONTINUE IN FORCE. The Master Resolution and all the terms and provisions thereof, are and shall remain in full force and effect.

SECTION 21. EFFECTIVE DATE. This resolution shall take effect immediately upon its adoption.

Passed and adopted by the City Council of the City of Palm Coast, Florida, this 29th day of March 2016.

(SEAL)

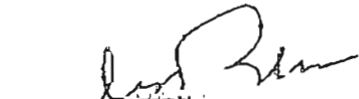
CITY OF PALM COAST, FLORIDA


Jon Nettis, Mayor

ATTEST:


Virginia A. Smith, City Clerk

APPROVED AS TO FORM AND LEGALITY:


City Attorney

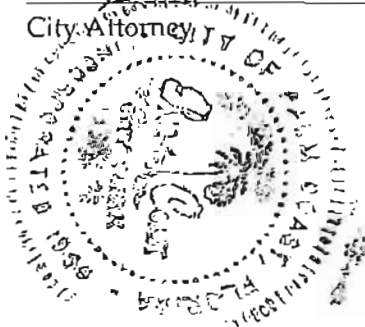


EXHIBIT A

FORM OF LOAN AGREEMENT

LOAN AGREEMENT

by and between

CITY OF PALM COAST, FLORIDA

and

AMERIS BANK

Dated as of April [], 2016

relating to

**CITY OF PALM COAST, FLORIDA
UTILITY SYSTEM REFUNDING REVENUE NOTE, SERIES 2016**

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This **LOAN AGREEMENT** is made and entered into as of April [___], 2016 by and between **CITY OF PALM COAST, FLORIDA** (the "City"), and **AMERIS BANK**, and its successors and assigns (the "Bank").

WITNESSETH:

WHEREAS, the City Council (the "City Council") of the City of Palm Coast, Florida (the "City") previously adopted Resolution No. 2003-22 on September 30, 2016, as amended and supplemented (the "Master Resolution"); and

WHEREAS, pursuant to the Master Resolution, the City previously issued its Utility System Revenue Bonds, Series 2007 (the "Refunded Bonds"); and.

WHEREAS, On [____], 2016, the City adopted Resolution No. [____] (the "Authorizing Resolution") authorizing the issuance of its Utility System Refunding Revenue Note, Series 2016 (the "Series 2016 Note") to (i) advance refund the Refunded Bonds (ii) pay the costs of issuance of the Series 2016 Note; and

WHEREAS, the City Council determined that it is necessary and desirable and in the best interest of the inhabitants of the City to borrow funds to refund the Refunded Bonds and to pay the costs of issuance related thereto; and

WHEREAS, the City received and accepted the commitment of Ameris Bank (the "Bank") to provide a loan to the City in an aggregate principal amount of \$[_____] for the purpose of refunding the Refunded Bonds and paying the costs of issuance of the Series 2016 Note (the "Loan"); and

WHEREAS, the Series 2016 Note will be secured by a lien on the Pledged Revenues (as defined in the Master Resolution) on parity and equal status with the City's outstanding Utility System Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds"); and

WHEREAS the debt service on the Series 2016 Note shall be payable solely from and secured by the Pledged Revenues in accordance with the Master Resolution; and

WHEREAS, all or a portion of the proceeds from the sale of Series 2016 Note will be deposited in an escrow fund pursuant to the terms of an Escrow Deposit Agreement between the City and the escrow agent named therein and used to the redeem the Refunded Bonds maturing on or after [_____] on the redemption date provided therein; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used in this Loan Agreement and not defined in this Section 1 shall have the meaning assigned in the Master Resolution. The following terms shall have the following meanings herein, unless the text otherwise expressly requires:

"Act" means Article VIII, Section 2, of the Constitution of the State of Florida, Chapters 159, Part I and 166, Part II, Florida Statutes, as amended, the Charter of the City, and other applicable provisions of law.

"Authorized City Representative" means the Mayor, the City Manager, the Financial Services Director, the Finance Director, the Clerk or their designees.

"Authorizing Resolution" means Resolution No. [_____] adopted by the City Council of the City on [____], 2016.

"Bank" shall mean Ameris Bank and its successors and assigns, with offices located at 181 Cypress Point Parkway, Palm Coast, Florida 32164.

"Bank's Counsel" means Gray, Pannell & Woodward.

"Note Legislation" means collectively, the Master Resolution and the Authorizing Resolution.

"Business Day" means any day of the year other than a day on which the Bank or the City are lawfully closed for business.

"City" means the City of Palm Coast, Florida, a municipal corporation of the State of Florida.

"City Attorney" means Garganese, Weiss & D'Agresta, P.A.

"City Council" means the City Council of the City, as the governing body of the City.

"City Manager" means the City Manager of the City or his or her designee.

"Clerk" means the City Clerk of the City or his or her designee.

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

"Commitment" means the Commitment of the Bank, dated March 11, 2016.

"Date of Delivery" means April [___], 2016.

"Default" means an Event of Default as defined and described in Section 16 hereof.

"Finance Director" means the Finance Director of the City or his or her designee.

"Financial Advisor" means FirstSouthwest, a Division of Hilltop Securities Inc., Orlando, Florida.

"Financial Services Director" means the Financial Services Director of the City or his or her designee.

"Fiscal Year" means the period from each October 1 to the succeeding September 30.

"Interest Payment Date" means each April 1 and October 1, commencing October 1, 2016 through and including the Maturity Date.

"Interest Rate" means the rate of interest payable on the Series 2016 Note described in Section 4 hereof and in the Form of Series 2016 Note attached hereto as Exhibit A.

"Loan" shall collectively refer to an amount equal to the aggregate principal amount of not to exceed \$[] loaned by the Bank to the City pursuant to and in accordance with this Loan Agreement.

"Loan Agreement" means this Loan Agreement between the Bank and the City setting forth the terms and details of the Loan.

"Maturity Date" means October 1, 2036.

"Mayor" means the Mayor of the City.

"Note Counsel" means Bryant Miller Olive P.A.

"Pledged Revenues" means the (i) Net Revenues of the System, (ii) the Sewer System Capital Facilities Fees, (iii) the Water System Capital Facilities Fees and (iv) and until used in accordance with the Master Resolution amounts on deposit in certain funds and accounts, all as defined and as described in the Master Resolution.

"Paying Agent" means the City.

"Payment Date" means both the Interest Payment Dates and the Principal Payment Dates.

"Person" or words importing persons, means firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities, and natural persons.

"Principal Amount" means [] Dollars (\$[]).

"Principal Payment Date" means each October 1, commencing October 1, 2016 and continuing through the Maturity Date.

"Register" means the books maintained by the Registrar in which are recorded the name and address of the Registered Owner of the Series 2016 Note.

"Registered Owner" means the person in whose name the ownership of the Series 2016 Note is registered on the books maintained by the Registrar. The initial Registered Owner shall be the Bank.

"Registrar" means the Person maintaining the Register. The Registrar shall initially be the Clerk.

"Regulations" means the Income Tax Regulations promulgated by the Internal Revenue Service under Sections 103 and 141 through 150 of the Code.

"Resolution" means Resolution No. [____], adopted by the City Council on [____], 2016.

"Series 2016 Note" means City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2016, substantially in the form attached hereto as Exhibit A, evidencing the Loan authorized herein.

"State" means the State of Florida.

SECTION 2. INTERPRETATION. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Loan Agreement and all the terms and provisions hereof (a) have been negotiated between the City and the Bank; (b) shall not be construed strictly in favor of or against either party hereto; and (c) shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

SECTION 3. THE LOAN.

A. Loan. The Bank hereby makes and the City hereby accepts the Loan, upon the terms and conditions set forth herein.

B. Disbursement of Proceeds. Proceeds of the Loan shall be made available by the Bank to the City by deposit of the amount thereof to or for the order of the City by 2:00 p.m. on the Date of Delivery.

SECTION 4. DESCRIPTION OF SERIES 2016 NOTE. The obligation of the City to repay the Loan shall be evidenced by the Series 2016 Note. The Series 2016 Note shall be dated as of the Date of Delivery; shall mature on the Maturity Date; and shall be in registered form.

The Series 2016 Note shall bear interest from the Date of Delivery until payment of the

entire outstanding principal amount due thereon. The Interest Rate on the Series 2016 Note shall be a fixed rate of interest equal to 2.48% per annum. Interest on the Series 2016 Note shall be calculated using a 360-day year consisting of twelve 30-day months.

Interest on the Series 2016 Note shall be paid semiannually on each Interest Payment Date, commencing October 1, 2016. On each Principal Payment Date, the City shall pay an annual installment of the outstanding principal amount due on the Series 2016 Note in the amounts set forth on Schedule 1 of the Series 2016 Note.

The City may prepay the Series 2016 Note in whole or in part, at anytime, without a prepayment premium or penalty.

SECTION 5. EXECUTION OF SERIES 2016 NOTE. The Series 2016 Note shall be executed in the name of the City by the Mayor and attested by the Clerk, and its corporate seal or a facsimile thereof shall be affixed thereto or reproduced thereon. The Series 2016 Note may be signed and sealed on behalf of the City by any person who at the actual time of the execution of the Series 2016 Note shall hold the appropriate office in the City, although at the date thereof the person may not have been so authorized. The Series 2016 Note may be executed by the facsimile signatures of the Mayor and/or Clerk, provided that at least one of the foregoing signatures must be a manual signature.

SECTION 6. REGISTRATION AND TRANSFER OF SERIES 2016 NOTE. The Series 2016 Note shall be and shall have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code-Investment Securities Laws of the State of Florida, and each Registered Owner, in accepting the Series 2016 Note, shall be conclusively deemed to have agreed that such Series 2016 Note shall be and have all of the qualities and incidents of negotiable instruments thereunder.

There shall be a Registrar who shall be responsible for maintaining the Register. The person in whose name ownership of a Series 2016 Note is shown on the Register shall be deemed the Registered Owner thereof by the City and the Registrar, who may treat the Registered Owner as the absolute owner of the Series 2016 Note for all purposes, whether or not the Series 2016 Note shall be overdue, and any notice to the contrary shall not be binding upon the City or the Registrar.

Ownership of the Series 2016 Note may be transferred only in whole and in denominations of not less than \$100,000 even in whole, and only upon the Register. Upon surrender to the Registrar for transfer or exchange of the Series 2016 Note accompanied by an assignment or written authorization for exchange, whichever is applicable, duly executed by the Registered Owner or its attorney duly authorized in writing, the Registrar shall deliver in the name of the Registered Owner or the transferee or transferees, as the case may be, a new fully registered Series 2016 Note of the same amount, maturity and interest rate as the Series 2016 Note surrendered.

The Series 2016 Note presented for transfer, exchange, redemption or payment (if so required by the City or the Registrar) shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the City or the Registrar, duly executed by the Registered Owner or by his duly authorized attorney.

The City and the Registrar may charge the Registered Owner a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first such exchange or transfer following the delivery of such Series 2016 Note. The Registrar or the City may also require payment from the Registered Owner or his transferee, as the case may be, of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Series 2016 Note shall be delivered.

The new Series 2016 Note delivered upon any transfer or exchange shall be a valid obligation of the City, evidencing the same debt as the Series 2016 Note surrendered, shall be secured under this Loan Agreement, and shall be entitled to all of the security and benefits hereof to the same extent as the Series 2016 Note surrendered.

Whenever a Series 2016 Note shall be delivered to the Registrar for cancellation, upon payment of the principal amount thereof, or for replacement, transfer or exchange, such Series 2016 Note shall be cancelled and destroyed by the Registrar, and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the City.

SECTION 7. SERIES 2016 NOTE MUTILATED, DESTROYED, STOLEN OR LOST. In case the Series 2016 Note shall be mutilated, or be destroyed, stolen or lost, upon the Registered Owner furnishing the Registrar satisfactory indemnity and complying with such other reasonable regulations and conditions as the City may prescribe and paying such expenses as the City may incur, the Registrar shall issue and deliver a new Series 2016 Note of like tenor as the Series 2016 Note so mutilated, destroyed, stolen or lost, in lieu of or substitution for the Series 2016 Note, if any, destroyed, stolen or lost, or in exchange and substitution for such mutilated Series 2016 Note, upon surrender of such mutilated Series 2016 Note, if any, to the Registrar and the cancellation thereof; provided however, if the Series 2016 Note shall have matured or be about to mature, instead of issuing a substitute Series 2016 Note, the City may pay the same, upon being indemnified as aforesaid, and if such Series 2016 Note be lost, stolen or destroyed, without surrender thereof. Any Series 2016 Note surrendered under the terms of this Section 7 shall be cancelled by the Registrar.

Any such new Series 2016 Note issued pursuant to this section shall constitute an original, additional contractual obligation on the part of the City whether or not, as to the new Series 2016 Note, the lost, stolen or destroyed Series 2016 Note be at any time found by anyone, and such new Series 2016 Note shall be entitled to equal and proportionate benefits and rights as to security for payment to the same extent as the Series 2016 Note originally issued hereunder.

SECTION 8. FORM OF SERIES 2016 NOTE. The Series 2016 Note shall be in substantially the form attached hereto as Exhibit A, with such variations, omissions and insertions as may be necessary, desirable and authorized or permitted by this Loan Agreement or the Resolution.

SECTION 9. SECURITY FOR SERIES 2016 NOTE; SERIES 2016 NOTE NOT DEBT OF THE CITY. The City promises that it will promptly pay the principal of and interest on the Series 2016 Note and all other amounts due hereunder at the place, on the dates and in the manner provided herein according to the true intent and meaning hereof. Amounts due hereunder shall not be or constitute a general obligation or indebtedness of the City as a "bond" within the meaning of Article VII, Section 12 of the Constitution of Florida, but shall be payable solely from the Pledged Revenues in accordance with the terms of the Resolution and this Agreement. The holder of the Series 2016 Note shall never have the right to compel the exercise of any ad valorem taxing power to pay the Series 2016 Note, or be entitled to payment of such Series 2016 Note from any funds of the City except from the Pledged Revenues as described herein and in the Resolution.

SECTION 10. COVENANTS OF THE CITY. The City covenants with the Registered Owner of the Series 2016 Note as follows:

A. Payments. The City will punctually pay all principal of and interest on the Series 2016 Note when due by wire transfer or other medium acceptable to the City and the Bank.

B. Financial Statements. Beginning with the fiscal year ended September 30, 2015, the City will provide the Bank a copy of the audited financial statements of the City annually.

C. Annual Budget and Other Information. The City will prepare its annual budget in accordance with the Act, and will provide to the Bank a copy of its final annual budget for each Fiscal Year within 30 days of adoption thereof by the City Council and such other financial or public information as the Bank may reasonably request.

D. Tax Compliance. Neither the City, nor any third party over whom the City has control, will make any use of the proceeds of the Series 2016 Note at any time during the term of the Series 2016 Note which would cause the Series 2016 Note to be (a) a "private activity bond" within the meaning of Section 103(b)(1) of the Code or (b) an "arbitrage bond" within the meaning of Section 103(b)(2) of the Code. The City covenants throughout the term of the Series 2016 Note to comply with the requirements of the Code and the Regulations, as amended from time to time, and to take all actions necessary to maintain the exclusion from gross income for purposes of the Code of interest on the Series 2016 Note.

SECTION 11. REPRESENTATIONS AND WARRANTIES. The City represents and warrants to the Bank that:

A. Organization. The City is a municipal corporation, duly organized and existing under the laws of the State of Florida.

B. Authorization of Loan Agreement and Related Documents. The City has the power and has taken all necessary action to authorize the execution and delivery of and the performance by the City of its obligations under this Loan Agreement and the Series 2016 Note in accordance with their respective terms. This Loan Agreement and the Series 2016 Note have been duly executed and delivered by the City and are valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, except to the extent that such enforcement may be limited by laws regarding bankruptcy, insolvency, reorganization or moratorium applicable to the City or by general principles of equity regarding the availability of specific performance.

C. Pledged Revenues. The City currently receives the Pledged Revenues and is legally entitled to pledge such Pledged Revenues to pay the principal of and interest on the Series 2016 Note when due as provided herein. The City estimates that the Pledged Revenues will be available in amounts sufficient to pay the principal of and interest on the Series 2016 Note as the same becomes due prior to the Maturity Date and, to pay all principal of and interest on the Series 2016 Note on the Maturity Date. The City shall take all lawful action necessary to enable the City to continue to receive the Pledged Revenues in at least the amounts necessary to pay principal and interest on the Series 2016 Note to the extent not paid from some other source.

D. Financial Statements. The financial statements of the City for the Fiscal Year ended September 30, 2014, previously provided to the Bank were prepared in accordance with generally accepted accounting principles and present fairly the financial condition of the City as of such date and the results of its operations for the period then ended. Since such date, there has been no material adverse change in the financial condition, revenues, properties or operations of the City.

SECTION 12. CONDITIONS PRECEDENT. The obligation of the Bank to make the Loan is subject to the satisfaction of each of the following conditions precedent on or before the Date of Delivery:

A. Action. The Bank shall have received copies of the Note Legislation, each certified as complete, true and correct as of the Date of Delivery, together with an executed Loan Agreement, the executed Series 2016 Note, and the customary closing certificates.

B. Incumbency of Officers. The Bank shall have received an incumbency certificate of the City in respect of each of the officers who is authorized to sign this Loan Agreement, the Series 2016 Note, and the related financing documents on behalf of the City.

C. Opinion of City Attorney. The Bank shall have received a written opinion of the City Attorney as to (1) the valid existence of the City as a municipal corporation of the State; (2) the due adoption of the Resolution; (3) the due authorization, execution, validity and enforceability of this Loan Agreement and the Series 2016 Note and the related financing documents; and (4) the absence of litigation against the City relating to (a) its existence or

powers, and (b) the proceedings for the authorization of the Loan Agreement and issuance of the Series 2016 Note, in a form and substance satisfactory to the Bank.

D. Opinion of Note Counsel. The Bank shall have received a letter from Note Counsel authorizing the Bank to rely on the approving opinion of Note Counsel delivered to the City with respect to the Series 2016 Note to the same extent as if such opinion were addressed to the Bank. The opinion, in form and substance satisfactory to the Bank, shall, at a minimum, address the status of interest on the Series 2016 Note under the provisions of Section 103 of the Code

E. Representations and Warranties; No Default. The representations and warranties made by the City herein shall be true and correct in all material respects on and as of the Date of Delivery, as if made on and as of such date; no Default shall have occurred and be continuing as of the Date of Delivery or will result from the consummation of the Loan; and the Bank shall have received a certificate from the City to the foregoing effect.

F. Other Documents. The Bank shall have received such other documents, certificates and opinions as the Bank or its counsel shall have reasonably requested.

SECTION 13. NOTICES. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered, delivered by telecopier, electronic mail, mailed by registered or certified mail, postage prepaid, or delivered by courier service to the parties at the following addresses:

City: City of Palm Coast, Florida
160 Lake Avenue
Palm Coast, Florida 32115
Attention: Finance Director.

Bank: Ameris Bank
181 Cypress Point Parkway
Palm Coast, Florida 32164
Attention: Garry R. Lubi, Senior Vice President.

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Communication via telecopier shall be confirmed by delivery by hand, mail, or courier, as specified above, of an original promptly after such communication by telecopier.

SECTION 14. EVENTS OF DEFAULT DEFINED; REMEDIES. "Events of Default" under this Loan Agreement, and the terms "Default" and "Events of Default" and "Remedies" shall be as provided in the Section 21 of the Master Resolution.

SECTION 15. NO PERSONAL LIABILITY. No recourse shall be had for the payment of the principal of and interest on the Series 2016 Note or for any claim based on the

Series 2016 Note or on this Loan Agreement, against any present or former member or officer of the City Council or any person executing the Series 2016 Note.

SECTION 16. PAYMENTS DUE ON SATURDAYS, SUNDAYS AND HOLIDAYS. In any case where the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be other than a Business Day, then such payment or performance shall be made on the succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement, provided that interest on any monetary obligation hereunder shall accrue at the applicable rate to and including the date of such payment.

SECTION 17. AMENDMENTS, CHANGES AND MODIFICATIONS. This Loan Agreement may be amended only by a writing signed by both parties hereto.

SECTION 18. BINDING EFFECT. To the extent provided herein, this Loan Agreement shall be binding upon the City and the Bank and shall inure to the benefit of the City and the Bank and their respective successors and assigns. This Loan Agreement shall be discharged and neither the City nor the Bank shall have any further obligations hereunder under the Series 2016 Note when the City shall have paid the principal of and interest on the Series 2016 Note in full and shall have paid in full all other amounts, if any, due under the Series 2016 Note or this Loan Agreement.

SECTION 19. SEVERABILITY. In the event any court of competent jurisdiction shall hold any provision of this Loan Agreement invalid or unenforceable such holding shall not invalidate or render unenforceable, any other provision hereof.

SECTION 20. EXECUTION IN COUNTERPARTS. This Loan Agreement may be simultaneously 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.]

SECTION 21. APPLICABLE LAW. This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties hereto have duly executed this Loan Agreement as of the date first above written.

CITY OF PALM COAST, FLORIDA

Jon Netts, Mayor

ATTEST:

Virginia Smith, City Clerk

APPROVED AS TO FORM AND LEGALITY:

City Attorney

AMERIS BANK

By: _____
Garry R. Lubi, Senior Vice President

ANY HOLDER OF THIS NOTE, PRIOR TO BECOMING A HOLDER, SHALL EXECUTE A PURCHASER'S CERTIFICATE IN THE FORM ATTACHED TO THE RESOLUTION (HEREINAFTER DEFINED)

EXHIBIT A

FORM OF SERIES 2016 NOTE

NO. R-1

\$(_____)

CITY OF PALM COAST, FLORIDA
UTILITY SYSTEM REFUNDING REVENUE NOTE,
SERIES 2016

RATE OF INTEREST

2.48%

MATURITY DATE

October 1, 2036

DATE OF DELIVERY

April [___], 2016

REGISTERED OWNER: Ameris Bank

PRINCIPAL AMOUNT: [_____] Dollars

The City of Palm Coast, Florida (the "City"), for value received, hereby promises to pay to the Registered Owner on the Payment Dates and Maturity Date specified above, or sooner as provided herein, the Principal Amount hereof, plus interest accrued thereon from the Date of Delivery at the Rate of Interest described herein from the Pledged Revenues as described herein, until payment of the Principal Amount stated above.

This Series 2016 Note shall bear interest from the Date of Delivery until payment of the entire outstanding Principal Amount due thereon. The Rate of Interest on this Series 2016 Note shall be a fixed rate of interest equal to 2.48% per annum. Interest on this Series 2016 Note shall be calculated using a 360-day year consisting of twelve 30-day months.

Interest on this Series 2016 Note shall be paid semiannually on each Interest Payment Date, commencing October 1, 2016. On each Principal Payment Date, the City shall pay an annual installment of the outstanding Principal Amount due on this Series 2016 Note in the amounts set forth on Schedule 1 hereof.

The City may prepay this Series 2016 Note in whole or in part, at anytime, without premium or prepayment penalty.

This Series 2016 Note is being issued primarily to pay the costs of advance refunding the City's outstanding Utility System Revenue Bonds, Series 2007, and pursuant to the authority of Article VIII, Section 2, of the Constitution of the State of Florida, Chapters 159 Part I and 166, Part II, Florida Statutes, as amended, the Charter of the City, and other provisions of law, and pursuant and subject to the terms and conditions of Resolution No. 2003-22 adopted by the City on September 30, 2003 (the "Master Resolution"), and Resolution No. [_____] duly adopted by the City Council of the City on [____], 2016 (the "Resolution" and together with the Master Resolution "Note Legislation"), and the Loan Agreement dated as of April [___], 2016 between the City and Ameris Bank (the "Loan Agreement"). Capitalized terms used in this Series 2016 Note and not otherwise defined shall have the meaning ascribed to them in the Note Legislation.

This Series 2016 Note is payable from and secured by Pledged Revenues, as defined in, and in the manner provided in the Note Legislation and the Loan Agreement.

Amounts payable under this Series 2016 Note are secured by lien on the Pledged Revenues on a parity and equal status with the City's Utility System Refunding Revenue Bonds, Series 2013.

This Series 2016 Note shall not constitute a general obligation or indebtedness of the City, and the Registered Owner thereof shall never have the right to require or compel the levy of taxes on any property of or in the City for the payment of the principal of and interest on this Series 2016 Note. This Series 2016 Note shall not constitute a lien upon any property of or in the City, but shall be payable solely from the Pledged Revenues in the manner provided in the Loan Agreement. Reference is made to the Loan Agreement for the provisions relating to the security for payment of this Series 2016 Note and the duties and obligations of the City thereunder.

The Series 2016 Note shall be and shall have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code-Investment Securities Laws of the State of Florida, and the registered owner, in accepting the Series 2016 Note, shall be conclusively deemed to have agreed that such Series 2016 Note shall be and have all of the qualities and incidents of negotiable instruments thereunder.

The Clerk shall be the Registrar who shall be responsible for maintaining the Register of the ownership of this Series 2016 Note. The person in whose name ownership hereof is shown on the Register shall be deemed the owner thereof by the City, and any notice to the contrary shall not be binding upon the City or the Registrar. The City and the Registrar may treat the registered owner as the absolute owner of the Series 2016 Note for all purposes, whether or not such Series 2016 Note shall be overdue, and shall not be bound by any notice to the contrary.

Ownership of Series 2016 Note may be transferred only upon the Register. Upon surrender to the Registrar for transfer or exchange of any Series 2016 Note accompanied by an assignment or written authorization for exchange, whichever is applicable, duly executed by the registered owner or its attorney duly authorized in writing, the Registrar shall deliver in the

name of the registered owner or the transferee or transferees, as the case may be, a new fully registered Series 2016 Note of authorized denominations and of the same maturity and interest rate and for the aggregate principal amount as the Series 2016 Note surrendered.

The new Series 2016 Note delivered upon any transfer or exchange shall be a valid obligation of the City, evidencing the same debt as the Series 2016 Note surrendered and shall be entitled to all of the security and benefits to the same extent as the Series 2016 Note surrendered.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of the State of Florida to happen, exist and be performed precedent to and in the issuance of this Series 2016 Note, have happened, exist and have been performed in regular and due form and time as so required.

IN WITNESS WHEREOF, the City of Palm Coast, Florida, has caused this Series 2016 Note to be executed by the Mayor, and attested by the City Clerk, either manually or with their facsimile signatures, and its seal or a facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon, and this Series 2016 Note to be dated as of April [___], 2016.

CITY OF PALM COAST, FLORIDA

By: _____
Mayor

(SEAL)

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM AND LEGALITY:

By: _____
City Attorney

SCHEDULE I
DEBT SERVICE SCHEDULE

SCHEDULE 1

PRINCIPAL AMORTIZATION SCHEDULE

EXHIBIT B

FORM OF PURCHASER'S CERTIFICATE

This is to certify that Ameris Bank (the "Purchaser") has not required the City of Palm Coast, Florida (the "Issuer") to deliver any offering document and has conducted its own investigation, to the extent it deems satisfactory or sufficient, into matters relating to business affairs or conditions (either financial or otherwise) of the Issuer in connection with the issuance of the not to exceed \$41,000,000 City of Palm Coast, Florida, Utility System Refunding Revenue Note, Series 2016 dated _____, 2016 (the "Note"), and no inference should be drawn that the Purchaser, in the acceptance of the Note, is relying on Note Counsel or Issuer's Counsel as to any such matters other than the legal opinions rendered by Note Counsel, Bryant Miller Olive P.A. and by Garganese, Weiss, D'Agresta, P.A., the City Attorney (the "Issuer's Counsel"). Any capitalized undefined terms used herein not otherwise defined shall have the meaning set forth in Resolution No. 2003-22 duly adopted by the City Council of the Issuer on September 30, 2003, as amended (the "Master Resolution," or Resolution No. -2016-23 duly adopted by the City Council of the Issuer on March 29, 2016 (the "Authorizing Resolution," and together with the Master Resolution, the "Resolution").

We acknowledge and understand that the Resolution is not being qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"), and is not being registered in reliance upon the exemption from registration under Section 3(a)(2) of the Securities Act of 1933, Section 517.051(1), Florida Statutes, and/or Section 517.061(7), Florida Statutes, and that neither the Issuer, Note Counsel nor Issuer's Counsel shall have any obligation to effect any such registration or qualification.

We are not acting as a broker or other intermediary, and are purchasing the Note as an investment for our own account and not with a present view to a resale or other distribution to the public. We understand that the Note may only be transferred in whole and not in part and denominations not less than \$100,000 even in whole, and will not be transferred to any kind of trust under any circumstances. The Note will not be used in the future on a securitized transaction and is not a municipal security.

The Note will only be sold to a Permitted Lender in whole, in a denomination of not less than \$100,000, with the City's consent. The "Permitted Lender" means any bank, trust company, savings institution or insurance company that is engaged as a regular part of its business in making loans authorized to do business in the State of Florida.

We are a bank as contemplated by Section 517.061(7), Florida Statutes. We are not purchasing the Note for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of Chapter 517, Florida Statutes.

We understand that the Note is not a municipal security and that no filing will be made with respect to the Loan with EMMA, the Municipal Securities Rulemaking Boards continuing disclosure site.

We understand that there will be no CUSIP Numbers obtained on the Loan and that there will be no credit rating obtained on the Loan.

We are an accredited investor within the meaning of Rule 501(a) promulgated under the Securities Act of 1933, as amended.

The representations in this Certificate shall not relieve the Issuer from any obligation to disclose any information required by the Resolution, the documents in connection with the issuance of the Note or as required by applicable law.

This Certificate is expressly for the benefit of the Issuer and may not be relied upon by any other party.

DATED this ____ day of _____, 2016.

AMERIS BANK

By: _____

Name:

Title:

EXHIBIT C

FORM OF DISCLOSURE LETTER

The undersigned, as purchaser, proposes to negotiate with the City of Palm Coast, Florida (the "Issuer") for the private purchase of its not to exceed \$41,000,000 Utility System Refunding Revenue Note, Series 2016 (the "Note"). Prior to the award of the Note, the following information is hereby furnished to the Issuer:

1. Set forth is an itemized list of the nature and estimated amounts of expenses to be incurred for services rendered to us (the "Bank") in connection with the issuance of the Note (such fees and expenses to be paid by the Issuer):

Bank Origination Fee - \$17,000

Bank Counsel Fees - \$8,000

2. (a) No other fee, bonus or other compensation is estimated to be paid by the Bank in connection with the issuance of the Note to any person not regularly employed or retained by the Bank (including any "finder" as defined in Section 218.386(1)(a), Florida Statutes), except as specifically enumerated as expenses to be incurred by the Bank, as set forth in paragraph (1) above.

(b) No person has entered into an understanding with the Bank, or to the knowledge of the Bank, with the Issuer, for any paid or promised compensation or valuable consideration, directly or indirectly, expressly or implied, to act solely as an intermediary between the Issuer and the Bank or to exercise or attempt to exercise any influence to effect any transaction in the purchase of the Note.

3. The amount of the underwriting spread expected to be realized by the Bank is \$0.

4. The management fee to be charged by the Bank is \$0.

5. Truth-in-Bonding Statement:

The Note is being issued primarily to advance refund the City's Utility System Revenue Bonds, Series 2007.

Unless earlier redeemed, the Note is expected to be repaid on October 1, 2036. At an interest rate of 2.48%, total interest paid over the life of the Note is estimated to be \$_____.

The principal of and interest on the Note will be payable solely from the Pledged Revenues as described in Resolution No. 2003-22 of the Issuer duly adopted on September 30, 2003, as amended, and Resolution No. 2016-23 of the Issuer duly adopted on [____], 2016 (collectively, the "Resolution"). See the Resolution for a definition of Pledged Revenues. Based on the above assumptions, issuance of the Note is estimated to result in approximately \$_____ of Pledged Revenues of the Issuer not being available to finance the services of the Issuer during the life of the Note.

6. The name and address of the Bank is as follows:

Ameris Bank
181 Cypress Point Parkway
Palm Coast, Florida 32164

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Statement on behalf of the Bank this ____ day of _____, 2016.

AMERIS BANK

By: _____

Name:

Title:

EXHIBIT D

FORM OF ESCROW DEPOSIT AGREEMENT

ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT, dated _____, 2016, by and between the CITY OF PALM COAST, FLORIDA (the "Issuer"), and WELLS FARGO BANK, N.A., a national banking association, as Escrow Agent and its successors and assigns (the "Escrow Agent");

WITNESSETH:

WHEREAS, pursuant to Resolution No. 2003-22 adopted by the City Council of the Issuer on September 30, 2003, as amended and supplemented and as particularly supplemented by Resolution No. 2006-24 adopted by Issuer on December 19, 2006 (collectively, the "Refunded Bonds Resolution"), the Issuer has previously authorized and issued obligations, hereinafter defined as "Refunded Bonds," as to which the Total Debt Service (as hereinafter defined) is set forth on Schedule A; and

WHEREAS, the Issuer has determined to provide for payment of the Total Debt Service of the Refunded Bonds by depositing with the Escrow Agent an amount which together with investment earnings thereon is at least equal to the Total Debt Service of the Refunded Bonds as set forth in Schedule A hereto; and

WHEREAS, in order to obtain the funds needed for such purpose, the Issuer has authorized and is, concurrently with the delivery of this Agreement, issuing its Utility System Refunding Revenue Note, Series 2016; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Issuer and the Escrow Agent agree as follows:

SECTION 1. Definitions. As used herein, the following terms mean:

(a) "Acquired Obligations" shall have the meaning given to it in Resolution No. 2006-24 of the Issuer.

(b) "Agreement" means this Escrow Deposit Agreement.

(c) "Authorized Officer" shall mean the City Manager or the Finance Director of the Issuer, or their designees, or with respect to the Escrow Agent, shall mean any officer authorized by the bylaws or other official action of the Escrow Agent to perform the applicable function or services.

(d) "Bond Resolution" means the Refunding Bonds Resolution, and Resolution No. [____]-16 adopted by the City on [____], 2016 authorizing the issuance of the Note and the refunding of the Refunded Bonds.

(e) "Call Date" means [_____].

(f) "EMMA" means the Electronic Municipal Marketplace Access system of the Municipal Securities Rulemaking Board.

(g) "Escrow Agent" means Wells Fargo Bank, N.A. having a designated corporate trust office in _____, Florida, and its successors and assigns.

(h) "Escrow Fund" means the account hereby created and entitled Escrow Fund established and held by the Escrow Agent pursuant to this Agreement, in which cash and investments will be held for payment of the principal of and accrued interest on the Refunded Bonds as they become due and payable.

(i) "Escrow Requirement" means, as of any date of calculation, the sum of an amount in cash and principal amount of Acquired Obligations in the Escrow Fund which together with the interest to become due on the Acquired Obligations will be sufficient to pay the Total Debt Service on the Refunded Bonds in accordance with Schedule A.

(j) "Issuer" means the City of Palm Coast, Florida.

(k) "Note" mean the City of Palm Coast, Florida Refunding Revenue Note, Series 2016, issued under the Bond Resolution.

(l) "Paying Agent" means Wells Fargo Bank, N.A., having a designated corporate trust office in _____, Florida, and its successors and assigns.

(m) "Refunded Bonds" means the Issuer's outstanding Utility System Revenue Bonds, Series 2007 maturing _____ and thereafter.

(n) "Total Debt Service" means the sum of the principal and interest remaining unpaid with respect to the Refunded Bonds and redemption premium, if any, in accordance with Schedule A attached hereto.

SECTION 2. Discharge of Lien of Holders of Refunded Bonds. The Issuer by this writing exercises its option to have the pledges, liens and obligations to the holders of the Refunded Bonds under the Refunded Bonds Resolution no longer be in effect in accordance with the terms of the Refunded Bonds Resolution.

SECTION 3. Establishment of Escrow Fund. There is hereby created and established with the Escrow Agent a special, segregated and irrevocable escrow fund designated the "City of Palm Coast, Florida Utility System Revenue Bonds, Series 2007 Escrow Deposit Trust Fund" (the "Escrow Fund"). The Escrow Fund shall be held in the custody of the Escrow Agent for the benefit of the holders of the Refunded Bonds, separate and apart from other funds and accounts of the Issuer and the Escrow Agent. The Escrow Agent hereby accepts the Escrow Fund and acknowledges the receipt of and deposit to the credit of the Escrow Fund the sum of \$_____ comprised of \$_____ received from the Issuer from proceeds of the Note and \$_____ received from the Issuer from funds transferred from funds and accounts

related to the Refunded Bonds ("Escrow Proceeds"). The Escrow Proceeds shall be invested as provided in Section 4 below.

SECTION 4. Use and Investment of Funds. The Escrow Agent agrees:

(a) to hold the funds and investments purchased pursuant to this Agreement in irrevocable escrow during the term of this Agreement for the sole benefit of the holders of the Refunded Bonds;

(b) to immediately invest \$_____ in the Acquired Obligations set forth on Schedule B attached hereto and to hold such securities and cash proceeds therefrom in accordance with the terms of this Agreement. The remaining cash balance equal to \$___ shall be held uninvested by the Escrow Agent.

(c) in the event the securities described on Schedule B cannot be purchased, substitute securities may be purchased with the consent of the Issuer but only upon receipt of verification from an independent certified public accountant that the cash and securities deposited will not be less than the Escrow Requirement and only upon receipt of an opinion of nationally recognized bond counsel that such securities constitute Acquired Obligations for purposes of this Agreement;

(d) there will be no investment of funds except as set forth in this Section 4 or in Section 6 hereof; and

(e) in reliance upon the Verification Report dated _____, 2016 prepared by Grant Thornton, LLP, the Issuer represents and warrants that the interest on and the principal amounts successively maturing on the Escrow Securities in accordance with their terms (without consideration of any reinvestment of such maturing principal and interest), are sufficient such that moneys will be available to the Escrow Agent in amounts sufficient and at the times required to pay the amounts of principal of and interest due and to become due on the Refunded Bonds as described in Schedule A attached hereto. If the Acquired Obligations shall be insufficient to make such payments, the Issuer shall timely deposit to the Escrow Fund, solely from legally available funds of the Issuer, such additional amounts as may be required to pay the Refunded Bonds as described in Schedule A hereto. Notice of any insufficiency shall be given by the Escrow Agent to the Issuer as promptly as possible, but the Escrow Agent shall in no manner be responsible for the failure to make such deposits.

SECTION 5. Payment of Refunded Bonds and Expenses.

(a) Refunded Bonds. On the dates and in the amounts set forth on Schedule A, the Escrow Agent shall transfer to the Paying Agent for the Refunded Bonds, in immediately available funds, solely from amounts available in the Escrow Fund, a sum sufficient to pay that portion of the Total Debt Service for the Refunded Bonds coming due on such dates, as shown on Schedule A.

(b) Surplus. After making the payments from the Escrow Fund described in Subsection 5(a) above, the Escrow Agent shall retain in the Escrow Fund any remaining cash in the Escrow Fund in excess of the Escrow Requirement until the termination of this Agreement, and shall then pay any remaining funds to the Issuer for deposit to the Interest Account for the Note created in the Bond Resolution.

(c) Priority of Payments. The holders of the Refunded Bonds shall have an express first lien on the funds and Acquired Obligations in the Escrow Fund until such funds and Acquired Obligations are used and applied as provided in this Agreement.

SECTION 6. Reinvestment.

(a) Except as provided in Section 4 and in this Section, the Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of or make substitutions of the Acquired Obligations held hereunder.

(b) At the written request of the Issuer and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer or otherwise dispose of any of the Acquired Obligations acquired hereunder and shall substitute other Acquired Obligations. The Issuer will not request the Escrow Agent to exercise any of the powers described in the preceding sentence in any manner which will cause interest on the Refunded Bonds to be included in the gross income of the holders thereof for purposes of Federal income taxation. The transactions may be effected only if (i) an independent certified public accountant selected by the Issuer shall certify or opine in writing to the Issuer and the Escrow Agent that the cash and principal amount of Acquired Obligations remaining on hand after the transactions are completed will be not less than the Escrow Requirement, and (ii) the Escrow Agent shall receive an opinion from a nationally recognized bond counsel acceptable to the Issuer to the effect that the transactions, in and by themselves will not cause interest on such Refunded Bonds to be included in the gross income of the holders thereof for purposes of Federal income taxation and such substitution is in compliance with this Agreement.

SECTION 7. Redemption of Refunded Bonds. The Issuer hereby irrevocably instructs the Escrow Agent to request, on behalf of the Issuer, that the Paying Agent for the Refunded Bonds call the Refunded Bonds for redemption in accordance with the terms of this Agreement and the Refunded Bonds Resolution and to give, at the appropriate times, the notice or notices required by the Refunded Bonds Resolution in connection with the redemption of the Refunded Bonds. Such notice of redemption shall be given by the Paying Agent in accordance with the Refunded Bonds Resolution. All of the Refunded Bonds are hereby called and shall be redeemed on [_____] at a redemption price equal to the par amount of the Refunded Bonds plus accrued interest to the date of redemption.

Such notice shall be substantially in the form of Schedule C attached hereto.

The Escrow Agent shall also cause a notice of defeasance to be posted on EMMA and sent to the holders of the Refunded Bonds within five (5) days of the date hereof; provided

however, that the Escrow Agent shall not have any liability to any party in connection with any failure to timely post any such notice on EMMA and the sole remedy available for such failure shall be an action by the holders of the Refunded Bonds in mandamus for specific performance or similar remedy to compel performance. Such notice shall be in substantially the form of Schedule D attached hereto.

SECTION 8. Indemnification. To the extent that it may legally do so, without waiving its sovereign immunity nor the limits of its liability beyond the amount set forth in Section 768.28, Florida Statutes, and without consenting to be sued by third parties, the Issuer hereby agrees to indemnify the Escrow Agent and hold it harmless from any and all claims, liabilities, losses, action, suits, or proceedings at law or in equity, or any other expenses, fees or charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as Escrow Agent under this Agreement, unless caused by its negligence or willful misconduct; and in connection therewith to indemnify the Escrow Agent against any and all expenses, including attorneys' fees, costs and expenses and the costs of defending an action, suit, or proceeding, or resisting any claim. The Issuer's obligations hereunder shall survive any termination of this Agreement or the sooner resignation or removal of the Escrow Agent and shall inure to the benefit of the Escrow Agent's successors and assigns.

SECTION 9. Escrow Fund Irrevocable. The Escrow Fund hereby created shall be irrevocable and the holders of the Refunded Bonds shall have an express lien on all Acquired Obligations deposited in the Escrow Fund pursuant to the terms hereof and the interest earnings thereon until paid out, used and applied in accordance with this Agreement or the Refunded Bonds Resolution. Neither the Issuer nor the Escrow Agent shall cause nor permit any other lien or interest whatsoever to be imposed upon the Escrow Fund.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the funds deposited therein, the purchase of the Acquired Obligations, the retention of the Acquired Obligations or the proceeds thereof or for any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent or non-willful act, omission or error of the Escrow Agent made in good faith in the conduct of its duties. The Escrow Agent shall, however, be responsible for its negligent or willful failure to comply with its duties required hereunder, and its negligent or willful acts, omissions or errors hereunder. Notwithstanding any provision herein to the contrary, in no event shall the Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits). The duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement and no implied covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent may consult with counsel, at the Issuer's expense, who may or may not be counsel to the Issuer, and in conclusive reliance upon the opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good

faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer. Any payment obligation of the Escrow Agent hereunder shall be paid from and is limited to funds available, established and maintained hereunder and the Escrow Agent shall not be required to expend its own funds for the performance of its duties under this Agreement. The Escrow Agent may act through its agents and attorneys and shall not be responsible for any misconduct or negligence on the part of any such person so appointed with due care. The Escrow Agent may conclusively rely upon and shall be fully protected in acting and relying upon any notice, order, requisition, request, consent, certificate, order, opinion (including an opinion of counsel), affidavit, letter, telegram or other paper or document in good faith deemed by it to be genuine and correct and to have been signed or sent by the proper person or persons. The Escrow Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Escrow Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

SECTION 11. Resignation of Escrow Agent. The Escrow Agent may resign and thereby become discharged from the duties and obligations hereby created, by notice in writing given to the Issuer not less than sixty (60) days before such resignation shall take effect. Such resignation shall not take effect until the appointment of a new Escrow Agent hereunder.

SECTION 12. Removal of Escrow Agent.

(a) The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, executed by the holders of not less than fifty-one percent (51%) in aggregate principal amount of the Refunded Bonds then outstanding, such instruments to be filed with the Issuer, and notice in writing given by such holders to the original purchaser or purchasers of the Note. A photographic copy of any instrument filed with the Issuer under the provisions of this paragraph shall be delivered by the Issuer to the Escrow Agent.

(b) The Escrow Agent may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Agreement with respect to the duties and obligations of the Escrow Agent by any court of competent jurisdiction upon the application of the Issuer or the holders of not less than five percent (5%) in aggregate principal amount of the Note then outstanding, or the holders of not less than five percent (5%) in aggregate principal amount of the Refunded Bonds then outstanding.

(c) The Escrow Agent may not be removed until a successor Escrow Agent has been appointed in the manner set forth herein.

SECTION 13. Successor Escrow Agent.

(a) If at any time hereafter the Escrow Agent shall resign, be removed, be dissolved or otherwise become incapable of acting, or shall be taken over by any governmental official, agency, department or board, the position of Escrow Agent shall thereupon become vacant. If the position of Escrow Agent shall become vacant for any of the foregoing reasons or for any other reason, the Issuer shall appoint an Escrow Agent to fill such vacancy. The Issuer shall mail a notice of any such appointment made by it to the holders of the Refunded Bonds within thirty (30) days after such appointment.

(b) At any time within one year after such vacancy shall have occurred, the holders of a majority in principal amount of the Note then outstanding or a majority in principal amount of the Refunded Bonds then outstanding, by an instrument or concurrent instruments in writing, executed by either group of such bondholders and filed with the governing body of the Issuer, may appoint a successor Escrow Agent, which shall supersede any Escrow Agent theretofore appointed by the Issuer. Photographic copies of each such instrument shall be delivered promptly by the Issuer, to the predecessor Escrow Agent and to the Escrow Agent so appointed by the bondholders. In the case of conflicting appointments made by the bondholders under this paragraph, the first effective appointment made during the one year period shall govern.

(c) If no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this Section within sixty (60) days of the delivery of a notice of resignation or removal, the holder of any Refunded Bonds then outstanding, or any retiring Escrow Agent may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Escrow Agent.

SECTION 14. Payment to Escrow Agent. The Escrow Agent hereby acknowledges that it has agreed to accept compensation under the Agreement in the sum of \$2,500, payable at delivery, for services to be performed by the Escrow Agent pursuant to this Agreement, plus out-of-pocket expenses (including attorneys' fees, costs and expenses) to be reimbursed at cost from legally available funds of the Issuer. The Escrow Agent agrees that it shall have no interest in or right to payment of such compensation or out of pocket expenses from the Escrow Fund.

SECTION 15. Term. This Agreement shall commence upon its execution and delivery and shall terminate when the Refunded Bonds have been paid and discharged in accordance with the proceedings authorizing the Refunded Bonds, except as provided in Section 8 hereof.

SECTION 16. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Issuer or the Escrow Agent to be performed

should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreements herein contained shall be null and void and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 17. Amendments to this Agreement. This Agreement is made for the benefit of the Issuer and the holders from time to time of the Refunded Bonds and the Note and it shall not be repealed, revoked, altered or amended in whole or in part without the written consent of all affected holders, the Insurer of the Refunded Bonds, the Escrow Agent, the holder of the Note and the Issuer; provided, however, that the Issuer, the Insurer of the Refunded Bonds and the Escrow Agent may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Escrow Agent, for the benefit of the holders of the Note and the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and
- (c) to subject to this Agreement to additional funds, securities or properties.

The Escrow Agent shall, at its option, be entitled to request at the Issuer's expense and rely exclusively upon an opinion of nationally recognized attorneys on the subject of municipal bonds acceptable to the Issuer with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 18. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 19. Governing Law. This Agreement shall be construed under the laws of the State of Florida without regard to conflict of law principles.

[Reminder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Deposit Agreement to be executed by their duly authorized officers and appointed officials and their seals to be hereunder affixed and attested as of the date first above written.

[SEAL]

CITY OF PALM COAST, FLORIDA

By: _____
Jon Netts, Mayor

ATTEST:

By: _____
Virginia Smith, City Clerk

WELLS FARGO BANK, N.A. as Escrow
Agent

By: _____
Name: _____
Title: _____

[Signature page to Escrow Deposit Agreement]

SCHEDULE A
SCHEDULE OF DEBT SERVICE FOR
CITY OF PALM COAST, FLORIDA
UTILITY SYSTEM REVENUE BONDS, SERIES 2007

PAYMENT DATE	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL REDEEMED</u>	<u>TOTAL DEBT SERVICE</u>
	\$	\$	\$	\$

SCHEDULE B

ESCROW SECURITIES

United States Treasury Securities

<u>Type</u>	<u>Maturity</u> <u>Date</u>	<u>Par Amount</u>	<u>Coupon</u> <u>Rate</u>	<u>Total</u> <u>Cost</u>
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SCHEDULE C

NOTICE OF REDEMPTION

SCHEDULE D
NOTICE OF DEFEASANCE

LOAN AGREEMENT

by and between

CITY OF PALM COAST, FLORIDA

and

AMERIS BANK

Dated as of April 20, 2016

relating to

\$40,193,000

CITY OF PALM COAST, FLORIDA

UTILITY SYSTEM REFUNDING REVENUE NOTE, SERIES 2016

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This **LOAN AGREEMENT** is made and entered into as of April 20, 2016 by and between **CITY OF PALM COAST, FLORIDA** (the "City"), and **AMERIS BANK**, and its successors and assigns (the "Bank").

WITNESSETH:

WHEREAS, the City Council (the "City Council") of the City of Palm Coast, Florida (the "City") previously adopted Resolution No. 2003-22 on September 30, 2016, as amended and supplemented (the "Master Resolution"); and

WHEREAS, pursuant to the Master Resolution and Resolution No. 2006-24 adopted by the City Council on December 19, 2006, the City previously issued its Utility System Revenue Bonds, Series 2007 (the "Refunded Bonds"); and

WHEREAS, On March 29, 2016, the City adopted Resolution No. 2016-23 (the "Authorizing Resolution") authorizing the issuance of its Utility System Refunding Revenue Note, Series 2016 (the "Series 2016 Note") to (i) advance refund the Refunded Bonds (ii) pay the costs of issuance of the Series 2016 Note; and

WHEREAS, the City Council has determined that it is necessary and desirable and in the best interest of the inhabitants of the City to borrow funds to refund the Refunded Bonds and to pay the costs of issuance related thereto; and

WHEREAS, the City received and accepted the commitment of Ameris Bank (the "Bank") to provide a loan to the City in an aggregate principal amount of \$40,193,000 for the purpose of advance refunding the Refunded Bonds and paying the costs of issuance of the Series 2016 Note (the "Loan"); and

WHEREAS, the Series 2016 Note will be secured by a lien on the Pledged Revenues (as defined in the Master Resolution) on parity and equal status with the City's outstanding Utility System Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds"); and

WHEREAS the debt service on the Series 2016 Note shall be payable solely from and secured by the Pledged Revenues in accordance with the Master Resolution; and

WHEREAS, all or a portion of the proceeds from the sale of Series 2016 Note will be deposited in an escrow fund pursuant to the terms of an Escrow Deposit Agreement between the City and the escrow agent named therein and used to the redeem the Refunded Bonds maturing on or after October 1, 2017 on the redemption date provided therein; and

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used in this Loan Agreement and not defined in this Section 1 shall have the meaning assigned in the Master Resolution. The following terms shall have the following meanings herein, unless the text otherwise expressly requires:

"Act" means Article VIII, Section 2, of the Constitution of the State of Florida, Chapters 159, Part I and 166, Part II, Florida Statutes, as amended, the Charter of the City, and other applicable provisions of law.

"Authorized City Representative" means the Mayor, the City Manager, the Financial Services Director, the Finance Director, the Clerk or their designees.

"Authorizing Resolution" means Resolution No. 2016-23 adopted by the City Council of the City on March 29, 2016.

"Bank" shall mean Ameris Bank and its successors and assigns, with offices located at 181 Cypress Point Parkway, Palm Coast, Florida 32164.

"Bank's Counsel" means Gray Pannell & Woodward LLP.

"Note Legislation" means collectively, the Master Resolution and the Authorizing Resolution.

"Business Day" means any day of the year other than a day on which the Bank or the City are lawfully closed for business.

"City" means the City of Palm Coast, Florida, a municipal corporation of the State of Florida.

"City Attorney" means Garganese, Weiss & D'Agresta, P.A.

"City Council" means the City Council of the City, as the governing body of the City.

"City Manager" means the City Manager of the City or his or her designee.

"Clerk" means the City Clerk of the City or his or her designee.

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

"Commitment" means the Commitment of the Bank, dated March 11, 2016.

"Date of Delivery" means April 20, 2016.

"Default" means an Event of Default as defined and described in Section 16 hereof.

"Finance Director" means the Finance Director of the City or his or her designee.

"Financial Advisor" means FirstSouthwest, a Division of Hilltop Securities Inc., Orlando, Florida.

"Financial Services Director" means the Financial Services Director of the City or his or her designee.

"Fiscal Year" means the period from each October 1 to the succeeding September 30.

"Interest Payment Date" means each April 1 and October 1, commencing October 1, 2016 through and including the Maturity Date.

"Interest Rate" means the rate of interest payable on the Series 2016 Note described in Section 4 hereof and in the Form of Series 2016 Note attached hereto as Exhibit A.

"Loan" shall collectively refer to an amount equal to the aggregate principal amount of \$40,193,000 loaned by the Bank to the City pursuant to and in accordance with this Loan Agreement.

"Loan Agreement" means this Loan Agreement between the Bank and the City setting forth the terms and details of the Loan.

"Master Resolution " means the Master Utility System Bond Resolution No. 2003-22 adopted by the City on September 30, 2003.

"Maturity Date" means October 1, 2036.

"Mayor" means the Mayor of the City.

"Note Counsel" means Bryant Miller Olive P.A.

"Pledged Revenues" means the (i) Net Revenues of the System, (ii) the Sewer System Capital Facilities Fees, (iii) the Water System Capital Facilities Fees and (iv) and until used in accordance with the Master Resolution amounts on deposit in certain funds and accounts, all as defined and as described in the Master Resolution.

"Paying Agent" means the City.

"Payment Date" means both the Interest Payment Dates and the Principal Payment Dates.

"Person" or words importing persons, means firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities, and natural persons.

"Principal Amount" means Forty Million One Hundred Ninety Three Thousand Dollars (\$40, 193,000).

"Principal Payment Date" means each October 1, commencing October 1, 2016 and continuing through the Maturity Date.

"Register" means the books maintained by the Registrar in which are recorded the name and address of the Registered Owner of the Series 2016 Note.

"Registered Owner" means the person in whose name the ownership of the Series 2016 Note is registered on the books maintained by the Registrar. The initial Registered Owner shall be the Bank.

"Registrar" means the Person maintaining the Register. The Registrar shall initially be the Clerk.

"Regulations" means the Income Tax Regulations promulgated by the Internal Revenue Service under Sections 103 and 141 through 150 of the Code.

"Series 2016 Note" means City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2016, substantially in the form attached hereto as Exhibit A, evidencing the Loan authorized herein.

"State" means the State of Florida.

SECTION 2. INTERPRETATION. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Loan Agreement and all the terms and provisions hereof (a) have been negotiated between the City and the Bank; (b) shall not be construed strictly in favor of or against either party hereto; and (c) shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

SECTION 3. THE LOAN.

A. Loan. The Bank hereby makes and the City hereby accepts the Loan, upon the terms and conditions set forth herein.

B. Disbursement of Proceeds. Proceeds of the Loan shall be made available by the Bank to the City by deposit of the amount thereof to or for the order of the City by 2:00 p.m. on the Date of Delivery.

SECTION 4. DESCRIPTION OF SERIES 2016 NOTE. The obligation of the City to repay the Loan shall be evidenced by the Series 2016 Note. The Series 2016 Note shall be dated as of the Date of Delivery; shall mature on the Maturity Date; and shall be issued in the name of the Registered Owner.

The Series 2016 Note shall bear interest from the Date of Delivery until payment of the

entire outstanding principal amount due thereon. The Interest Rate on the Series 2016 Note shall be a fixed rate of interest equal to 2.48% per annum. Interest on the Series 2016 Note shall be calculated using a 360-day year consisting of twelve 30-day months.

Interest on the Series 2016 Note shall be paid semiannually on each Interest Payment Date, commencing October 1, 2016. On each Principal Payment Date, the City shall pay an annual installment of the outstanding principal amount due on the Series 2016 Note in the amounts set forth on Schedule 1 of the Series 2016 Note.

The City may prepay the Series 2016 Note in whole or in part, at anytime, without a prepayment premium or penalty.

SECTION 5. EXECUTION OF SERIES 2016 NOTE. The Series 2016 Note shall be executed in the name of the City by the Mayor and attested by the Clerk, and its corporate seal or a facsimile thereof shall be affixed thereto or reproduced thereon. The Series 2016 Note may be signed and sealed on behalf of the City by any person who at the actual time of the execution of the Series 2016 Note shall hold the appropriate office in the City, although at the date thereof the person may not have been so authorized. The Series 2016 Note may be executed by the facsimile signatures of the Mayor and/or Clerk, provided that at least one of the foregoing signatures must be a manual signature.

SECTION 6. REGISTRATION AND TRANSFER OF SERIES 2016 NOTE. The Series 2016 Note shall be and shall have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code-Investment Securities Laws of the State of Florida, and each Registered Owner, in accepting the Series 2016 Note, shall be conclusively deemed to have agreed that such Series 2016 Note shall be and have all of the qualities and incidents of negotiable instruments thereunder.

There shall be a Registrar who shall be responsible for maintaining the Register. The person in whose name ownership of a Series 2016 Note is shown on the Register shall be deemed the Registered Owner thereof by the City and the Registrar, who may treat the Registered Owner as the absolute owner of the Series 2016 Note for all purposes, whether or not the Series 2016 Note shall be overdue, and any notice to the contrary shall not be binding upon the City or the Registrar.

Ownership of the Series 2016 Note may be transferred only in whole and in denominations of not less than \$100,000 even in whole, and only upon the Register. Upon surrender to the Registrar for transfer or exchange of the Series 2016 Note accompanied by an assignment or written authorization for exchange, whichever is applicable, duly executed by the Registered Owner or its attorney duly authorized in writing, the Registrar shall deliver in the name of the Registered Owner or the transferee or transferees, as the case may be, a new fully registered Series 2016 Note of the same amount, maturity and interest rate as the Series 2016 Note surrendered.

The Series 2016 Note presented for transfer, exchange, redemption or payment (if so required by the City or the Registrar) shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the City or the Registrar, duly executed by the Registered Owner or by his duly authorized attorney.

The City and the Registrar may charge the Registered Owner a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first such exchange or transfer following the delivery of such Series 2016 Note. The Registrar or the City may also require payment from the Registered Owner or his transferee, as the case may be, of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Series 2016 Note shall be delivered.

The new Series 2016 Note delivered upon any transfer or exchange shall be a valid obligation of the City, evidencing the same debt as the Series 2016 Note surrendered, shall be secured under this Loan Agreement, and shall be entitled to all of the security and benefits hereof to the same extent as the Series 2016 Note surrendered.

Whenever a Series 2016 Note shall be delivered to the Registrar for cancellation, upon payment of the principal amount thereof, or for replacement, transfer or exchange, such Series 2016 Note shall be cancelled and destroyed by the Registrar, and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the City.

SECTION 7. SERIES 2016 NOTE MUTILATED, DESTROYED, STOLEN OR LOST. In case the Series 2016 Note shall be mutilated, or be destroyed, stolen or lost, upon the Registered Owner furnishing the Registrar satisfactory indemnity and complying with such other reasonable regulations and conditions as the City may prescribe and paying such expenses as the City may incur, the Registrar shall issue and deliver a new Series 2016 Note of like tenor as the Series 2016 Note so mutilated, destroyed, stolen or lost, in lieu of or substitution for the Series 2016 Note, if any, destroyed, stolen or lost, or in exchange and substitution for such mutilated Series 2016 Note, upon surrender of such mutilated Series 2016 Note, if any, to the Registrar and the cancellation thereof; provided however, if the Series 2016 Note shall have matured or be about to mature, instead of issuing a substitute Series 2016 Note, the City may pay the same, upon being indemnified as aforesaid, and if such Series 2016 Note be lost, stolen or destroyed, without surrender thereof. Any Series 2016 Note surrendered under the terms of this Section 7 shall be cancelled by the Registrar.

Any such new Series 2016 Note issued pursuant to this section shall constitute an original, additional contractual obligation on the part of the City whether or not, as to the new Series 2016 Note, the lost, stolen or destroyed Series 2016 Note be at any time found by anyone, and such new Series 2016 Note shall be entitled to equal and proportionate benefits and rights as to security for payment to the same extent as the Series 2016 Note originally issued hereunder.

SECTION 8. FORM OF SERIES 2016 NOTE. The Series 2016 Note shall be in substantially the form attached hereto as Exhibit A, with such variations, omissions and insertions as may be necessary, desirable and authorized or permitted by this Loan Agreement or the Authorizing Resolution.

SECTION 9. SECURITY FOR SERIES 2016 NOTE; SERIES 2016 NOTE NOT DEBT OF THE CITY. The City promises that it will promptly pay the principal of and interest on the Series 2016 Note and all other amounts due hereunder at the place, on the dates and in the manner provided herein according to the true intent and meaning hereof. Amounts due hereunder shall not be or constitute a general obligation or indebtedness of the City as a "bond" within the meaning of Article VII, Section 12 of the Constitution of Florida, but shall be payable solely from the Pledged Revenues in accordance with the terms of the Note Legislation and this Agreement. The holder of the Series 2016 Note shall never have the right to compel the exercise of any ad valorem taxing power to pay the Series 2016 Note, or be entitled to payment of such Series 2016 Note from any funds of the City except from the Pledged Revenues as described herein and in the Note Legislation.

SECTION 10. COVENANTS OF THE CITY. The City covenants with the Registered Owner of the Series 2016 Note as follows:

A. Payments. The City will punctually pay all principal of and interest on the Series 2016 Note when due by wire transfer or other medium acceptable to the City and the Bank.

B. Financial Statements. Beginning with the fiscal year ended September 30, 2015, the City will provide the Bank a copy of the audited financial statements of the City annually.

C. Annual Budget and Other Information. The City will prepare its annual budget in accordance with the Act, and will provide to the Bank a copy of its final annual budget for each Fiscal Year within 30 days of adoption thereof by the City Council and such other financial or public information as the Bank may reasonably request.

D. Tax Compliance. Neither the City, nor any third party over whom the City has control, will make any use of the proceeds of the Series 2016 Note at any time during the term of the Series 2016 Note which would cause the Series 2016 Note to be (a) a "private activity bond" within the meaning of Section 103(b)(1) of the Code or (b) an "arbitrage bond" within the meaning of Section 103(b)(2) of the Code. The City covenants throughout the term of the Series 2016 Note to comply with the requirements of the Code and the Regulations, as amended from time to time, and to take all actions necessary to maintain the exclusion from gross income for purposes of the Code of interest on the Series 2016 Note.

SECTION 11. REPRESENTATIONS AND WARRANTIES. The City represents and warrants to the Bank that:

A. Organization. The City is a municipal corporation, duly organized and existing under the laws of the State of Florida.

B. Authorization of Loan Agreement and Related Documents. The City has the power and has taken all necessary action to authorize the execution and delivery of and the performance by the City of its obligations under this Loan Agreement and the Series 2016 Note in accordance with their respective terms. This Loan Agreement and the Series 2016 Note have been duly executed and delivered by the City and are valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, except to the extent that such enforcement may be limited by laws regarding bankruptcy, insolvency, reorganization or moratorium applicable to the City or by general principles of equity regarding the availability of specific performance.

C. Pledged Revenues. The City currently receives the Pledged Revenues and is legally entitled to pledge such Pledged Revenues to pay the principal of and interest on the Series 2016 Note when due as provided herein. The City estimates that the Pledged Revenues will be available in amounts sufficient to pay the principal of and interest on the Series 2016 Note as the same becomes due prior to the Maturity Date and, to pay all principal of and interest on the Series 2016 Note on the Maturity Date. The City shall take all lawful action necessary to enable the City to continue to receive the Pledged Revenues in at least the amounts necessary to pay principal and interest on the Series 2016 Note to the extent not paid from some other source.

D. Financial Statements. The financial statements of the City for the Fiscal Year ended September 30, 2014, previously provided to the Bank were prepared in accordance with generally accepted accounting principles and present fairly the financial condition of the City as of such date and the results of its operations for the period then ended. Since such date, there has been no material adverse change in the financial condition, revenues, properties or operations of the City.

SECTION 12. CONDITIONS PRECEDENT. The obligation of the Bank to make the Loan is subject to the satisfaction of each of the following conditions precedent on or before the Date of Delivery:

A. Action. The Bank shall have received copies of the Note Legislation, each certified as complete, true and correct as of the Date of Delivery, together with an executed Loan Agreement, the executed Series 2016 Note, and the customary closing certificates.

B. Incumbency of Officers. The Bank shall have received an incumbency certificate of the City in respect of each of the officers who is authorized to sign this Loan Agreement, the Series 2016 Note, and the related financing documents on behalf of the City.

C. Opinion of City Attorney. The Bank shall have received a written opinion of the City Attorney as to (1) the valid existence of the City as a municipal corporation of the State; (2) the due adoption of the Authorizing Resolution; (3) the due authorization, execution, validity and enforceability of this Loan Agreement and the Series 2016 Note and the related financing documents; and (4) the absence of litigation against the City relating to (a) its existence or

powers, and (b) the proceedings for the authorization of the Loan Agreement and issuance of the Series 2016 Note, in a form and substance satisfactory to the Bank.

D. Opinion of Note Counsel. The Bank shall have received a letter from Note Counsel authorizing the Bank to rely on the approving opinion of Note Counsel delivered to the City with respect to the Series 2016 Note to the same extent as if such opinion were addressed to the Bank. The opinion, in form and substance satisfactory to the Bank, shall, at a minimum, address the status of interest on the Series 2016 Note under the provisions of Section 103 of the Code

E. Representations and Warranties; No Default. The representations and warranties made by the City herein shall be true and correct in all material respects on and as of the Date of Delivery, as if made on and as of such date; no Default shall have occurred and be continuing as of the Date of Delivery or will result from the consummation of the Loan; and the Bank shall have received a certificate from the City to the foregoing effect.

F. Other Documents. The Bank shall have received such other documents, certificates and opinions as the Bank or its counsel shall have reasonably requested.

SECTION 13. NOTICES. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered, delivered by telecopier, electronic mail, mailed by registered or certified mail, postage prepaid, or delivered by courier service to the parties at the following addresses:

City: City of Palm Coast, Florida
160 Lake Avenue
Palm Coast, Florida 32115
Attention: Finance Director.

Bank: Ameris Bank
181 Cypress Point Parkway
Palm Coast, Florida 32164
Attention: Garry R. Lubi, Senior Vice President.

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Communication via telecopier shall be confirmed by delivery by hand, mail, or courier, as specified above, of an original promptly after such communication by telecopier.

SECTION 14. EVENTS OF DEFAULT DEFINED; REMEDIES. "Events of Default" under this Loan Agreement, and the terms "Default" and "Events of Default" and "Remedies" shall be as provided in the Section 21 of the Master Resolution.

SECTION 15. NO PERSONAL LIABILITY. No recourse shall be had for the payment of the principal of and interest on the Series 2016 Note or for any claim based on the

Series 2016 Note or on this Loan Agreement, against any present or former member or officer of the City Council or any person executing the Series 2016 Note.

SECTION 16. PAYMENTS DUE ON SATURDAYS, SUNDAYS AND HOLIDAYS. In any case where the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be other than a Business Day, then such payment or performance shall be made on the succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement, provided that interest on any monetary obligation hereunder shall accrue at the applicable rate to and including the date of such payment.

SECTION 17. AMENDMENTS, CHANGES AND MODIFICATIONS. This Loan Agreement may be amended only by a writing signed by both parties hereto.

SECTION 18. BINDING EFFECT. To the extent provided herein, this Loan Agreement shall be binding upon the City and the Bank and shall inure to the benefit of the City and the Bank and their respective successors and assigns. This Loan Agreement shall be discharged and neither the City nor the Bank shall have any further obligations hereunder under the Series 2016 Note when the City shall have paid the principal of and interest on the Series 2016 Note in full and shall have paid in full all other amounts, if any, due under the Series 2016 Note or this Loan Agreement.

SECTION 19. SEVERABILITY. In the event any court of competent jurisdiction shall hold any provision of this Loan Agreement invalid or unenforceable such holding shall not invalidate or render unenforceable, any other provision hereof.

SECTION 20. EXECUTION IN COUNTERPARTS. This Loan Agreement may be simultaneously 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.]

SECTION 21. APPLICABLE LAW. This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties hereto have duly executed this Loan Agreement as of the date first above written.


CITY OF PALM COAST, FLORIDA


Jon Nettis, Mayor

ATTEST:


Virginia Smith, City Clerk

APPROVED AS TO FORM AND LEGALITY:


City Attorney

AMERIS BANK

By: 
Garry R. Lubi, Senior Vice President

ANY HOLDER OF THIS NOTE, PRIOR TO BECOMING A HOLDER, SHALL EXECUTE A PURCHASER'S CERTIFICATE IN THE FORM ATTACHED TO THE AUTHORIZING RESOLUTION (HEREINAFTER DEFINED)

EXHIBIT A

FORM OF SERIES 2016 NOTE

NO. R-1

\$40,193,000

CITY OF PALM COAST, FLORIDA
UTILITY SYSTEM REFUNDING REVENUE NOTE,
SERIES 2016

RATE OF INTEREST

2.48%

MATURITY DATE

October 1, 2036

DATE OF DELIVERY

April 20, 2016

REGISTERED OWNER: Ameris Bank

PRINCIPAL AMOUNT: Forty Million One Hundred Ninety Three Thousand Dollars

The City of Palm Coast, Florida (the "City"), for value received, hereby promises to pay to the Registered Owner on the Payment Dates and Maturity Date specified above, or sooner as provided herein, the Principal Amount hereof, plus interest accrued thereon from the Date of Delivery at the Rate of Interest described herein from the Pledged Revenues as described herein, until payment of the Principal Amount stated above.

This Series 2016 Note shall bear interest from the Date of Delivery until payment of the entire outstanding Principal Amount due thereon. The Rate of Interest on this Series 2016 Note shall be a fixed rate of interest equal to 2.48% per annum. Interest on this Series 2016 Note shall be calculated using a 360-day year consisting of twelve 30-day months.

Interest on this Series 2016 Note shall be paid semiannually on each Interest Payment Date, commencing October 1, 2016. On each Principal Payment Date, the City shall pay an annual installment of the outstanding Principal Amount due on this Series 2016 Note in the amounts set forth on Schedule I hereof.

The City may prepay this Series 2016 Note in whole or in part, at anytime, without premium or prepayment penalty.

This Series 2016 Note is being issued primarily to pay the costs of advance refunding the City's outstanding Utility System Revenue Bonds, Series 2007, and pursuant to the authority of Article VIII, Section 2, of the Constitution of the State of Florida, Chapters 159 Part I and 166, Part II, Florida Statutes, as amended, the Charter of the City, and other provisions of law, and pursuant and subject to the terms and conditions of Resolution No. 2003-22 adopted by the City on September 30, 2003 (the "Master Resolution"), and Resolution No. 2016-23 duly adopted by the City Council of the City on March 29, 2016 (the "Authorizing Resolution" and together with the Master Resolution "Note Legislation"), and the Loan Agreement dated as of April 20, 2016 between the City and Ameris Bank (the "Loan Agreement"). Capitalized terms used in this Series 2016 Note and not otherwise defined shall have the meaning ascribed to them in the Note Legislation.

This Series 2016 Note is payable from and secured by Pledged Revenues, as defined in, and in the manner provided in the Note Legislation and the Loan Agreement.

Amounts payable under this Series 2016 Note are secured by lien on the Pledged Revenues on a parity and equal status with the outstanding principal amount of the City's Utility System Refunding Revenue Bonds, Series 2013.

This Series 2016 Note shall not constitute a general obligation or indebtedness of the City, and the Registered Owner thereof shall never have the right to require or compel the levy of taxes on any property of or in the City for the payment of the principal of and interest on this Series 2016 Note. This Series 2016 Note shall not constitute a lien upon any property of or in the City, but shall be payable solely from the Pledged Revenues in the manner provided in the Note Legislation, and the Loan Agreement. Reference is made to the Loan Agreement for the provisions relating to the security for payment of this Series 2016 Note and the duties and obligations of the City thereunder.

The Series 2016 Note shall be and shall have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code-Investment Securities Laws of the State of Florida, and the registered owner, in accepting the Series 2016 Note, shall be conclusively deemed to have agreed that such Series 2016 Note shall be and have all of the qualities and incidents of negotiable instruments thereunder.

The Clerk shall be the Registrar who shall be responsible for maintaining the Register of the ownership of this Series 2016 Note. The person in whose name ownership hereof is shown on the Register shall be deemed the owner thereof by the City, and any notice to the contrary shall not be binding upon the City or the Registrar. The City and the Registrar may treat the registered owner as the absolute owner of the Series 2016 Note for all purposes, whether or not such Series 2016 Note shall be overdue, and shall not be bound by any notice to the contrary.

Ownership of Series 2016 Note may be transferred only upon the Register. Upon surrender to the Registrar for transfer or exchange of any Series 2016 Note accompanied by an assignment or written authorization for exchange, whichever is applicable, duly executed by the

registered owner or its attorney duly authorized in writing, the Registrar shall deliver in the name of the registered owner or the transferee or transferees, as the case may be, a new fully registered Series 2016 Note of authorized denominations and of the same maturity and interest rate and for the aggregate principal amount as the Series 2016 Note surrendered.

The new Series 2016 Note delivered upon any transfer or exchange shall be a valid obligation of the City, evidencing the same debt as the Series 2016 Note surrendered and shall be entitled to all of the security and benefits to the same extent as the Series 2016 Note surrendered.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of the State of Florida to happen, exist and be performed precedent to and in the issuance of this Series 2016 Note, have happened, exist and have been performed in regular and due form and time as so required.

IN WITNESS WHEREOF, the City of Palm Coast, Florida, has caused this Series 2016 Note to be executed by the Mayor, and attested by the City Clerk, either manually or with their facsimile signatures, and its seal or a facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon, and this Series 2016 Note to be dated as of April 20, 2016.

CITY OF PALM COAST, FLORIDA

By: _____
Mayor

(SEAL)

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM AND LEGALITY:

By: _____
City Attorney

SCHEDULE I

PRINCIPAL AMORTIZATION SCHEDULE

Principal Payment Date (October 1)	Principal Amount
2016	\$ 846,000
2017	1,544,000
2018	1,581,000
2019	1,620,000
2020	1,663,000
2021	1,705,000
2022	1,745,000
2023	1,787,000
2024	1,832,000
2025	1,878,000
2026	1,925,000
2027	1,970,000
2028	2,023,000
2029	2,073,000
2030	2,120,000
2031	2,174,000
2032	2,229,000
2033	2,286,000
2034	2,339,000
2035	2,397,000
2036	2,456,000

DISCLOSURE LETTER

The undersigned, as purchaser, proposes to negotiate with the City of Palm Coast, Florida (the "Issuer") for the private purchase of its \$40,193,000 Utility System Refunding Revenue Note, Series 2016 (the "Note"). Prior to the award of the Note, the following information is hereby furnished to the Issuer:

1. Set forth is an itemized list of the nature and estimated amounts of expenses to be incurred for services rendered to us (the "Bank") in connection with the issuance of the Note (such fees and expenses to be paid by the Issuer):

Bank Origination Fee - \$17,000

Bank Counsel Fees – \$8,000

2. (a) No other fee, bonus or other compensation is estimated to be paid by the Bank in connection with the issuance of the Note to any person not regularly employed or retained by the Bank (including any "finder" as defined in Section 218.386(1)(a), Florida Statutes), except as specifically enumerated as expenses to be incurred by the Bank, as set forth in paragraph (1) above.

(b) No person has entered into an understanding with the Bank, or to the knowledge of the Bank, with the Issuer, for any paid or promised compensation or valuable consideration, directly or indirectly, expressly or implied, to act solely as an intermediary between the Issuer and the Bank or to exercise or attempt to exercise any influence to effect any transaction in the purchase of the Note.

3. The amount of the underwriting spread expected to be realized by the Bank is \$0.

4. The management fee to be charged by the Bank is \$0.

5. Truth-in-Bonding Statement:

The Note is being issued primarily to advance refund the City's Utility System Revenue Bonds, Series 2007.

Unless earlier redeemed, the Note is expected to be repaid on October 1, 2036. At an interest rate of 2.48%, total interest paid over the life of the Note is estimated to be \$11,481,933.83.

The principal of and interest on the Note will be payable solely from the Pledged Revenues as described in Resolution No. 2003-22 of the Issuer duly adopted on September 30, 2003, as amended, and Resolution No. 2016-23 of the Issuer duly adopted on March 29, 2016 (collectively, the "Resolution"). See the Resolution for a definition of Pledged Revenues. Based on the above assumptions, issuance of the Note is estimated to result in a maximum of \$2,521,887.20 of Pledged Revenues of the Issuer not being available to finance the services of the Issuer in any one year during the life of the Note.

6. The name and address of the Bank is as follows:

Ameris Bank
181 Cypress Point Parkway
Palm Coast, Florida 32164

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Statement on behalf of the Bank this 20th day of April, 2016.

AMERIS BANK

By: 

Name: Gary R. Lubi

Title: Senior Vice President

PURCHASER'S CERTIFICATE

This is to certify that Ameris Bank (the "Purchaser") has not required the City of Palm Coast, Florida (the "Issuer") to deliver any offering document and has conducted its own investigation, to the extent it deems satisfactory or sufficient, into matters relating to business affairs or conditions (either financial or otherwise) of the Issuer in connection with the issuance of \$40,193,000 City of Palm Coast, Florida, Utility System Refunding Revenue Note, Series 2016 dated April 20, 2016 (the "Note"), and no inference should be drawn that the Purchaser, in the acceptance of the Note, is relying on Note Counsel or Issuer's Counsel as to any such matters other than the legal opinions rendered by Note Counsel, Bryant Miller Olive P.A. and by Garganese, Weiss, D'Agresta, P.A., the City Attorney (the "Issuer's Counsel"). Any capitalized undefined terms used herein not otherwise defined shall have the meaning set forth in Resolution No. 2003-22 duly adopted by the City Council of the Issuer on September 30, 2003, as amended (the "Master Resolution," or Resolution No. 2016-23 duly adopted by the City Council of the Issuer on March 29, 2016 (the "Authorizing Resolution," and together with the Master Resolution, the "Resolution").

We acknowledge and understand that the Resolution is not being qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"), and is not being registered in reliance upon the exemption from registration under Section 3(a)(2) of the Securities Act of 1933, Section 517.051(1), Florida Statutes, and/or Section 517.061(7), Florida Statutes, and that neither the Issuer, Note Counsel nor Issuer's Counsel shall have any obligation to effect any such registration or qualification.

We are not acting as a broker or other intermediary, and are purchasing the Note as an investment for our own account and not with a present view to a resale or other distribution to the public. We understand that the Note may only be transferred in whole and not in part and denominations not less than \$100,000 even in whole, and will not be transferred to any kind of trust under any circumstances. The Note will not be used in the future on a securitized transaction and is not a municipal security.

The Note will only be sold to a Permitted Lender in whole, in a denomination of not less than \$100,000, with the City's consent. The "Permitted Lender" means any bank, trust company, savings institution or insurance company that is engaged as a regular part of its business in making loans authorized to do business in the State of Florida.

We are a bank as contemplated by Section 517.061(7), Florida Statutes. We are not purchasing the Note for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of Chapter 517, Florida Statutes.

We understand that the Note is not a municipal security and that no filing will be made with respect to the Loan with EMMA, the Municipal Securities Rulemaking Boards continuing disclosure site.

We understand that there will be no CUSIP Numbers obtained on the Loan and that there will be no credit rating obtained on the Loan.

We are an accredited investor within the meaning of Rule 501(a) promulgated under the Securities Act of 1933, as amended.

The representations in this Certificate shall not relieve the Issuer from any obligation to disclose any information required by the Resolution, the documents in connection with the issuance of the Note or as required by applicable law.

This Certificate is expressly for the benefit of the Issuer and may not be relied upon by any other party.

DATED this 20th day of April, 2016.

AMERIS BANK

By: 

Name: Garry R. Lubi

Title: Senior Vice President

**CITY OF PALM COAST, FLORIDA
UTILITY SYSTEM REFUNDING REVENUE NOTE,
SERIES 2016**

<u>RATE OF INTEREST</u>	<u>MATURITY DATE</u>	<u>DATE OF DELIVERY</u>
2.48%	October 1, 2036	April 20, 2016
REGISTERED OWNER:	Ameris Bank	
PRINCIPAL AMOUNT:	FORTY MILLION ONE HUNDRED NINETY-THREE THOUSAND DOLLARS	

The City of Palm Coast, Florida (the "City"), for value received, hereby promises to pay to the Registered Owner on the Payment Dates and Maturity Date specified above, or sooner as provided herein, the Principal Amount hereof, plus interest accrued thereon from the Date of Delivery at the Rate of Interest described herein from the Pledged Revenues as described herein, until payment of the Principal Amount stated above.

This Series 2016 Note shall bear interest from the Date of Delivery until payment of the entire outstanding Principal Amount due thereon. The Rate of Interest on this Series 2016 Note shall be a fixed rate of interest equal to 2.48% per annum. Interest on this Series 2016 Note shall be calculated using a 360-day year consisting of twelve 30-day months.

Interest on this Series 2016 Note shall be paid semiannually on each Interest Payment Date, commencing October 1, 2016. On each Principal Payment Date, the City shall pay an annual installment of the outstanding Principal Amount due on this Series 2016 Note in the amounts set forth on Schedule I hereof.

The City may prepay this Series 2016 Note in whole or in part, at anytime, without premium or prepayment penalty.

This Series 2016 Note is being issued primarily to pay the costs of advance refunding the City's outstanding Utility System Revenue Bonds, Series 2007, and pursuant to the authority of Article VIII, Section 2, of the Constitution of the State of Florida, Chapters 159 Part I and 166, Part II, Florida Statutes, as amended, the Charter of the City, and other provisions of law, and pursuant and subject to the terms and conditions of Resolution No. 2003-22 adopted by the City on September 30, 2003, as amended, (the "Master Resolution"), and Resolution No. 2016-23 duly adopted by the City Council of the City on March 29, 2016 (the "Resolution" and together with the Master Resolution "Note Legislation"), and the Loan Agreement dated as of April 20, 2016 between the City and Ameris Bank (the "Loan Agreement"). Capitalized terms used in this Series 2016 Note and not otherwise defined shall have the meaning ascribed to them in the Note Legislation.

This Series 2016 Note is payable from and secured by Pledged Revenues, as defined in, and in the manner provided in the Note Legislation and the Loan Agreement.

Amounts payable under this Series 2016 Note are secured by lien on the Pledged Revenues on a parity and equal status with the City's Utility System Refunding Revenue Bonds, Series 2013.

This Series 2016 Note shall not constitute a general obligation or indebtedness of the City, and the Registered Owner thereof shall never have the right to require or compel the levy of taxes on any property of or in the City for the payment of the principal of and interest on this Series 2016 Note. This Series 2016 Note shall not constitute a lien upon any property of or in the City, but shall be payable solely from the Pledged Revenues in the manner provided in the Loan Agreement. Reference is made to the Loan Agreement for the provisions relating to the security for payment of this Series 2016 Note and the duties and obligations of the City thereunder.

The Series 2016 Note shall be and shall have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code-Investment Securities Laws of the State of Florida, and the registered owner, in accepting the Series 2016 Note, shall be conclusively deemed to have agreed that such Series 2016 Note shall be and have all of the qualities and incidents of negotiable instruments thereunder.

The Clerk shall be the Registrar who shall be responsible for maintaining the Register of the ownership of this Series 2016 Note. The person in whose name ownership hereof is shown on the Register shall be deemed the owner thereof by the City, and any notice to the contrary shall not be binding upon the City or the Registrar. The City and the Registrar may treat the registered owner as the absolute owner of the Series 2016 Note for all purposes, whether or not such Series 2016 Note shall be overdue, and shall not be bound by any notice to the contrary.

Ownership of Series 2016 Note may be transferred only upon the Register. Upon surrender to the Registrar for transfer or exchange of any Series 2016 Note accompanied by an assignment or written authorization for exchange, whichever is applicable, duly executed by the registered owner or its attorney duly authorized in writing, the Registrar shall deliver in the name of the registered owner or the transferee or transferees, as the case may be, a new fully registered Series 2016 Note of authorized denominations and of the same maturity and interest rate and for the aggregate principal amount as the Series 2016 Note surrendered.

The new Series 2016 Note delivered upon any transfer or exchange shall be a valid obligation of the City, evidencing the same debt as the Series 2016 Note surrendered and shall be entitled to all of the security and benefits to the same extent as the Series 2016 Note surrendered.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of the State of Florida to happen, exist and be performed precedent to and in the issuance of this Series 2016 Note, have happened, exist and have been performed in regular and due form and time as so required.

IN WITNESS WHEREOF, the City of Palm Coast, Florida, has caused this Series 2016 Note to be executed by the Mayor, and attested by the City Clerk, either manually or with their facsimile signatures, and its seal or a facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon, and this Series 2016 Note to be dated as of April 20, 2016.

CITY OF PALM COAST, FLORIDA

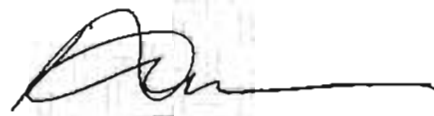
By: 
Mayor

(SEAL)

ATTEST:

By: 
City Clerk

APPROVED AS TO FORM AND LEGALITY:

By: 
City Attorney

SCHEDULE 1

PRINCIPAL AMORTIZATION SCHEDULE

Maturity Date October 1	Principal Amount
2016	\$ 846,000
2017	1,544,000
2018	1,581,000
2019	1,620,000
2020	1,663,000
2021	1,705,000
2022	1,745,000
2023	1,787,000
2024	1,832,000
2025	1,878,000
2026	1,925,000
2027	1,970,000
2028	2,023,000
2029	2,073,000
2030	2,120,000
2031	2,174,000
2032	2,229,000
2033	2,286,000
2034	2,339,000
2035	2,397,000
2036	2,456,000

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Part I Reporting Authority

If Amended Return, check here ☐

1 Issuer's name City of Palm Coast, Florida		2 Issuer's employer identification number (EIN) 59-3614294
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions) Kenneth R. Artin, Note Counsel		3b Telephone number of other person shown on 3a (407) 426-7001
4 Number and street (or P.O. box if mail is not delivered to street address) 255 S. Orange Avenue, Suite 1350	Room/suite	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code Orlando, Florida 32801		7 Date of issue 4/20/2016
8 Name of issue Utility System Refunding Revenue Note, Series 2016		9 CUSIP number N/A
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Christopher M. Quinn, Finance Director		10b Telephone number of officer or other employee shown on 10a (386) 986-4745

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.

11 Education	11		
12 Health and hospital	12		
13 Transportation	13		
14 Public safety	14		
15 Environment (including sewage bonds)	15		
16 Housing	16		
17 Utilities	17	40,193,000	00
18 Other. Describe ►	18		
19 If obligations are TANs or RANs, check only box 19a <input type="checkbox"/>			
If obligations are BANs, check only box 19b <input type="checkbox"/>			
20 If obligations are in the form of a lease or installment sale, check box <input type="checkbox"/>			

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.

	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	10/01/2036	\$ 40,193,000.00	\$ 40,193,000.00	11.5190 years	2.4801 %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)

22 Proceeds used for accrued interest	22	0	00
23 Issue price of entire issue (enter amount from line 21, column (b))	23	40,193,000	00
24 Proceeds used for bond issuance costs (including underwriters' discount)	24	161,551	25
25 Proceeds used for credit enhancement	25	0	00
26 Proceeds allocated to reasonably required reserve or replacement fund	26	0	00
27 Proceeds used to currently refund prior issues	27	40,031,448	75
28 Proceeds used to advance refund prior issues	28	0	00
29 Total (add lines 24 through 28)	29	40,193,000	00
30 Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)	30	0	00

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.

31 Enter the remaining weighted average maturity of the bonds to be currently refunded	11.9308	years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	n/a	years
33 Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	04/01/2017	
34 Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	01/25/2007	

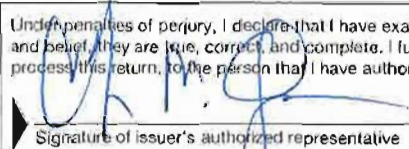
For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 63773S

Form **8038-G** (Rev. 9-2011)

Part VI Miscellaneous

- 35** Enter the amount of the state volume cap allocated to the issue under section 141(b)(5) **35**
- 36a** Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions) **36a**
- b** Enter the final maturity date of the GIC ▶ _____
- c** Enter the name of the GIC provider ▶ _____
- 37** Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units **37**
- 38a** If this issue is a loan made from the proceeds of another tax-exempt issue, check box ☐ and enter the following information:
- b** Enter the date of the master pool obligation ▶ _____
- c** Enter the EIN of the issuer of the master pool obligation ▶ _____
- d** Enter the name of the issuer of the master pool obligation ▶ _____
- 39** If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ☐
- 40** If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ☐
- 41a** If the issuer has identified a hedge, check here ☐ and enter the following information:
- b** Name of hedge provider ▶ _____
- c** Type of hedge ▶ _____
- d** Term of hedge ▶ _____
- 42** If the issuer has superintegrated the hedge, check box ☐
- 43** If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box ☐
- 44** If the issuer has established written procedures to monitor the requirements of section 148, check box ☒
- 45a** If some portion of the proceeds was used to reimburse expenditures, check here ☐ and enter the amount of reimbursement ▶ _____
- b** Enter the date the official intent was adopted ▶ _____

Signature and Consent	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.				
	 Signature of issuer's authorized representative	4/29/16 Date	Christopher M. Quinn, Finance Director Type or print name and title		
Paid Preparer Use Only	Print/Type preparer's name		Preparer's signature		Date
	Kenneth R. Artin				Check <input type="checkbox"/> if self-employed
	Firm's name ▶ Bryant Miller Olive PA				Firm's EIN ▶ 59-1315801
Firm's address ▶ 255 S. Orange Avenue, Ste. 1350, Orlando, FL 32801					Phone no. (407) 426-7001

Notice Of Sale

Printed On: 3/31/2016 12:04:40PM

Bond issue name: City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2016

Sale date: 04/20/2016

Closing date: 04/20/2016

Submitted by: kfrancisco@bmolaw.com

Submission date: 03/31/2016

CERTIFICATE REGARDING INTEREST RATE

In accordance with the provisions of Section 215.84(3), Florida Statutes, the undersigned official of the City of Palm Coast, Florida, **DOES HEREBY CERTIFY** that the rate of interest on the Note described below does not, on April 20, 2016, the date of initial sale, exceed an average net interest cost rate, computed by adding 300 basis points to The Bond Buyer "20 Bond Index" published immediately preceding the first day of the calendar month in which the Note is sold.

\$40,193,000 City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2016 bearing a fixed rate of interest equal to 2.48%, and maturing on October 1, 2036.

EXECUTED this 20th day of April, 2016.

CITY OF PALM COAST, FLORIDA

By: 

Name: Jon Nettis

Title: Mayor

PARITY BONDS CERTIFICATE REQUIRED BY
SECTION 20 (Q) OF MASTER RESOLUTION

Pursuant to the requirements of Section 20(Q) of Resolution No. 2003-22, duly adopted by the City Council of the City of Palm Coast, Florida (the "Issuer") on September 30, 2003 (the "Resolution"), the Finance Director of the Issuer must certify certain conditions prior to the issuance of Additional Parity Obligations. Capitalized terms not defined herein shall have the meanings ascribed thereto in the Resolution.

The undersigned Finance Director of the Issuer does hereby certify the following, with respect to the Issuer's \$40,193,000 City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2016 (the "Series 2016 Note"):

(1) I have reviewed the books and records of the Issuer relative to the System and the Net Revenues; and

(2) The Net Revenues derived during the twelve (12) months ending September 30, 2015, equals \$18,387,190.00 and is not less than the required 110% of the Maximum Bond Service Requirement becoming due in any Bond Year after the Delivery Date of the Series 2016 Note, which is \$9,324,603.20 on (i) the Issuer's \$89,600,000 City of Palm Coast, Florida Utility System Improvement and Refunding Revenue Bonds, Series 2013, of which \$84,120,000.00 are currently outstanding and (ii) the Series 2016 Note.

DATED this 20th day of April, 2016.

CITY OF PALM COAST, FLORIDA

By: 
Name: Christopher Quinn
Title: Finance Director

ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT, dated April 20, 2016, by and between the CITY OF PALM COAST, FLORIDA (the "Issuer"), and WELLS FARGO BANK, N.A., a national banking association, as Escrow Agent and its successors and assigns (the "Escrow Agent");

WITNESSETH:

WHEREAS, pursuant to Resolution No. 2003-22 adopted by the City Council of the Issuer on September 30, 2003, as amended and supplemented and as particularly supplemented by Resolution No. 2006-24 adopted by Issuer on December 19, 2006 (collectively, the "Refunded Bonds Resolution"), the Issuer has previously authorized and issued obligations, hereinafter defined as "Refunded Bonds," as to which the Total Debt Service (as hereinafter defined) is set forth on Schedule A; and

WHEREAS, the Issuer has determined to provide for payment of the Total Debt Service of the Refunded Bonds by depositing with the Escrow Agent an amount which together with investment earnings thereon is at least equal to the Total Debt Service of the Refunded Bonds as set forth in Schedule A hereto; and

WHEREAS, in order to obtain the funds needed for such purpose, the Issuer has authorized and is, concurrently with the delivery of this Agreement, issuing its Utility System Refunding Revenue Note, Series 2016; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Issuer and the Escrow Agent agree as follows:

SECTION 1. Definitions. As used herein, the following terms mean:

(a) "Acquired Obligations" shall have the meaning given to it in Resolution No. 2006-24 of the Issuer.

(b) "Agreement" means this Escrow Deposit Agreement.

(c) "Authorized Officer" shall mean the City Manager or the Finance Director of the Issuer, or their designees, or with respect to the Escrow Agent, shall mean any officer authorized by the bylaws or other official action of the Escrow Agent to perform the applicable function or services.

(d) "Bond Resolution" means the Refunding Bonds Resolution, and Resolution No. 2016-23 adopted by the City on March 29, 2016 authorizing the issuance of the Note and the refunding of the Refunded Bonds.

(e) "Call Date" means April 1, 2017.

(f) "EMMA" means the Electronic Municipal Marketplace Access system of the Municipal Securities Rulemaking Board.

(g) "Escrow Agent" means Wells Fargo Bank, N.A. having a designated corporate trust office in Jacksonville, Florida, and its successors and assigns.

(h) "Escrow Fund" means the account hereby created and entitled Escrow Fund established and held by the Escrow Agent pursuant to this Agreement, in which cash and investments will be held for payment of the principal of and accrued interest on the Refunded Bonds as they become due and payable.

(i) "Escrow Requirement" means, as of any date of calculation, the sum of an amount in cash and principal amount of Acquired Obligations in the Escrow Fund which together with the interest to become due on the Acquired Obligations will be sufficient to pay the Total Debt Service on the Refunded Bonds in accordance with Schedule A.

(j) "Issuer" means the City of Palm Coast, Florida.

(k) "Note" mean the City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2016, issued under the Bond Resolution.

(l) "Paying Agent" means Wells Fargo Bank, N.A., having a designated corporate trust office in Jacksonville, Florida, and its successors and assigns.

(m) "Refunded Bonds" means the Issuer's outstanding Utility System Revenue Bonds, Series 2007 maturing October 1, 2016 and thereafter.

(n) "Total Debt Service" means the sum of the principal and interest remaining unpaid with respect to the Refunded Bonds and redemption premium, if any, in accordance with Schedule A attached hereto.

SECTION 2. Discharge of Lien of Holders of Refunded Bonds. The Issuer by this writing exercises its option to have the pledges, liens and obligations to the holders of the Refunded Bonds under the Refunded Bonds Resolution no longer be in effect in accordance with the terms of the Refunded Bonds Resolution.

SECTION 3. Establishment of Escrow Fund. There is hereby created and established with the Escrow Agent a special, segregated and irrevocable escrow fund designated the "City of Palm Coast, Florida Utility System Revenue Bonds, Series 2007 Escrow Deposit Trust Fund" (the "Escrow Fund"). The Escrow Fund shall be held in the custody of the Escrow Agent for the benefit of the holders of the Refunded Bonds, separate and apart from other funds and accounts of the Issuer and the Escrow Agent. The Escrow Agent hereby accepts the Escrow Fund and acknowledges the receipt of and deposit to the credit of the Escrow Fund the sum of \$43,794,880.01 comprised of \$40,031,448.75 received from the Issuer from proceeds of the Note and \$3,763,431.26 received from the Issuer from funds transferred from funds and accounts

related to the Refunded Bonds ("Escrow Proceeds"). The Escrow Proceeds shall be invested as provided in Section 4 below.

SECTION 4. Use and Investment of Funds. The Escrow Agent agrees:

(a) to hold the funds and investments purchased pursuant to this Agreement in irrevocable escrow during the term of this Agreement for the sole benefit of the holders of the Refunded Bonds;

(b) to immediately invest \$43,794,879.00 in the Acquired Obligations set forth on Schedule B attached hereto and to hold such securities and cash proceeds therefrom in accordance with the terms of this Agreement. The remaining cash balance equal to \$1.01 shall be held uninvested by the Escrow Agent.

(c) in the event the securities described on Schedule B cannot be purchased, substitute securities may be purchased with the consent of the Issuer but only upon receipt of verification from an independent certified public accountant that the cash and securities deposited will not be less than the Escrow Requirement and only upon receipt of an opinion of nationally recognized bond counsel that such securities constitute Acquired Obligations for purposes of this Agreement;

(d) there will be no investment of funds except as set forth in this Section 4 or in Section 6 hereof; and

(e) in reliance upon the Verification Report dated April 20, 2016 prepared by Grant Thornton, LLP, the Issuer represents and warrants that the interest on and the principal amounts successively maturing on the Acquired Obligations in accordance with their terms (without consideration of any reinvestment of such maturing principal and interest), are sufficient such that moneys will be available to the Escrow Agent in amounts sufficient and at the times required to pay the amounts of principal of and interest due and to become due on the Refunded Bonds as described in Schedule A attached hereto. If the Acquired Obligations shall be insufficient to make such payments, the Issuer shall timely deposit to the Escrow Fund, solely from legally available funds of the Issuer, such additional amounts as may be required to pay the Refunded Bonds as described in Schedule A hereto. Notice of any insufficiency shall be given by the Escrow Agent to the Issuer as promptly as possible, but the Escrow Agent shall in no manner be responsible for the failure to make such deposits.

SECTION 5. Payment of Refunded Bonds and Expenses.

(a) Refunded Bonds. On the dates and in the amounts set forth on Schedule A, the Escrow Agent shall transfer to the Paying Agent for the Refunded Bonds, in immediately available funds, solely from amounts available in the Escrow Fund, a sum sufficient to pay that portion of the Total Debt Service for the Refunded Bonds coming due on such dates, as shown on Schedule A.

(b) Surplus. After making the payments from the Escrow Fund described in Subsection 5(a) above, the Escrow Agent shall retain in the Escrow Fund any remaining cash in the Escrow Fund in excess of the Escrow Requirement until the termination of this Agreement, and shall then pay any remaining funds to the Issuer for deposit to the Interest Account for the Note created in the Bond Resolution.

(c) Priority of Payments. The holders of the Refunded Bonds shall have an express first lien on the funds and Acquired Obligations in the Escrow Fund until such funds and Acquired Obligations are used and applied as provided in this Agreement.

SECTION 6. Reinvestment.

(a) Except as provided in Section 4 and in this Section, the Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of or make substitutions of the Acquired Obligations held hereunder.

(b) At the written request of the Issuer and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer or otherwise dispose of any of the Acquired Obligations acquired hereunder and shall substitute other Acquired Obligations. The Issuer will not request the Escrow Agent to exercise any of the powers described in the preceding sentence in any manner which will cause interest on the Refunded Bonds to be included in the gross income of the holders thereof for purposes of Federal income taxation. The transactions may be effected only if (i) an independent certified public accountant selected by the Issuer shall certify or opine in writing to the Issuer and the Escrow Agent that the cash and principal amount of Acquired Obligations remaining on hand after the transactions are completed will be not less than the Escrow Requirement, and (ii) the Escrow Agent shall receive an opinion from a nationally recognized bond counsel acceptable to the Issuer to the effect that the transactions, in and by themselves will not cause interest on such Refunded Bonds to be included in the gross income of the holders thereof for purposes of Federal income taxation and such substitution is in compliance with this Agreement.

SECTION 7. Redemption of Refunded Bonds. The Issuer hereby irrevocably instructs the Escrow Agent to request, on behalf of the Issuer, that the Paying Agent for the Refunded Bonds call the Refunded Bonds for redemption in accordance with the terms of this Agreement and the Refunded Bonds Resolution and to give, at the appropriate times, the notice or notices required by the Refunded Bonds Resolution in connection with the redemption of the Refunded Bonds. Such notice of redemption shall be given by the Paying Agent in accordance with the Refunded Bonds Resolution. All of the Refunded Bonds are hereby called and shall be redeemed on April 1, 2017 at a redemption price equal to the par amount of the Refunded Bonds plus accrued interest to the date of redemption.

Such notice shall be substantially in the form of Schedule C attached hereto.

The Escrow Agent shall also cause a notice of defeasance to be posted on EMMA and sent to the holders of the Refunded Bonds within five (5) days of the date hereof; provided

however, that the Escrow Agent shall not have any liability to any party in connection with any failure to timely post any such notice on EMMA and the sole remedy available for such failure shall be an action by the holders of the Refunded Bonds in mandamus for specific performance or similar remedy to compel performance. Such notice shall be in substantially the form of Schedule D attached hereto.

SECTION 8. Indemnification. To the extent that it may legally do so, without waiving its sovereign immunity nor the limits of its liability beyond the amount set forth in Section 768.28, Florida Statutes, and without consenting to be sued by third parties, the Issuer hereby agrees to indemnify the Escrow Agent and hold it harmless from any and all claims, liabilities, losses, action, suits, or proceedings at law or in equity, or any other expenses, fees or charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as Escrow Agent under this Agreement, unless caused by its negligence or willful misconduct; and in connection therewith to indemnify the Escrow Agent against any and all expenses, including attorneys' fees, costs and expenses and the costs of defending an action, suit, or proceeding, or resisting any claim. The Issuer's obligations hereunder shall survive any termination of this Agreement or the sooner resignation or removal of the Escrow Agent and shall inure to the benefit of the Escrow Agent's successors and assigns.

SECTION 9. Escrow Fund Irrevocable. The Escrow Fund hereby created shall be irrevocable and the holders of the Refunded Bonds shall have an express lien on all Acquired Obligations deposited in the Escrow Fund pursuant to the terms hereof and the interest earnings thereon until paid out, used and applied in accordance with this Agreement or the Refunded Bonds Resolution. Neither the Issuer nor the Escrow Agent shall cause nor permit any other lien or interest whatsoever to be imposed upon the Escrow Fund.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the funds deposited therein, the purchase of the Acquired Obligations, the retention of the Acquired Obligations or the proceeds thereof or for any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent or non-willful act, omission or error of the Escrow Agent made in good faith in the conduct of its duties. The Escrow Agent shall, however, be responsible for its negligent or willful failure to comply with its duties required hereunder, and its negligent or willful acts, omissions or errors hereunder. Notwithstanding any provision herein to the contrary, in no event shall the Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits). The duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement and no implied covenants or obligations shall be read into this Agreement against the Escrow Agent. The Escrow Agent may consult with counsel, at the Issuer's expense, who may or may not be counsel to the Issuer, and in conclusive reliance upon the opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good

faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer. Any payment obligation of the Escrow Agent hereunder shall be paid from and is limited to funds available, established and maintained hereunder and the Escrow Agent shall not be required to expend its own funds for the performance of its duties under this Agreement. The Escrow Agent may act through its agents and attorneys and shall not be responsible for any misconduct or negligence on the part of any such person so appointed with due care. The Escrow Agent may conclusively rely upon and shall be fully protected in acting and relying upon any notice, order, requisition, request, consent, certificate, order, opinion (including an opinion of counsel), affidavit, letter, telegram or other paper or document in good faith deemed by it to be genuine and correct and to have been signed or sent by the proper person or persons. The Escrow Agent shall not be responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Escrow Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

SECTION 11. Resignation of Escrow Agent. The Escrow Agent may resign and thereby become discharged from the duties and obligations hereby created, by notice in writing given to the Issuer not less than sixty (60) days before such resignation shall take effect. Such resignation shall not take effect until the appointment of a new Escrow Agent hereunder.

SECTION 12. Removal of Escrow Agent.

(a) The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, executed by the holders of not less than fifty-one percent (51%) in aggregate principal amount of the Refunded Bonds then outstanding, such instruments to be filed with the Issuer, and notice in writing given by such holders to the original purchaser or purchasers of the Note. A photographic copy of any instrument filed with the Issuer under the provisions of this paragraph shall be delivered by the Issuer to the Escrow Agent.

(b) The Escrow Agent may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Agreement with respect to the duties and obligations of the Escrow Agent by any court of competent jurisdiction upon the application of the Issuer or the holders of not less than five percent (5%) in aggregate principal amount of the Note then outstanding, or the holders of not less than five percent (5%) in aggregate principal amount of the Refunded Bonds then outstanding.

(c) The Escrow Agent may not be removed until a successor Escrow Agent has been appointed in the manner set forth herein.

SECTION 13. Successor Escrow Agent.

(a) If at any time hereafter the Escrow Agent shall resign, be removed, be dissolved or otherwise become incapable of acting, or shall be taken over by any governmental official, agency, department or board, the position of Escrow Agent shall thereupon become vacant. If the position of Escrow Agent shall become vacant for any of the foregoing reasons or for any other reason, the Issuer shall appoint an Escrow Agent to fill such vacancy. The Issuer shall mail a notice of any such appointment made by it to the holders of the Refunded Bonds within thirty (30) days after such appointment.

(b) At any time within one year after such vacancy shall have occurred, the holders of a majority in principal amount of the Note then outstanding or a majority in principal amount of the Refunded Bonds then outstanding, by an instrument or concurrent instruments in writing, executed by either group of such bondholders and filed with the governing body of the Issuer, may appoint a successor Escrow Agent, which shall supersede any Escrow Agent theretofore appointed by the Issuer. Photographic copies of each such instrument shall be delivered promptly by the Issuer, to the predecessor Escrow Agent and to the Escrow Agent so appointed by the bondholders. In the case of conflicting appointments made by the bondholders under this paragraph, the first effective appointment made during the one year period shall govern.

(c) If no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this Section within sixty (60) days of the delivery of a notice of resignation or removal, the holder of any Refunded Bonds then outstanding, or any retiring Escrow Agent may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Escrow Agent.

SECTION 14. Payment to Escrow Agent. The Escrow Agent hereby acknowledges that it has agreed to accept compensation under the Agreement in the sum of \$2,500, payable at delivery, for services to be performed by the Escrow Agent pursuant to this Agreement, plus out-of-pocket expenses (including attorneys' fees, costs and expenses) to be reimbursed at cost from legally available funds of the Issuer. The Escrow Agent agrees that it shall have no interest in or right to payment of such compensation or out of pocket expenses from the Escrow Fund.

SECTION 15. Term. This Agreement shall commence upon its execution and delivery and shall terminate when the Refunded Bonds have been paid and discharged in accordance with the proceedings authorizing the Refunded Bonds, except as provided in Section 8 hereof.

SECTION 16. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Issuer or the Escrow Agent to be performed

should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreements herein contained shall be null and void and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 17. Amendments to this Agreement. This Agreement is made for the benefit of the Issuer and the holders from time to time of the Refunded Bonds and the Note and it shall not be repealed, revoked, altered or amended in whole or in part without the written consent of all affected holders, the Insurer of the Refunded Bonds, the Escrow Agent, the holder of the Note and the Issuer; provided, however, that the Issuer, the Insurer of the Refunded Bonds and the Escrow Agent may, without the consent of, or notice to, such holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Escrow Agent, for the benefit of the holders of the Note and the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and
- (c) to subject to this Agreement to additional funds, securities or properties.

The Escrow Agent shall, at its option, be entitled to request at the Issuer's expense and rely exclusively upon an opinion of nationally recognized attorneys on the subject of municipal bonds acceptable to the Issuer with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section.

SECTION 18. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 19. Governing Law. This Agreement shall be construed under the laws of the State of Florida without regard to conflict of law principles.

[Reminder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Deposit Agreement to be executed by their duly authorized officers and appointed officials and their seals to be hereunder affixed and attested as of the date first above written.

[SEAL.]

CITY OF PALM COAST, FLORIDA

By: 
Jon Netts, Mayor

ATTEST:

By: 
Virginia Smith, City Clerk

WELLS FARGO BANK, N.A. as Escrow
Agent

By: _____
Daniel Radick, Vice President

[Signature page to Escrow Deposit Agreement]

IN WITNESS WHEREOF, the parties hereto have each caused this Escrow Deposit Agreement to be executed by their duly authorized officers and appointed officials and their seals to be hereunder affixed and attested as of the date first above written.

[SEAL]

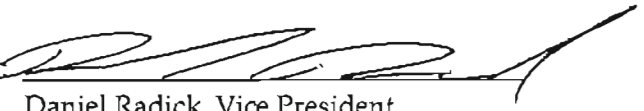
CITY OF PALM COAST, FLORIDA

By: _____
Jon Netts, Mayor

ATTEST:

By: _____
Virginia Smith, City Clerk

WELLS FARGO BANK, N.A. as Escrow
Agent

By:  _____
Daniel Radick, Vice President

[Signature page to Escrow Deposit Agreement]

SCHEDULE A
SCHEDULE OF DEBT SERVICE FOR
CITY OF PALM COAST, FLORIDA
UTILITY SYSTEM REVENUE BONDS, SERIES 2007

PAYMENT <u>DATE</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>PRINCIPAL REDEEMED</u>	<u>TOTAL DEBT SERVICE</u>
10/01/2016	\$1,265,000.00	\$932,340.63		\$ 2,197,340.63
04/01/2017		907,040.63	\$40,935,000.00	41,842,040.63

SCHEDULE B

ACQUIRED OBLIGATIONS

United States Treasury Securities

<u>Type</u>	<u>Maturity Date</u>	<u>Par Amount</u>	<u>Coupon Rate</u>	<u>Total Cost</u>
SLGS	10/01/2016	\$ 2,193,398.00	0.400%	\$ 2,193,398.00
SLGS	04/01/2017	41,601,481.00	0.610%	41,601,481.00

SCHEDULE C

NOTICE OF REDEMPTION

CITY OF PALM COAST, FLORIDA UTILITY SYSTEM REVENUE BONDS, SERIES 2007

NOTICE IS HEREBY GIVEN for and on behalf of the City of Palm Coast, Florida (the "Issuer"), that its Utility System Revenue Bonds, Series 2007, dated January 25, 2007 (the "Series 2007 Bonds") have been called for optional redemption, without premium, on April 1, 2017 (the "Redemption Date"), at the principal amount thereof plus accrued interest. The CUSIP number of the Series 2007 Bonds so called for redemption is set forth below:

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>CUSIP No.</u> ¹	<u>Redemption</u> <u>Price</u>
2017	\$1,315,000	5.000%	69661K BH2	100%
2018	1,380,000	4.000	69661K BJ8	100%
2019	1,435,000	4.000	69661K BK5	100%
2020	1,495,000	4.000	69661K BL3	100%
2021	1,555,000	4.000	69661K BM1	100%

\$5,090,000, 5.000% Term Bond, Due October 1, 2024 – CUSIP Number 69661K BN9

\$7,970,000, 4.250% Term Bond, Due October 1, 2028 – CUSIP Number 69661K BP4

\$12,080,000, 4.500% Term Bond, Due October 1, 2033 – CUSIP Number 69661K BQ2

\$8,615,000, 4.375% Term Bond, Due October 1, 2036 – CUSIP Number 69661K BR0

[Remainder of page intentionally left blank.]

¹ The City is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the City as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Notice of Redemption.

Payment of the principal amount of the Series 2007 Bonds, and accrued interest thereon, will be made on or after the Redemption Date, through presentation and surrender of the redeemed bonds to:

Registered/Certified Mail:

Wells Fargo Bank, N.A.
Corporate Trust Operations
P.O. Box 1517
Minneapolis, MN 55480-1517

Air Courier:

Wells Fargo Bank, N.A.
Corporate Trust Operations
N9303-121
6th & Marquette Avenue
Minneapolis, MN 55479

In person:

Wells Fargo Bank, N.A.
Northstar East Building
608 2nd Ave. So., 12th Fl.
Minneapolis, MN

Interest on the Series 2007 Bonds accruing to or prior to the Redemption Date, if any, will be paid in the usual manner. Interest on the Series 2007 Bonds will cease to accrue on and after the Redemption Date.

DATED this [___] day of [_____], 2017.

WELLS FARGO BANK, NATIONAL
ASSOCIATION

SCHEDULE D

**NOTICE OF DEFEASANCE
CITY OF PALM COAST, FLORIDA
UTILITY SYSTEM REVENUE BONDS, SERIES 2007
DATED: JANUARY 25, 2007
described below**

NOTICE IS HEREBY GIVEN to the holders of the City of Palm Coast, Florida Utility System Revenue Bonds, Series 2007 described below (the "Defeased Bonds") that the Defeased Bonds maturing on October 1, in the years 2016 through and including 2036, as described below have been legally defeased and that the Defeased Bonds maturing on and after October 1, 2017 will be called for early redemption on April 1, 2017 at the principal amount thereof, plus accrued interest to the date of redemption;

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>CUSIP No.</u> ²	<u>Redemption</u> <u>Price</u>
2016	\$1,265,000	4.000%	69661K BG4	100%
2017	1,315,000	5.000	69661K BH2	100%
2018	1,380,000	4.000	69661K BJ8	100%
2019	1,435,000	4.000	69661K BK5	100%
2020	1,495,000	4.000	69661K BL3	100%
2021	1,555,000	4.000	69661K BM1	100%

\$5,090,000, 5.000% Term Bond, Due October 1, 2024 – CUSIP Number 69661K BN9

\$7,970,000, 4.250% Term Bond, Due October 1, 2028 – CUSIP Number 69661K BP4

\$12,080,000, 4.500% Term Bond, Due October 1, 2033 – CUSIP Number 69661K BQ2

\$8,615,000, 4.375% Term Bond, Due October 1, 2036 – CUSIP Number 69661K BR0

and that the deposit required by Section 24 of Resolution 2003-22 adopted by the Issuer on September 30, 2003, as amended and supplemented from time to time (the "Resolution") of moneys has been made and the pledge and lien on the Pledged Revenues (as such term is defined in the Resolution) and all covenants, agreements and obligations of the City to the holders of Defeased Bonds have ceased, terminated and become void and are discharged and satisfied.

² The City is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the City as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Notice of Redemption.

Said deposit was made on April 20, 2016 in irrevocable escrow with Wells Fargo Bank, National Association, as escrow holder, at the following address:

Wells Fargo Bank, National Association
1 Independent Drive, Suite 620
Jacksonville, Florida 32202

Dated this[___] day of April, 2016.

CERTIFICATE OF ESCROW AGENT

The undersigned, Wells Fargo Bank, N.A. (the "Bank"), DOES HEREBY CERTIFY to the City of Palm Coast, Florida (the "City") that:

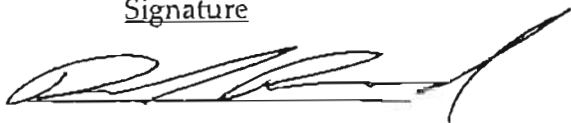
1. It has duly accepted the appointment as Escrow Agent with respect to the City of Palm Coast, Florida Utility System Revenue Bonds, Series 2007 (the "Refunded Bonds") pursuant to the Escrow Deposit Agreement dated as of April 20, 2016 by and between the Bank and the City (the "Agreement").

2. Attached hereto, marked Exhibit A, is a copy of an excerpt from the Bank's Bylaws authorizing certain officers designated therein to execute on behalf of the Bank various types of documents and instruments. Exhibit A constitutes a true, accurate and correct copy of such excerpt from the Bank's Bylaws which have been duly adopted by the Bank and the authorization evidenced by such certificate is in full force and effect.

3. The Bank hereby acknowledges receipt of a certified copy of Resolution No. 2016-23 adopted by the City on March 29, 2016 which among other things, authorizes the delivery of the City's Utility System Refunding Revenue Note, Series 2016 for the purpose of providing funds sufficient to refund the Refunded Bonds as more particularly described in the Resolution.

4. The Agreement has been duly executed on behalf of the Bank by ^f Daniel Radick, one of its officers, and the Agreement has been duly delivered on behalf of the Bank and is a legal, valid and binding obligation of the Bank.

5. The signature appearing opposite the name of the officer below is the authentic signature of such officer:

<u>Name</u>	<u>Title</u>	<u>Signature</u>
Daniel Radick	Vice President	

6. The officer referred to above was at the time of the acts referred to above, and is at the date hereof, a duly elected, qualified and acting officer of the Bank, duly authorized to perform such acts, and the signature, appearing on the documents referred to above is her genuine signature.

7. The Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and is duly authorized to exercise trust powers in the State of Florida.

8. The Bank has all requisite authority, power, licenses, permits and franchises, and has full corporate power and legal authority to execute and perform its functions under the Resolution and the Agreement.

9. The performance by the Bank of its functions under the Agreement will not result in any violation of the Articles of Association or Bylaws of the Bank, any court order to which the Bank is subject or any agreement, indenture or other obligation or instrument to which the Bank is a party or by which the Bank is bound, and no approval or other action by any governmental authority or agency having supervisory authority over the Bank is required to be obtained by the Bank in order to perform its functions under the Resolution and the Agreement.

10. The Agreement constitutes a valid and binding obligation of the Bank in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

11. To the best of such authorized representative's knowledge, there is no action, suit, proceeding or investigation at law or in equity before any court, public board or body pending or, to their knowledge, threatened against or affecting the Bank wherein an unfavorable decision, ruling or finding on an issue raised by any party thereto is likely to materially and adversely affect the ability of the Bank to perform its obligations under the Resolution or the Agreement.

IN WITNESS WHEREOF, the undersigned has caused a Vice President to sign this certificate this 20th day of April, 2016.

WELLS FARGO BANK, N.A.

By:


GREGORY S. CLARKE Vice President

Exhibit A

Bank's Bylaws

Exhibit A

EXTRACT OF AMENDED AND RESTATED BY-LAWS OF WELLS FARGO BANK, NATIONAL ASSOCIATION (November 22, 2010)

ARTICLE IV

Officers and Employees

Section 4.1 Appointment of Officers. The Board shall appoint a President, one or more Vice Presidents and a Secretary and may appoint a Chairman of the Board and such other officers as from time to time may appear to the Board to be required or desirable to transact the business of the Association. Only directors shall be eligible for appointment as President or Chairman of the Board. If a director other than the President is appointed Chairman of the Board, the Board shall designate either of these two officers as the chief executive officer of this Association. Any officer designated by the Director of Human Resources as the head of a business or staff group may appoint officers at the rank of Senior Vice President, Managing Director or below, and any such designated officer may delegate this authority to another officer.

Section 4.5 General Authority and Duties. Officers shall have the general powers and duties customarily vested in the office of such officers of a corporation and shall also exercise such powers and perform such duties as may be prescribed by the Articles of Association, by these by-laws, or by the laws or regulations governing the conduct of the business of national banking associations, and shall exercise such other powers and perform such other duties not inconsistent with the Articles of Association, these by-laws or laws or regulations as may be conferred upon or assigned to them by the Board or the chief executive officer.

ARTICLE VI

Corporate Seal

Section 6.1 Form. The corporate seal of the Association shall have inscribed thereon the name of the Association.

Section 6.2 Authority to Impress. The Chairman of the Board, if any, the President, the Secretary, any Assistant Secretary or other officer designated by the Board shall have authority to impress or affix the corporate seal to any document requiring such seal, and to attest the same.

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Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

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SOURCES AND USES OF FUNDS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Sources:

Bond Proceeds:	
Par Amount	40,193,000.00
Other Sources of Funds:	
Debt Service Fund	632,500.00
Prior Reserve Fund	3,130,931.26
	<u>3,763,431.26</u>
	43,956,431.26

Uses:

Refunding Escrow Deposits:	
Cash Deposit	1.01
SLGS Purchases	43,794,879.00
	<u>43,794,880.01</u>
Delivery Date Expenses:	
Cost of Issuance	161,551.25
	<u>43,956,431.26</u>

BOND SUMMARY STATISTICS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date	04/20/2016
Delivery Date	04/20/2016
First Coupon	10/01/2016
Last Maturity	10/01/2036
Arbitrage Yield	2.480074%
True Interest Cost (TIC)	2.486528%
Net Interest Cost (NIC)	2.480000%
All-In TIC	2.521882%
Average Coupon	2.480000%
Average Life (years)	11.519
Duration of Issue (years)	9.759
Par Amount	40,193,000.00
Bond Proceeds	40,193,000.00
Total Interest	11,481,933.83
Net Interest	11,481,933.83
Bond Years from Dated Date	462,981,202.78
Bond Years from Delivery Date	462,981,202.78
Total Debt Service	51,674,933.83
Maximum Annual Debt Service	2,521,887.20
Average Annual Debt Service	2,527,234.91
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	

Total Underwriter's Discount

Bid Price 100.000000

Bond Component	Par Value	Price	Average Coupon	Average Life	PV of 1 bp change
Bond Component	40,193,000.00	100.000	2.480%	11.519	38,835.37
	40,193,000.00			11.519	38,835.37

	TIC	All-In TIC	Arbitrage Yield
Par Value	40,193,000.00	40,193,000.00	40,193,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount			
- Cost of Issuance Expense		(161,551.25)	
- Other Amounts	(25,000.00)		
Target Value	40,168,000.00	40,031,448.75	40,193,000.00
Target Date	04/20/2016	04/20/2016	04/20/2016
Yield	2.486528%	2.521882%	2.480074%

BOND PRICING

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Bond Component:					
	10/01/2016	846,000	2.480%	2.480%	100.000
	10/01/2017	1,544,000	2.480%	2.480%	100.000
	10/01/2018	1,581,000	2.480%	2.480%	100.000
	10/01/2019	1,620,000	2.480%	2.480%	100.000
	10/01/2020	1,663,000	2.480%	2.480%	100.000
	10/01/2021	1,705,000	2.480%	2.480%	100.000
	10/01/2022	1,745,000	2.480%	2.480%	100.000
	10/01/2023	1,787,000	2.480%	2.480%	100.000
	10/01/2024	1,832,000	2.480%	2.480%	100.000
	10/01/2025	1,878,000	2.480%	2.480%	100.000
	10/01/2026	1,925,000	2.480%	2.480%	100.000
	10/01/2027	1,970,000	2.480%	2.480%	100.000
	10/01/2028	2,023,000	2.480%	2.480%	100.000
	10/01/2029	2,073,000	2.480%	2.480%	100.000
	10/01/2030	2,120,000	2.480%	2.480%	100.000
	10/01/2031	2,174,000	2.480%	2.480%	100.000
	10/01/2032	2,229,000	2.480%	2.480%	100.000
	10/01/2033	2,286,000	2.480%	2.480%	100.000
	10/01/2034	2,339,000	2.480%	2.480%	100.000
	10/01/2035	2,397,000	2.480%	2.480%	100.000
	10/01/2036	2,456,000	2.480%	2.480%	100.000
		40,193,000			

Dated Date 04/20/2016
Delivery Date 04/20/2016
First Coupon 10/01/2016

Par Amount 40,193,000.00
Original Issue Discount

Production 40,193,000.00 100.000000%
Underwriter's Discount

Purchase Price 40,193,000.00 100.000000%
Accrued Interest

Net Proceeds 40,193,000.00

BOND DEBT SERVICE

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS. As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
10/01/2016	846,000	445,785.03	1,291,785.03	1,291,785.03
04/01/2017		487,902.80	487,902.80	
10/01/2017	1,544,000	487,902.80	2,031,902.80	2,519,805.60
04/01/2018		468,757.20	468,757.20	
10/01/2018	1,581,000	468,757.20	2,049,757.20	2,518,514.40
04/01/2019		449,152.80	449,152.80	
10/01/2019	1,620,000	449,152.80	2,069,152.80	2,518,305.60
04/01/2020		429,064.80	429,064.80	
10/01/2020	1,663,000	429,064.80	2,092,064.80	2,521,129.60
04/01/2021		408,443.60	408,443.60	
10/01/2021	1,705,000	408,443.60	2,113,443.60	2,521,887.20
04/01/2022		387,301.60	387,301.60	
10/01/2022	1,745,000	387,301.60	2,132,301.60	2,519,603.20
04/01/2023		365,663.60	365,663.60	
10/01/2023	1,787,000	365,663.60	2,152,663.60	2,518,327.20
04/01/2024		343,504.80	343,504.80	
10/01/2024	1,832,000	343,504.80	2,175,504.80	2,519,009.60
04/01/2025		320,788.00	320,788.00	
10/01/2025	1,878,000	320,788.00	2,198,788.00	2,519,576.00
04/01/2026		297,500.80	297,500.80	
10/01/2026	1,925,000	297,500.80	2,222,500.80	2,520,001.60
04/01/2027		273,630.80	273,630.80	
10/01/2027	1,970,000	273,630.80	2,243,630.80	2,517,261.60
04/01/2028		249,202.80	249,202.80	
10/01/2028	2,023,000	249,202.80	2,272,202.80	2,521,405.60
04/01/2029		224,117.60	224,117.60	
10/01/2029	2,073,000	224,117.60	2,297,117.60	2,521,235.20
04/01/2030		198,412.40	198,412.40	
10/01/2030	2,120,000	198,412.40	2,318,412.40	2,516,824.80
04/01/2031		172,124.40	172,124.40	
10/01/2031	2,174,000	172,124.40	2,346,124.40	2,518,248.80
04/01/2032		145,166.80	145,166.80	
10/01/2032	2,229,000	145,166.80	2,374,166.80	2,519,333.60
04/01/2033		117,527.20	117,527.20	
10/01/2033	2,286,000	117,527.20	2,403,527.20	2,521,054.40
04/01/2034		89,180.80	89,180.80	
10/01/2034	2,339,000	89,180.80	2,428,180.80	2,517,361.60
04/01/2035		60,177.20	60,177.20	
10/01/2035	2,397,000	60,177.20	2,457,177.20	2,517,354.40
04/01/2036		30,454.40	30,454.40	
10/01/2036	2,456,000	30,454.40	2,486,454.40	2,516,908.80
	40,193,000	11,481,933.83	51,674,933.83	51,674,933.83

BOND DEBT SERVICE

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Period Ending	Principal	Interest	Debt Service
10/01/2016	846,000	445,785.03	1,291,785.03
10/01/2017	1,544,000	975,805.60	2,519,805.60
10/01/2018	1,581,000	937,514.40	2,518,514.40
10/01/2019	1,620,000	898,305.60	2,518,305.60
10/01/2020	1,663,000	858,129.60	2,521,129.60
10/01/2021	1,705,000	816,887.20	2,521,887.20
10/01/2022	1,745,000	774,603.20	2,519,603.20
10/01/2023	1,787,000	731,327.20	2,518,327.20
10/01/2024	1,832,000	687,009.60	2,519,009.60
10/01/2025	1,878,000	641,576.00	2,519,576.00
10/01/2026	1,925,000	595,001.60	2,520,001.60
10/01/2027	1,970,000	547,261.60	2,517,261.60
10/01/2028	2,023,000	498,405.60	2,521,405.60
10/01/2029	2,073,000	448,235.20	2,521,235.20
10/01/2030	2,120,000	396,824.80	2,516,824.80
10/01/2031	2,174,000	344,248.80	2,518,248.80
10/01/2032	2,229,000	290,333.60	2,519,333.60
10/01/2033	2,286,000	235,054.40	2,521,054.40
10/01/2034	2,339,000	178,361.60	2,517,361.60
10/01/2035	2,397,000	120,354.40	2,517,354.40
10/01/2036	2,456,000	60,908.80	2,516,908.80
	40,193,000	11,481,933.83	51,674,933.83

COST OF ISSUANCE

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds, Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Cost of Issuance	\$/1000	Amount
Financial Advisor	1.37320	55,193.00
Bond Counsel	0.92000	36,977.56
Bond Counsel Fees	0.12440	5,000.00
City Attorney	0.69664	28,000.00
Financial Advisor Expenses	0.04976	2,000.00
Escrow Agent	0.06220	2,500.00
Verification Agent	0.02986	1,200.00
Contingency	0.14134	5,680.69
Lender's Fee	0.62200	25,000.00
	4.01939	161,551.25

FORM 8038 STATISTICS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Bond Component	Date	Principal	Coupon	Price	Issue Price	Redemption at Maturity
Bond Component:						
	10/01/2016	846,000.00	2.480%	100.000	846,000.00	846,000.00
	10/01/2017	1,544,000.00	2.480%	100.000	1,544,000.00	1,544,000.00
	10/01/2018	1,581,000.00	2.480%	100.000	1,581,000.00	1,581,000.00
	10/01/2019	1,620,000.00	2.480%	100.000	1,620,000.00	1,620,000.00
	10/01/2020	1,663,000.00	2.480%	100.000	1,663,000.00	1,663,000.00
	10/01/2021	1,705,000.00	2.480%	100.000	1,705,000.00	1,705,000.00
	10/01/2022	1,745,000.00	2.480%	100.000	1,745,000.00	1,745,000.00
	10/01/2023	1,787,000.00	2.480%	100.000	1,787,000.00	1,787,000.00
	10/01/2024	1,832,000.00	2.480%	100.000	1,832,000.00	1,832,000.00
	10/01/2025	1,878,000.00	2.480%	100.000	1,878,000.00	1,878,000.00
	10/01/2026	1,925,000.00	2.480%	100.000	1,925,000.00	1,925,000.00
	10/01/2027	1,970,000.00	2.480%	100.000	1,970,000.00	1,970,000.00
	10/01/2028	2,023,000.00	2.480%	100.000	2,023,000.00	2,023,000.00
	10/01/2029	2,073,000.00	2.480%	100.000	2,073,000.00	2,073,000.00
	10/01/2030	2,120,000.00	2.480%	100.000	2,120,000.00	2,120,000.00
	10/01/2031	2,174,000.00	2.480%	100.000	2,174,000.00	2,174,000.00
	10/01/2032	2,229,000.00	2.480%	100.000	2,229,000.00	2,229,000.00
	10/01/2033	2,286,000.00	2.480%	100.000	2,286,000.00	2,286,000.00
	10/01/2034	2,339,000.00	2.480%	100.000	2,339,000.00	2,339,000.00
	10/01/2035	2,397,000.00	2.480%	100.000	2,397,000.00	2,397,000.00
	10/01/2036	2,456,000.00	2.480%	100.000	2,456,000.00	2,456,000.00
		40,193,000.00			40,193,000.00	40,193,000.00

	Maturity Date	Interest Rate	Issue Price	Stated Redemption at Maturity	Weighted Average Maturity	Yield
Final Maturity	10/01/2036	2.480%	2,456,000.00	2,456,000.00		
Entire Issue			40,193,000.00	40,193,000.00	11.5190	2.4801%

Proceeds used for accrued interest	0.00
Proceeds used for bond issuance costs (including underwriters' discount)	161,551.25
Proceeds used for credit enhancement	0.00
Proceeds allocated to reasonably required reserve or replacement fund	0.00
Proceeds used to currently refund prior issues	0.00
Proceeds used to advance refund prior issues	40,031,448.75
Remaining weighted average maturity of the bonds to be currently refunded	0.0000
Remaining weighted average maturity of the bonds to be advance refunded	11.9308

FORM 8038 STATISTICS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Refunded Bonds

Bond Component	Date	Principal	Coupon	Price	Issue Price
Utility System Revenue Bonds, Series 2007:					
BOND	10/01/2016	1,265,000.00	4.000%	101.684	1,286,302.60
BOND	10/01/2017	1,315,000.00	5.000%	109.607	1,441,332.05
BOND	10/01/2018	1,380,000.00	4.000%	100.411	1,385,671.80
BOND	10/01/2019	1,435,000.00	4.000%	99.699	1,430,680.65
BOND	10/01/2020	1,495,000.00	4.000%	99.162	1,482,471.90
BOND	10/01/2021	1,555,000.00	4.000%	98.574	1,532,825.70
TERM24	10/01/2022	1,615,000.00	5.000%	107.944	1,743,295.60
TERM24	10/01/2023	1,695,000.00	5.000%	107.944	1,829,650.80
TERM24	10/01/2024	1,780,000.00	5.000%	107.944	1,921,403.20
TERM28	10/01/2025	1,870,000.00	4.250%	97.994	1,832,487.80
TERM28	10/01/2026	1,950,000.00	4.250%	97.994	1,910,883.00
TERM28	10/01/2027	2,030,000.00	4.250%	97.994	1,989,278.20
TERM28	10/01/2028	2,120,000.00	4.250%	97.994	2,077,472.80
TERM33	10/01/2029	2,210,000.00	4.500%	100.808	2,227,856.80
TERM33	10/01/2030	2,305,000.00	4.500%	100.808	2,323,674.40
TERM33	10/01/2031	2,410,000.00	4.500%	100.808	2,429,472.80
TERM33	10/01/2032	2,520,000.00	4.500%	100.808	2,540,361.60
TERM33	10/01/2033	2,635,000.00	4.500%	100.808	2,656,290.80
TERM36	10/01/2034	2,750,000.00	4.375%	98.505	2,708,887.50
TERM36	10/01/2035	2,870,000.00	4.375%	98.505	2,827,093.50
TERM36	10/01/2036	2,995,000.00	4.375%	98.505	2,950,224.75
		42,200,000.00			42,527,568.25

	Last Call Date	Issue Date	Remaining Weighted Average Maturity
Utility System Revenue Bonds, Series 2007	04/01/2017	01/25/2007	11.9308
All Refunded Issues	04/01/2017		11.9308

PROOF OF ARBITRAGE YIELD

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Date	Debt Service	Present Value to 04/20/2016 @ 2.4800741214%
10/01/2016	1,291,785.03	1,277,623.57
04/01/2017	487,902.80	476,643.51
10/01/2017	2,031,902.80	1,960,699.36
04/01/2018	468,757.20	446,790.30
10/01/2018	2,049,757.20	1,929,771.59
04/01/2019	449,152.80	417,681.56
10/01/2019	2,069,152.80	1,900,603.21
04/01/2020	429,064.80	389,286.63
10/01/2020	2,092,064.80	1,874,862.56
04/01/2021	408,443.60	361,554.78
10/01/2021	2,113,443.60	1,847,908.13
04/01/2022	387,301.60	334,492.75
10/01/2022	2,132,301.60	1,819,004.43
04/01/2023	365,663.60	308,116.22
10/01/2023	2,152,663.60	1,791,664.55
04/01/2024	343,504.80	282,397.63
10/01/2024	2,175,504.80	1,766,590.89
04/01/2025	320,788.00	257,301.17
10/01/2025	2,198,788.00	1,742,026.31
04/01/2026	297,500.80	232,812.98
10/01/2026	2,222,500.80	1,717,942.74
04/01/2027	273,630.80	208,919.72
10/01/2027	2,243,630.80	1,692,051.44
04/01/2028	249,202.80	185,636.25
10/01/2028	2,272,202.80	1,671,878.33
04/01/2029	224,117.60	162,885.06
10/01/2029	2,297,117.60	1,649,059.08
04/01/2030	198,412.40	140,692.03
10/01/2030	2,318,412.40	1,623,824.49
04/01/2031	172,124.40	119,079.92
10/01/2031	2,346,124.40	1,603,226.35
04/01/2032	145,166.80	97,984.82
10/01/2032	2,374,166.80	1,582,888.93
04/01/2033	117,527.20	77,397.21
10/01/2033	2,403,527.20	1,563,448.80
04/01/2034	89,180.80	57,299.88
10/01/2034	2,428,180.80	1,541,029.86
04/01/2035	60,177.20	37,723.30
10/01/2035	2,457,177.20	1,521,464.83
04/01/2036	30,454.40	18,626.15
10/01/2036	2,486,454.40	1,502,108.66
	51,674,933.83	40,193,000.00

Proceeds Summary

Delivery date	04/20/2016
Par Value	40,193,000.00
Target for yield calculation	40,193,000.00

SUMMARY OF BONDS REFUNDED

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Utility System Revenue Bonds, Series 2007, 2007:					
BOND	10/01/2016	4.000%	1,265,000.00		
	10/01/2017	5.000%	1,315,000.00	04/01/2017	100.000
	10/01/2018	4.000%	1,380,000.00	04/01/2017	100.000
	10/01/2019	4.000%	1,435,000.00	04/01/2017	100.000
	10/01/2020	4.000%	1,495,000.00	04/01/2017	100.000
	10/01/2021	4.000%	1,555,000.00	04/01/2017	100.000
TERM24	10/01/2022	5.000%	1,615,000.00	04/01/2017	100.000
	10/01/2023	5.000%	1,695,000.00	04/01/2017	100.000
	10/01/2024	5.000%	1,780,000.00	04/01/2017	100.000
TERM28	10/01/2025	4.250%	1,870,000.00	04/01/2017	100.000
	10/01/2026	4.250%	1,950,000.00	04/01/2017	100.000
	10/01/2027	4.250%	2,030,000.00	04/01/2017	100.000
TERM33	10/01/2028	4.250%	2,120,000.00	04/01/2017	100.000
	10/01/2029	4.500%	2,210,000.00	04/01/2017	100.000
	10/01/2030	4.500%	2,305,000.00	04/01/2017	100.000
	10/01/2031	4.500%	2,410,000.00	04/01/2017	100.000
TERM36	10/01/2032	4.500%	2,520,000.00	04/01/2017	100.000
	10/01/2033	4.500%	2,635,000.00	04/01/2017	100.000
	10/01/2034	4.375%	2,750,000.00	04/01/2017	100.000
	10/01/2035	4.375%	2,870,000.00	04/01/2017	100.000
	10/01/2036	4.375%	2,995,000.00	04/01/2017	100.000
			42,200,000.00		

PRIOR BOND DEBT SERVICE

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Utility System Revenue Bonds, Series 2007 (2007)

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
10/01/2016	1,265,000	932,340.63	2,197,340.63	2,197,340.63
04/01/2017		907,040.63	907,040.63	
10/01/2017	1,315,000	907,040.63	2,222,040.63	3,129,081.26
04/01/2018		874,165.63	874,165.63	
10/01/2018	1,380,000	874,165.63	2,254,165.63	3,128,331.26
04/01/2019		846,565.63	846,565.63	
10/01/2019	1,435,000	846,565.63	2,281,565.63	3,128,131.26
04/01/2020		817,865.63	817,865.63	
10/01/2020	1,495,000	817,865.63	2,312,865.63	3,130,731.26
04/01/2021		787,965.63	787,965.63	
10/01/2021	1,555,000	787,965.63	2,342,965.63	3,130,931.26
04/01/2022		756,865.63	756,865.63	
10/01/2022	1,615,000	756,865.63	2,371,865.63	3,128,731.26
04/01/2023		716,490.63	716,490.63	
10/01/2023	1,695,000	716,490.63	2,411,490.63	3,127,981.26
04/01/2024		674,115.63	674,115.63	
10/01/2024	1,780,000	674,115.63	2,454,115.63	3,128,231.26
04/01/2025		629,615.63	629,615.63	
10/01/2025	1,870,000	629,615.63	2,499,615.63	3,129,231.26
04/01/2026		589,878.13	589,878.13	
10/01/2026	1,950,000	589,878.13	2,539,878.13	3,129,756.26
04/01/2027		548,440.63	548,440.63	
10/01/2027	2,030,000	548,440.63	2,578,440.63	3,126,881.26
04/01/2028		505,303.13	505,303.13	
10/01/2028	2,120,000	505,303.13	2,625,303.13	3,130,606.26
04/01/2029		460,253.13	460,253.13	
10/01/2029	2,210,000	460,253.13	2,670,253.13	3,130,506.26
04/01/2030		410,528.13	410,528.13	
10/01/2030	2,305,000	410,528.13	2,715,528.13	3,126,056.26
04/01/2031		358,665.63	358,665.63	
10/01/2031	2,410,000	358,665.63	2,768,665.63	3,127,331.26
04/01/2032		304,440.63	304,440.63	
10/01/2032	2,520,000	304,440.63	2,824,440.63	3,128,881.26
04/01/2033		247,740.63	247,740.63	
10/01/2033	2,635,000	247,740.63	2,882,740.63	3,130,481.26
04/01/2034		188,453.13	188,453.13	
10/01/2034	2,750,000	188,453.13	2,938,453.13	3,126,906.26
04/01/2035		128,296.88	128,296.88	
10/01/2035	2,870,000	128,296.88	2,998,296.88	3,126,593.76
04/01/2036		65,515.63	65,515.63	
10/01/2036	2,995,000	65,515.63	3,060,515.63	3,126,031.26
	42,200,000	22,568,753.33	64,768,753.33	64,768,753.33

SAVINGS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Date	Prior Debt Service	Prior Receipts	Prior Net Cash Flow	Refunding Debt Service	Savings	Present Value to 04/20/2016 @ 2.5218822%
10/01/2016	2,197,340.63	632,500.00	1,564,840.63	1,291,785.03	273,055.60	262,962.89
10/01/2017	3,129,081.26		3,129,081.26	2,519,805.60	609,275.66	592,670.57
10/01/2018	3,128,331.26		3,128,331.26	2,518,514.40	609,816.86	578,348.32
10/01/2019	3,128,131.26		3,128,131.26	2,518,305.60	609,825.66	563,949.96
10/01/2020	3,130,731.26		3,130,731.26	2,521,129.60	609,601.66	549,694.84
10/01/2021	3,130,931.26		3,130,931.26	2,521,887.20	609,044.06	535,501.52
10/01/2022	3,128,731.26		3,128,731.26	2,519,603.20	609,128.06	522,212.64
10/01/2023	3,127,981.26		3,127,981.26	2,518,327.20	609,654.06	509,528.43
10/01/2024	3,128,231.26		3,128,231.26	2,519,009.60	609,221.66	496,361.56
10/01/2025	3,129,231.26		3,129,231.26	2,519,576.00	609,655.26	484,202.17
10/01/2026	3,129,756.26		3,129,756.26	2,520,001.60	609,754.66	472,135.16
10/01/2027	3,126,881.26		3,126,881.26	2,517,261.60	609,619.66	460,182.34
10/01/2028	3,130,606.26		3,130,606.26	2,521,405.60	609,200.66	448,313.54
10/01/2029	3,130,506.26		3,130,506.26	2,521,235.20	609,271.06	437,088.44
10/01/2030	3,126,056.26		3,126,056.26	2,516,824.80	609,231.46	426,032.18
10/01/2031	3,127,331.26		3,127,331.26	2,518,248.80	609,082.46	415,167.86
10/01/2032	3,128,881.26		3,128,881.26	2,519,333.60	609,547.66	404,972.94
10/01/2033	3,130,481.26		3,130,481.26	2,521,054.40	609,426.86	394,635.31
10/01/2034	3,126,906.26		3,126,906.26	2,517,361.60	609,544.66	384,696.66
10/01/2035	3,126,593.76		3,126,593.76	2,517,354.40	609,239.36	374,746.72
10/01/2036	3,126,031.26		3,126,031.26	2,516,908.80	609,122.46	365,152.10
	64,768,753.33	632,500.00	64,136,253.33	51,674,933.83	12,461,319.50	9,678,556.17

Savings Summary

Dated Date	04/20/2016
Delivery Date	04/20/2016
PV of savings from cash flow	9,678,556.17
Less: Prior funds on hand	(3,130,931.26)
Net PV Savings	6,547,624.91

SUMMARY OF REFUNDING RESULTS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date	04/20/2016
Delivery Date	04/20/2016
Arbitrage yield	2.480074%
Escrow yield	0.606019%
Value of Negative Arbitrage	745,172.60
Bond Par Amount	40,193,000.00
True Interest Cost	2.486528%
Net Interest Cost	2.480000%
All-In TIC	2.521882%
Average Coupon	2.480000%
Average Life	11.519
Par amount of refunded bonds	42,200,000.00
Average coupon of refunded bonds	4.431165%
Average life of refunded bonds	12.017
PV of prior debt to 04/20/2016 @ 2.521882%	50,342,504.92
Net PV Savings	6,547,624.91
Percentage savings of refunded bonds	15.515699%

ESCROW REQUIREMENTS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Prior Debt (2007)

Period Ending	Principal	Interest	Principal Redeemed	Total
10/01/2016	1,265,000.00	932,340.63		2,197,340.63
04/01/2017		907,040.63	40,935,000.00	41,842,040.63
	1,265,000.00	1,839,381.26	40,935,000.00	44,039,381.26

ESCROW DESCRIPTIONS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
Apr 20, 2016:						
SLGS	Certificate	10/01/2016	10/01/2016	2,193,398	0.400%	0.400%
SLGS	Certificate	04/01/2017	04/01/2017	41,601,481	0.610%	0.610%
				43,794,879		

SLGS Summary

SLGS Rates File 29MAR16
Total Certificates of Indebtedness 43,794,879.00

ESCROW DESCRIPTIONS DETAIL

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

	Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
DSF, Apr 20, 2016:							
	SLGS	Certificate	10/01/2016	10/01/2016	632,498.99	0.400%	0.400%
DSRF, Apr 20, 2016:							
	SLGS	Certificate	10/01/2016	10/01/2016	113,225.17	0.400%	0.400%
	SLGS	Certificate	04/01/2017	04/01/2017	3,017,706.09	0.610%	0.610%
					3,130,931.26		
BP, Apr 20, 2016:							
	SLGS	Certificate	10/01/2016	10/01/2016	1,447,673.84	0.400%	0.400%
	SLGS	Certificate	04/01/2017	04/01/2017	38,583,774.91	0.610%	0.610%
					40,031,448.75		
					43,794,879.00		

SLGS Summary

SLGS Rates File	29MAR16
Total Certificates of Indebtedness	43,794,879.00

ESCROW COST

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
SLGS	10/01/2016	2,193,398	0.400%	2,193,398.00
SLGS	04/01/2017	41,601,481	0.610%	41,601,481.00
				<hr/>
				43,794,879
				<hr/>
				43,794,879.00

Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost
04/20/2016	43,794,879	1.01	43,794,880.01
<hr/>			
	43,794,879	1.01	43,794,880.01
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ESCROW COST DETAIL

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
DSF:				
SLGS	10/01/2016	632,498.99	0.400%	632,498.99
DSRF:				
SLGS	10/01/2016	113,225.17	0.400%	113,225.17
SLGS	04/01/2017	3,017,706.09	0.610%	3,017,706.09
		3,130,931.26		3,130,931.26
BP:				
SLGS	10/01/2016	1,447,673.84	0.400%	1,447,673.84
SLGS	04/01/2017	38,583,774.91	0.610%	38,583,774.91
		40,031,448.75		40,031,448.75
		43,794,879.00		43,794,879.00

Escrow	Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
DSF	04/20/2016	632,498.99	1.01	632,500.00	0.401916%
DSRF	04/20/2016	3,130,931.26		3,130,931.26	0.606019%
BP	04/20/2016	40,031,448.75		40,031,448.75	0.606019%
		43,794,879.00	1.01	43,794,880.01	

ESCROW CASH FLOW

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Date	Principal	Interest	Net Escrow Receipts
10/01/2016	2,193,398.00	3,942.11	2,197,340.11
04/01/2017	41,601,481.00	240,559.14	41,842,040.14
	43,794,879.00	244,501.25	44,039,380.25

Escrow Cost Summary

Purchase date	04/20/2016
Purchase cost of securities	43,794,879.00

ESCROW SUFFICIENCY

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds, Series 2007
FINAL NUMBERS, As of March 29, 2016

Ameris Bank @ 2.48%

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
04/20/2016		1.01	1.01	1.01
10/01/2016	2,197,340.63	2,197,340.11	(0.52)	0.49
04/01/2017	41,842,040.63	41,842,040.14	(0.49)	
	44,039,381.26	44,039,381.26	0.00	

ESCROW STATISTICS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS As of March 29, 2016

Ameris Bank @ 2.48%

Escrow	Total Escrow Cost	Modified Duration (years)	Yield to Receipt Date	Yield to Disbursement Date	Perfect Escrow Cost	Value of Negative Arbitrage	Cost of Dead Time
DSF	632,500.00	0.446	0.401916%	0.401916%	626,690.40	5,809.59	0.01
DSRF	3,130,931.26	0.926	0.606019%	0.606019%	3,077,299.03	53,632.23	
BP	40,031,448.75	0.926	0.606019%	0.606019%	39,345,717.96	685,730.78	0.01
	43,794,880.01				43,049,707.39	745,172.60	0.02

Delivery date 04/20/2016
Arbitrage yield 2.480074%

Cash Flow and Yield Verification Report

City of Palm Coast, Florida

April 20, 2016

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Exhibit A	Schedule of Sources and Uses of Funds
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Exhibit B-3	Cash Receipts From and Yield on the SLGS Purchased with Debt Service Reserve Funds
Exhibit B-4	Debt Service Payments on the Refunded Bonds and Debt Service Payments to Maturity on the Refunded Bonds
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Appendix I	Applicable schedules provided by FirstSouthwest, A Division of Hilltop Securities Inc.



Grant Thornton

Report of Independent Certified Public Accountants On Applying Agreed-Upon Procedures

City of Palm Coast
160 Lake Avenue
Palm Coast, Florida

Bryant Miller Olive, P.A.
255 South Orange Avenue, Suite 1350
Orlando, Florida

Wells Fargo Bank, N.A.
Ten South Wacker Drive, 13th Floor
Chicago, Illinois

FirstSouthwest, a Division
of Hilltop Securities Inc.
450 South Orange Avenue, Suite 460
Orlando, Florida

\$40,193,000

City of Palm Coast, Florida
Utility System Refunding Revenue Note, Series 2016
Dated April 20, 2016

We have performed the procedures described in this report, which were agreed to by the City of Palm Coast, Florida (the "City") and FirstSouthwest, a Division of Hilltop Securities Inc. (the "Financial Advisor"), to verify the mathematical accuracy of certain computations contained in the schedules attached in Appendix I provided by the Financial Advisor. The Financial Advisor is responsible for these schedules. These procedures were performed solely to assist you in the issuance of the above-captioned issue (the "Note") for the purpose of refunding the City's outstanding Utility System Revenue Bonds, Series 2007 (the "Refunded Bonds") as summarized on the next page. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the addressees of this report who are the specified parties. Consequently, we make no representation regarding the sufficiency of the procedures described in this report either for the purpose for which this report has been requested or for any other purpose.

Grant Thornton LLP
200 S 6th Street, Suite 1400
Minneapolis, MN 55402-1434

T 612.332.0001
F 612.332.8361
GrantThornton.com
lnkd.in/g/GrantThorntonUS
twitter.com/GrantThorntonUS

<u>Series</u>	<u>Principal Issued</u>	<u>Dated</u>	<u>Principal Refunded</u>	<u>Maturities Refunded</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
2007	\$49,840,000	January 25, 2007	\$42,200,000	10-1-16 to 10-1-21, 10-1-24, 10-1-28, 10-1-33 and 10-1-36	4-1-17	100%

VERIFICATION OF ESCROW ACCOUNT CASH FLOW SUFFICIENCY

The Financial Advisor provided us with schedules (Appendix I) summarizing future escrow account cash receipts and disbursements. These schedules indicate that there will be sufficient cash available in the escrow account to pay the principal and interest on the Refunded Bonds assuming the Refunded Bonds maturing on and after October 1, 2017 will be redeemed on April 1, 2017 at 100 percent of par plus accrued interest.

The attached Exhibit A (Schedule of Sources and Uses of Funds) was compiled based upon information provided by the Financial Advisor.

As part of our engagement to recalculate the schedules attached as Appendix I we prepared schedules attached hereto as Exhibits B through B-4 independently calculating future escrow account cash receipts and disbursements and compared the information used in our calculations to the information listed below contained in applicable pages of the following documents:

- Subscription confirmation, dated March 29, 2016, and Schedule of U.S. Treasury Securities provided by the Financial Advisor used to acquire certain United States Treasury Securities - State and Local Government Series (the "SLGS") insofar as the SLGS are described as to the principal amounts, interest rates, maturity dates and issuance date; and
- Official Statement for the Refunded Bonds provided by the Financial Advisor insofar as the Refunded Bonds are described as to the maturity and interest payment dates, principal amounts, interest rates and optional redemption date and price.

In addition, we compared the interest rates for each maturity of the SLGS, as shown on the Schedule of U.S. Treasury Securities, with the maximum allowable interest rates shown on the Department of Treasury, Bureau of Public Debt, SLGS Table for use on March 29, 2016 and found that the interest rates were equal to the maximum allowable interest rates for each maturity.

Our procedures, as summarized in Exhibits B through B-4, prove the mathematical accuracy of the schedules provided by the Financial Advisor summarizing future escrow account cash receipts and disbursements. The schedules provided by the Financial Advisor and those prepared by us reflect that the anticipated receipts from the SLGS, together with an initial cash deposit of \$1.01 to be deposited into the escrow account on April 20, 2016, will be sufficient to pay, when due, the principal and interest related to the Refunded Bonds assuming the Refunded Bonds maturing on and after October 1, 2017 will be redeemed on April 1, 2017 at 100 percent of par plus accrued interest.

VERIFICATION OF YIELDS

The Financial Advisor provided us with schedules (Appendix I) which indicate that (i) the yield on the cash receipts from the SLGS purchased with Note proceeds is less than the yield on the Note, and (ii) the yield on the cash receipts from the SLGS purchased with Debt Service Reserve Funds is less than the yield on the 2007 Bonds. These schedules were prepared based on the assumed settlement date of April 20, 2016 using a 360-day year with interest compounded semi-annually. The term "yield", as used herein, means that yield which, when used in computing the present value of all payments of principal and interest to be paid or received on an obligation produces an amount equal to, in the case of the cash receipts from the SLGS purchased with Note proceeds and Debt Service Reserve Funds, the purchase prices, and in the case of the Note, the issue price.

As part of our engagement to recalculate the schedules attached as Appendix I we prepared schedules attached hereto as Exhibits B-1, B-3 and C independently calculating the yields on (i) the cash receipts from the SLGS purchased with Note proceeds calculated on Exhibit B-1, (ii) the cash receipts from the SLGS purchased with Debt Service Reserve Funds calculated on Exhibit B-3, and (iii) the Note using schedules provided by the Financial Advisor insofar as the Note is described as to the maturity and interest payment dates, dated date, principal amounts, interest rate and issue price. The results of our calculations, based on the aforementioned assumptions, are summarized below:

	<u>Yield</u>	<u>Exhibit</u>
• Yield on the cash receipts from the SLGS purchased with Note proceeds	0.606019%	B-1
• Yield on the Note	2.480074%	C
• Yield on the cash receipts from the SLGS purchased with Debt Service Reserve Funds	0.606019%	B-3
• Yield on the 2007 Bonds	4.3388%	*

* As shown on the Form 8038-G provided by the Financial Advisor.

Our procedures, as summarized in Exhibits B-1, B-3 and C, prove the mathematical accuracy of the schedules provided by the Financial Advisor summarizing the yields. The schedules provided by the Financial Advisor and those prepared by us reflect that (i) the yield on the cash receipts from the SLGS purchased with Note proceeds is less than the yield on the Note, and (ii) the yield on the cash receipts from the SLGS purchased with Debt Service Reserve Funds is less than the yield on the 2007 Bonds.

* * * * *

We were not engaged to, and did not, conduct an examination or a review in accordance with attestation standards established by the American Institute of Certified Public Accountants, the objective of which would be the expression of an examination opinion or limited assurance on the items referred to above. Accordingly we do not express such an opinion or limited assurance. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of those to whom this letter is addressed and is not intended to be and should not be used by anyone other than these specified parties.

Deant Thonta CPA

Minneapolis, Minnesota
April 20, 2016

City of Palm Coast, Florida

SCHEDULE OF SOURCES AND USES OF FUNDS

April 20, 2016

SOURCES:

Principal amount of the Note	\$40,193,000.00
Debt Service Fund	632,500.00
Prior Reserve Fund	3,130,931.26
	<u>\$43,956,431.26</u>

USES:

Purchase price of the SLGS:	
- Purchased with Note proceeds	\$40,031,448.75
- Purchased with Debt Service Funds	632,498.99
- Purchased with Debt Service Reserve Funds	3,130,931.26
Beginning cash deposit to the escrow account	1.01
Costs of issuance	161,551.25
	<u>\$43,956,431.26</u>

City of Palm Coast, Florida
ESCROW ACCOUNT CASH FLOW

Dates	Cash receipts from SLGS:				Cash balance
	Purchased with Note proceeds (Exhibit B-1)	Purchased with Debt Service Funds (Exhibit B-2)	Purchased with Debt Service Reserve Funds (Exhibit B-2)	Debt service payments on Refunded Bonds (Exhibit B-3)	
Cash deposit on April 20, 2016					\$1.01
10-01-16	\$1,450,275.68	\$633,635.76	\$113,428.67	\$2,197,340.63	0.49
04-01-17	38,806,884.27		3,035,155.87	41,842,040.63	0.00
	<u>\$40,257,159.95</u>	<u>\$633,635.76</u>	<u>\$3,148,584.54</u>	<u>\$44,039,381.26</u>	

City of Palm Coast, Florida

CASH RECEIPTS FROM AND YIELD ON THE SLGS
PURCHASED WITH NOTE PROCEEDS

Receipt date	Principal	Interest rate	Interest	Cash receipts from SLGS purchased with Note proceeds	Present value on April 20, 2016 using a yield of 0.606019%
10-01-16	\$1,447,673.84	0.400%	\$2,601.84	\$1,450,275.68	\$1,446,356.32
04-01-17	38,583,774.91	0.610%	223,109.36	38,806,884.27	38,585,092.43
	<u>\$40,031,448.75</u>		<u>\$225,711.20</u>	<u>\$40,257,159.95</u>	<u>\$40,031,448.75</u>
Purchase price of the SLGS purchased with Note proceeds					<u>\$40,031,448.75</u>

The sum of the present values of the cash receipts from the SLGS purchased with Note proceeds on April 20, 2016, using a yield of 0.606019%, is equal to the purchase price of the SLGS purchased with Note proceeds.

City of Palm Coast, Florida

CASH RECEIPT FROM THE SLGS PURCHASED
WITH DEBT SERVICE FUNDS

<u>Receipt date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Interest</u>	Cash receipt from SLGS purchased with Debt Service Funds
10-01-16	<u>\$632,498.99</u>	0.400%	<u>\$1,136.77</u>	<u>\$633,635.76</u>

City of Palm Coast, Florida

**CASH RECEIPTS FROM AND YIELD ON THE SLGS
PURCHASED WITH DEBT SERVICE RESERVE FUNDS**

Receipt date	Principal	Interest rate	Interest	Cash receipts from SLGS purchased with Debt Service Reserve Funds	Present value on April 20, 2016 using a yield of 0.606019%
10-01-16	\$113,225.17	0.400%	\$203.50	\$113,428.67	\$113,122.13
04-01-17	3,017,706.09	0.610%	17,449.78	3,035,155.87	3,017,809.13
	<u>\$3,130,931.26</u>		<u>\$17,653.28</u>	<u>\$3,148,584.54</u>	<u>\$3,130,931.26</u>
Purchase price of the SLGS purchased with Debt Service Reserve Funds					<u>\$3,130,931.26</u>

The sum of the present values of the cash receipts from the SLGS purchased with Debt Service Reserve Funds on April 20, 2016, using a yield of 0.606019%, is equal to the purchase price of the SLGS purchased with Debt Service Reserve Funds.

City of Palm Coast, Florida

**DEBT SERVICE PAYMENTS ON THE REFUNDED BONDS AND
DEBT SERVICE PAYMENTS TO MATURITY ON THE REFUNDED BONDS**

<u>Date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Interest</u>	<u>Debt service payments</u>
10-01-16	\$1,265,000	4.000%	\$932,340.63	\$2,197,340.63
04-01-17	40,935,000	(1)	907,040.63	41,842,040.63
	<u>\$42,200,000</u>		<u>\$1,839,381.26</u>	<u>\$44,039,381.26</u>

(1) Actual maturity dates, principal amounts and interest rates are as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Interest</u>	<u>Debt service payments to maturity</u>
10-01-16	\$1,265,000	4.000%	\$932,340.63	\$2,197,340.63
04-01-17			907,040.63	907,040.63
10-01-17	1,315,000	5.000%	907,040.63	2,222,040.63
04-01-18			874,165.63	874,165.63
10-01-18	1,380,000	4.000%	874,165.63	2,254,165.63
04-01-19			846,565.63	846,565.63
10-01-19	1,435,000	4.000%	846,565.63	2,281,565.63
04-01-20			817,865.63	817,865.63
10-01-20	1,495,000	4.000%	817,865.63	2,312,865.63
04-01-21			787,965.63	787,965.63
10-01-21	1,555,000	4.000%	787,965.63	2,342,965.63
04-01-22			756,865.63	756,865.63
10-01-22	1,615,000	5.000%	756,865.63	2,371,865.63
04-01-23			716,490.63	716,490.63
10-01-23	1,695,000	5.000%	716,490.63	2,411,490.63
04-01-24			674,115.63	674,115.63
10-01-24	1,780,000	5.000%	674,115.63	2,454,115.63
04-01-25			629,615.63	629,615.63
10-01-25	1,870,000	4.250%	629,615.63	2,499,615.63
04-01-26			589,878.13	589,878.13
10-01-26	1,950,000	4.250%	589,878.13	2,539,878.13
04-01-27			548,440.63	548,440.63
10-01-27	2,030,000	4.250%	548,440.63	2,578,440.63
04-01-28			505,303.13	505,303.13

City of Palm Coast, Florida

DEBT SERVICE PAYMENTS ON THE REFUNDED BONDS AND
DEBT SERVICE PAYMENTS TO MATURITY ON THE REFUNDED BONDS

<u>Date</u>	<u>Principal</u>	<u>Interest rate</u>	<u>Interest</u>	<u>Debt service payments to maturity</u>
10-01-28	2,120,000	4.250%	505,303.13	2,625,303.13
04-01-29			460,253.13	460,253.13
10-01-29	2,210,000	4.500%	460,253.13	2,670,253.13
04-01-30			410,528.13	410,528.13
10-01-30	2,305,000	4.500%	410,528.13	2,715,528.13
04-01-31			358,665.63	358,665.63
10-01-31	2,410,000	4.500%	358,665.63	2,768,665.63
04-01-32			304,440.63	304,440.63
10-01-32	2,520,000	4.500%	304,440.63	2,824,440.63
04-01-33			247,740.63	247,740.63
10-01-33	2,635,000	4.500%	247,740.63	2,882,740.63
04-01-34			188,453.13	188,453.13
10-01-34	2,750,000	4.375%	188,453.13	2,938,453.13
04-01-35			128,296.88	128,296.88
10-01-35	2,870,000	4.375%	128,296.88	2,998,296.88
04-01-36			65,515.63	65,515.63
10-01-36	2,995,000	4.375%	65,515.63	3,060,515.63
	<u>\$42,200,000</u>		<u>\$22,568,753.33</u>	<u>\$64,768,753.33</u>

City of Palm Coast, Florida

DEBT SERVICE PAYMENTS AND YIELD ON THE NOTE

Date	\$40,193,000 issue dated April 20, 2016			Total debt service	Present value on April 20, 2016 using a yield of 2.480074%
	Principal	Interest rate	Interest		
10-01-16	\$846,000	2.480%	\$445,785.03	\$1,291,785.03	\$1,277,623.57
04-01-17			487,902.80	487,902.80	476,643.51
10-01-17	1,544,000	2.480%	487,902.80	2,031,902.80	1,960,699.36
04-01-18			468,757.20	468,757.20	446,790.30
10-01-18	1,581,000	2.480%	468,757.20	2,049,757.20	1,929,771.59
04-01-19			449,152.80	449,152.80	417,681.56
10-01-19	1,620,000	2.480%	449,152.80	2,069,152.80	1,900,603.21
04-01-20			429,064.80	429,064.80	389,286.63
10-01-20	1,663,000	2.480%	429,064.80	2,092,064.80	1,874,862.56
04-01-21			408,443.60	408,443.60	361,554.78
10-01-21	1,705,000	2.480%	408,443.60	2,113,443.60	1,847,908.13
04-01-22			387,301.60	387,301.60	334,492.75
10-01-22	1,745,000	2.480%	387,301.60	2,132,301.60	1,819,004.43
04-01-23			365,663.60	365,663.60	308,116.22
10-01-23	1,787,000	2.480%	365,663.60	2,152,663.60	1,791,664.55
04-01-24			343,504.80	343,504.80	282,397.63
10-01-24	1,832,000	2.480%	343,504.80	2,175,504.80	1,766,590.89
04-01-25			320,788.00	320,788.00	257,301.17
10-01-25	1,878,000	2.480%	320,788.00	2,198,788.00	1,742,026.31
04-01-26			297,500.80	297,500.80	232,812.98
10-01-26	1,925,000	2.480%	297,500.80	2,222,500.80	1,717,942.74
04-01-27			273,630.80	273,630.80	208,919.72
10-01-27	1,970,000	2.480%	273,630.80	2,243,630.80	1,692,051.44
04-01-28			249,202.80	249,202.80	185,636.25
10-01-28	2,023,000	2.480%	249,202.80	2,272,202.80	1,671,878.33
04-01-29			224,117.60	224,117.60	162,885.06
10-01-29	2,073,000	2.480%	224,117.60	2,297,117.60	1,649,059.08
04-01-30			198,412.40	198,412.40	140,692.03
10-01-30	2,120,000	2.480%	198,412.40	2,318,412.40	1,623,824.49
04-01-31			172,124.40	172,124.40	119,079.92
10-01-31	2,174,000	2.480%	172,124.40	2,346,124.40	1,603,226.35
04-01-32			145,166.80	145,166.80	97,984.82
10-01-32	2,229,000	2.480%	145,166.80	2,374,166.80	1,582,888.93
04-01-33			117,527.20	117,527.20	77,397.21

City of Palm Coast, Florida

DEBT SERVICE PAYMENTS AND YIELD ON THE NOTE

Date	\$40,193,000 issue dated April 20, 2016			Total debt service	Present value on April 20, 2016 using a yield of 2.480074%
	Principal	Interest rate	Interest		
10-01-33	2,286,000	2.480%	117,527.20	2,403,527.20	1,563,448.80
04-01-34			89,180.80	89,180.80	57,299.88
10-01-34	2,339,000	2.480%	89,180.80	2,428,180.80	1,541,029.86
04-01-35			60,177.20	60,177.20	37,723.30
10-01-35	2,397,000	2.480%	60,177.20	2,457,177.20	1,521,464.83
04-01-36			30,454.40	30,454.40	18,626.15
10-01-36	2,456,000	2.480%	30,454.40	2,486,454.40	1,502,108.66
	<u>\$40,193,000</u>		<u>\$11,481,933.83</u>	<u>\$51,674,933.83</u>	<u>\$40,193,000.00</u>

The present value of the future payments is equal to:

Principal amount of the Note

\$40,193,000.00

The sum of the present values of the debt service payments of the Note on April 20, 2016, using a yield of 2.480074%, is equal to the issue price of the Note.

APPENDIX I

Applicable schedules provided by
FirstSouthwest, a Division of Hilltop Securities Inc.



SOURCES AND USES OF FUNDS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Sources:

Bond Proceeds:	
Par Amount	40,193,000.00
Other Sources of Funds:	
Debt Service Fund	632,500.00
Prior Reserve Fund	3,130,931.26
	<u>3,763,431.26</u>
	43,956,431.26

Uses:

Refunding Escrow Deposits:	
Cash Deposit	1.01
SLGS Purchases	43,794,879.00
	<u>43,794,880.01</u>
Delivery Date Expenses:	
Cost of Issuance	161,551.25
	<u>43,956,431.26</u>

ESCROW SUFFICIENCY

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Amers Bank @ 2.48%

Date	Escrow Requirement	Net Escrow Receipts	Excess Receipts	Excess Balance
04/20/2016		1.01	1.01	1.01
10/01/2016	2,197,340.63	2,197,340.11	(0.52)	0.49
04/01/2017	41,842,040.63	41,842,040.14	(0.49)	
	44,039,381.26	44,039,381.26	0.00	

ESCROW CASH FLOW

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Date	Principal	Interest	Net Escrow Receipts
10/01/2016	2,193,398.00	3,942.11	2,197,340.11
04/01/2017	41,601,481.00	240,559.14	41,842,040.14
	43,794,879.00	244,501.25	44,039,380.25

Escrow Cost Summary

Purchase date 04/20/2016
Purchase cost of securities 43,794,879.00

ESCROW COST DETAIL

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Type of Security	Maturity Date	Par Amount	Rate	Total Cost
DSF:				
SLGS	10/01/2016	632,498.99	0.400%	632,498.99
DSRF:				
SLGS	10/01/2016	113,225.17	0.400%	113,225.17
SLGS	04/01/2017	3,017,706.09	0.610%	3,017,706.09
		3,130,931.26		3,130,931.26
BP:				
SLGS	10/01/2016	1,447,673.84	0.400%	1,447,673.84
SLGS	04/01/2017	38,583,774.91	0.610%	38,583,774.91
		40,031,448.75		40,031,448.75
		43,794,879.00		43,794,879.00

Escrow	Purchase Date	Cost of Securities	Cash Deposit	Total Escrow Cost	Yield
DSF	04/20/2016	632,498.99	1.01	632,500.00	0.401916%
DSRF	04/20/2016	3,130,931.26		3,130,931.26	0.606019%
BP	04/20/2016	40,031,448.75		40,031,448.75	0.606019%
		43,794,879.00	1.01	43,794,880.01	

ESCROW DESCRIPTIONS DETAIL

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Type of Security	Type of SLGS	Maturity Date	First Int Pmt Date	Par Amount	Rate	Max Rate
DSF, Apr 20, 2016:						
SLGS	Certificate	10/01/2016	10/01/2016	632,498.99	0.400%	0.400%
DSRF, Apr 20, 2016:						
SLGS	Certificate	10/01/2016	10/01/2016	113,225.17	0.400%	0.400%
SLGS	Certificate	04/01/2017	04/01/2017	3,017,706.09	0.610%	0.610%
				3,130,931.26		
BP, Apr 20, 2016:						
SLGS	Certificate	10/01/2016	10/01/2016	1,447,673.84	0.400%	0.400%
SLGS	Certificate	04/01/2017	04/01/2017	38,583,774.91	0.610%	0.610%
				40,031,448.75		
				43,794,879.00		

SLGS Summary

SLGS Rates File
Total Certificates of Indebtedness

29MAR16
43,794,879.00

ESCROW REQUIREMENTS

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Prior Debt (2007)

Period Ending	Principal	Interest	Principal Redeemed	Total
10/01/2016	1,265,000.00	932,340.63		2,197,340.63
04/01/2017		907,040.63	40,935,000.00	41,842,040.63
	1,265,000.00	1,839,381.26	40,935,000.00	44,039,381.26

SUMMARY OF BONDS REFUNDED

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Amcris Bank @ 2.48%

Bond	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Utility System Revenue Bonds, Series 2007, 2007:					
BOND	10/01/2016	4.000%	1,265,000.00		
	10/01/2017	5.000%	1,315,000.00	04/01/2017	100.000
	10/01/2018	4.000%	1,380,000.00	04/01/2017	100.000
	10/01/2019	4.000%	1,435,000.00	04/01/2017	100.000
	10/01/2020	4.000%	1,495,000.00	04/01/2017	100.000
TERM24	10/01/2021	4.000%	1,555,000.00	04/01/2017	100.000
	10/01/2022	5.000%	1,615,000.00	04/01/2017	100.000
	10/01/2023	5.000%	1,695,000.00	04/01/2017	100.000
	10/01/2024	5.000%	1,780,000.00	04/01/2017	100.000
TERM28	10/01/2025	4.250%	1,870,000.00	04/01/2017	100.000
	10/01/2026	4.250%	1,950,000.00	04/01/2017	100.000
	10/01/2027	4.250%	2,030,000.00	04/01/2017	100.000
TERM33	10/01/2028	4.250%	2,120,000.00	04/01/2017	100.000
	10/01/2029	4.500%	2,210,000.00	04/01/2017	100.000
	10/01/2030	4.500%	2,305,000.00	04/01/2017	100.000
	10/01/2031	4.500%	2,410,000.00	04/01/2017	100.000
TERM36	10/01/2032	4.500%	2,520,000.00	04/01/2017	100.000
	10/01/2033	4.500%	2,635,000.00	04/01/2017	100.000
	10/01/2034	4.375%	2,750,000.00	04/01/2017	100.000
	10/01/2035	4.375%	2,870,000.00	04/01/2017	100.000
	10/01/2036	4.375%	2,995,000.00	04/01/2017	100.000
			42,200,000.00		



BOND DEBT SERVICE

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Dated Date 04/20/2016
Delivery Date 04/20/2016

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
10/01/2016	846,000	445,785.03	1,291,785.03	1,291,785.03
04/01/2017		487,902.80	487,902.80	
10/01/2017	1,544,000	487,902.80	2,031,902.80	2,519,805.60
04/01/2018		468,757.20	468,757.20	
10/01/2018	1,581,000	468,757.20	2,049,757.20	2,518,514.40
04/01/2019		449,152.80	449,152.80	
10/01/2019	1,620,000	449,152.80	2,069,152.80	2,518,305.60
04/01/2020		429,064.80	429,064.80	
10/01/2020	1,663,000	429,064.80	2,092,064.80	2,521,129.60
04/01/2021		408,443.60	408,443.60	
10/01/2021	1,705,000	408,443.60	2,113,443.60	2,521,887.20
04/01/2022		387,301.60	387,301.60	
10/01/2022	1,745,000	387,301.60	2,132,301.60	2,519,603.20
04/01/2023		365,663.60	365,663.60	
10/01/2023	1,787,000	365,663.60	2,152,663.60	2,518,327.20
04/01/2024		343,504.80	343,504.80	
10/01/2024	1,832,000	343,504.80	2,175,504.80	2,519,009.60
04/01/2025		320,788.00	320,788.00	
10/01/2025	1,878,000	320,788.00	2,198,788.00	2,519,576.00
04/01/2026		297,500.80	297,500.80	
10/01/2026	1,925,000	297,500.80	2,222,500.80	2,520,001.60
04/01/2027		273,630.80	273,630.80	
10/01/2027	1,970,000	273,630.80	2,243,630.80	2,517,261.60
04/01/2028		249,202.80	249,202.80	
10/01/2028	2,023,000	249,202.80	2,272,202.80	2,521,405.60
04/01/2029		224,117.60	224,117.60	
10/01/2029	2,073,000	224,117.60	2,297,117.60	2,521,235.20
04/01/2030		198,412.40	198,412.40	
10/01/2030	2,120,000	198,412.40	2,318,412.40	2,516,824.80
04/01/2031		172,124.40	172,124.40	
10/01/2031	2,174,000	172,124.40	2,346,124.40	2,518,248.80
04/01/2032		145,166.80	145,166.80	
10/01/2032	2,229,000	145,166.80	2,374,166.80	2,519,333.60
04/01/2033		117,527.20	117,527.20	
10/01/2033	2,286,000	117,527.20	2,403,527.20	2,521,054.40
04/01/2034		89,180.80	89,180.80	
10/01/2034	2,339,000	89,180.80	2,428,180.80	2,517,361.60
04/01/2035		60,177.20	60,177.20	
10/01/2035	2,397,000	60,177.20	2,457,177.20	2,517,354.40
04/01/2036		30,454.40	30,454.40	
10/01/2036	2,456,000	30,454.40	2,486,454.40	2,516,908.80
	40,193,000	11,481,933.83	51,674,933.83	51,674,933.83

PROOF OF ARBITRAGE YIELD

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Aments Bank @ 2.48%

Date	Debt Service	Present Value to 04/20/2016 @ 2.4800741214%
10/01/2016	1,291,785.03	1,277,623.57
04/01/2017	487,902.80	476,643.51
10/01/2017	2,031,902.80	1,960,699.36
04/01/2018	468,757.20	446,790.30
10/01/2018	2,049,757.20	1,929,771.59
04/01/2019	449,152.80	417,681.36
10/01/2019	2,069,152.80	1,900,603.21
04/01/2020	429,064.80	389,286.63
10/01/2020	2,092,064.80	1,874,862.56
04/01/2021	408,443.60	361,554.78
10/01/2021	2,113,443.60	1,847,908.13
04/01/2022	387,301.60	334,492.75
10/01/2022	2,132,301.60	1,819,004.43
04/01/2023	365,663.60	308,116.22
10/01/2023	2,152,663.60	1,791,664.55
04/01/2024	343,504.80	282,397.63
10/01/2024	2,175,504.80	1,766,590.89
04/01/2025	320,788.00	257,301.17
10/01/2025	2,198,788.00	1,742,026.31
04/01/2026	297,500.80	232,812.98
10/01/2026	2,222,500.80	1,717,942.74
04/01/2027	273,630.80	208,919.72
10/01/2027	2,243,630.80	1,692,051.44
04/01/2028	249,202.80	185,636.25
10/01/2028	2,272,202.80	1,671,878.33
04/01/2029	224,117.60	162,885.06
10/01/2029	2,297,117.60	1,649,059.08
04/01/2030	198,412.40	140,692.03
10/01/2030	2,318,412.40	1,623,824.49
04/01/2031	172,124.40	119,079.92
10/01/2031	2,346,124.40	1,603,226.35
04/01/2032	145,166.80	97,984.82
10/01/2032	2,374,166.80	1,582,888.93
04/01/2033	117,527.20	77,397.21
10/01/2033	2,403,527.20	1,563,448.80
04/01/2034	89,180.80	57,299.88
10/01/2034	2,428,180.80	1,541,029.86
04/01/2035	60,177.20	37,723.30
10/01/2035	2,457,177.20	1,521,464.83
04/01/2036	30,454.40	18,626.15
10/01/2036	2,486,454.40	1,502,108.66
	51,674,933.83	40,193,000.00

Proceeds Summary

Delivery date	04/20/2016
Par Value	40,193,000.00
Target for yield calculation	40,193,000.00

BOND PRICING

City of Palm Coast, FL
Utility System Revenue Refunding Note, Series 2016
Refunded Bonds: Series 2007
FINAL NUMBERS: As of March 29, 2016

Ameris Bank @ 2.48%

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Bond Component:					
	10/01/2016	846,000	2.480%	2.480%	100.000
	10/01/2017	1,544,000	2.480%	2.480%	100.000
	10/01/2018	1,581,000	2.480%	2.480%	100.000
	10/01/2019	1,620,000	2.480%	2.480%	100.000
	10/01/2020	1,663,000	2.480%	2.480%	100.000
	10/01/2021	1,705,000	2.480%	2.480%	100.000
	10/01/2022	1,745,000	2.480%	2.480%	100.000
	10/01/2023	1,787,000	2.480%	2.480%	100.000
	10/01/2024	1,832,000	2.480%	2.480%	100.000
	10/01/2025	1,878,000	2.480%	2.480%	100.000
	10/01/2026	1,925,000	2.480%	2.480%	100.000
	10/01/2027	1,970,000	2.480%	2.480%	100.000
	10/01/2028	2,023,000	2.480%	2.480%	100.000
	10/01/2029	2,073,000	2.480%	2.480%	100.000
	10/01/2030	2,120,000	2.480%	2.480%	100.000
	10/01/2031	2,174,000	2.480%	2.480%	100.000
	10/01/2032	2,229,000	2.480%	2.480%	100.000
	10/01/2033	2,286,000	2.480%	2.480%	100.000
	10/01/2034	2,339,000	2.480%	2.480%	100.000
	10/01/2035	2,397,000	2.480%	2.480%	100.000
	10/01/2036	2,456,000	2.480%	2.480%	100.000
		40,193,000			

Dated Date	04/20/2016	
Delivery Date	04/20/2016	
First Coupon	10/01/2016	
Par Amount	40,193,000.00	
Original Issue Discount		
Production	40,193,000.00	100.000000%
Underwriter's Discount		
Purchase Price	40,193,000.00	100.000000%
Accrued Interest		
Net Proceeds	40,193,000.00	