

RESOLUTION NO. 2012-05

**A RESOLUTION OF THE CITY OF MEXICO BEACH, FLORIDA;  
AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$2,153,000  
SUBORDINATE WATER AND SEWER SYSTEM REVENUE  
BOND ANTICIPATION NOTE, SERIES 2012; PROVIDING FOR  
THE FORM OF SUCH NOTE; PROVIDING FOR THE PAYMENT  
THEREOF AND ENTERING INTO CERTAIN COVENANTS  
AND AGREEMENTS WITH THE OWNER THEREOF;  
PROVIDING FOR THE NEGOTIATED AND PRIVATE SALE OF  
SUCH NOTE; FINDING THE NECESSITY OF A NEGOTIATED  
SALE; APPROVING THE SALE OF SAID NOTE TO THE  
ORIGINAL PURCHASER; PROVIDING FOR SEVERABILITY;  
PROVIDING AN EFFECTIVE DATE.**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MEXICO BEACH, FLORIDA  
AS FOLLOWS:

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Note Resolution is adopted pursuant to the provisions of the Florida Constitution; Chapter 166, Part II, Florida Statutes; the Charter of the City of Mexico Beach, Florida, as amended; and other applicable provisions of law (collectively, the "Act"); and Ordinance No. 337, enacted by the City of Mexico Beach, Florida (the "Issuer") on February 17, 1997, as amended by Ordinance No. 356, enacted by the Issuer on March 30, 1999 (collectively, the "Master Bond Ordinance"), as further amended and supplemented by Ordinance No. 589 enacted by the Issuer on March 13, 2012 (the "Supplemental Ordinance" and, together with the Master Bond Ordinance, the "Bond Ordinance").

SECTION 2. DEFINITIONS. The capitalized terms contained in this Note Resolution shall have the meaning attributable to the same capitalized terms in Section 1.03 of the Bond Ordinance.

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

A. On March 13, 2012, the Issuer enacted an ordinance entitled:

AN ORDINANCE SUPPLEMENTING AND AMENDING ORDINANCE NO. 337, AS PREVIOUSLY AMENDED; AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$2,153,000 SUBORDINATE WATER AND SEWER SYSTEM REVENUE BONDS TO FINANCE A PORTION OF THE COST OF THE MAKING OF CERTAIN IMPROVEMENTS TO THE WATER SYSTEM AND CERTAIN COSTS IN CONNECTION THEREWITH; PLEDGING A SUBORDINATE LIEN ON THE NET REVENUES OF THE WATER AND SEWER SYSTEM TO SECURE THE PAYMENT THEREOF; PROVIDING FOR THE ISSUANCE OF TEMPORARY BOND ANTICIPATION NOTES; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH AND PROVIDING AN EFFECTIVE DATE.

authorizing the issuance of not exceeding \$2,153,000 principal amount of City of Mexico Beach, Florida, Subordinate Water and Sewer System Revenue Bonds (the "Bonds") and City of Mexico Beach, Florida Subordinate Water and Sewer System Revenue Bond Anticipation Note (the "Note"), for the purpose of financing improvements to the Water System of the Issuer in accordance with plans and specifications prepared by the Issuer's Consulting Engineers on file from time to time (the "2012 Water System Project") with the City Clerk of the Issuer (the "City Clerk").

B. The Bonds and the interest thereon will be payable solely from and secured by a lien on the Pledged Revenues derived by the Issuer. Such lien on the Pledged Revenues shall be subordinate to the lien thereon of the Senior Lien Bonds and equal and ratable to the lien thereon of the Parity Bonds.

C. It is necessary and urgent that funds be made immediately available in order to provide money for the commencement of the 2012 Water System Project at this time. The Issuer has determined it to be in the best interest of the Issuer and its inhabitants that a fully registered interest bearing Note of the Issuer in the amount of not to exceed \$2,153,000 be authorized pursuant to this

Note Resolution and the Bond Ordinance in anticipation of the receipt by the Issuer of the proceeds from the sale of the Bonds. The principal of the Note to be issued pursuant to this Note Resolution will be payable solely from and secured by a lien upon and a pledge of the proceeds to be derived from the sale of the Bonds or such other bonds as the Issuer has covenanted herein to in good faith endeavor to issue, and, if sufficient proceeds have not been realized when such payments are due, by a covenant to budget and appropriate sufficient amounts of legally available Non-Ad Valorem Revenues, as defined in and as provided pursuant to Section 16(F) of this Note Resolution for the payment of principal of and interest on the Note when due. The Note is also secured by the moneys in the 2012 Water System Project Construction Account created pursuant to the Bond Ordinance until such moneys shall have been applied or committed as provided in the Bond Ordinance. Neither the Issuer nor the State of Florida or any political subdivision thereof or governmental authority or body therein, shall ever be required to levy ad valorem taxes to pay the Note and the Note shall not constitute a lien upon any properties owned by or situated within the Issuer, except as provided herein with respect to the Non-Ad Valorem Revenues, in the manner and to the extent provided herein.

D. The Issuer has received a commitment to purchase the Note dated June 14, 2012 (the "Commitment") from SunTrust Bank, Pensacola, Florida (the "Original Purchaser").

E. It is hereby found and determined that because of the characteristics of the source of repayment of the Note, the small principal amount of the Note, and the prevailing conditions in the financial markets, it is in the best interest of the Issuer to accept the Commitment from the Original

Purchaser. The Issuer has been or will be provided with all disclosure information required by Section 218.385, Florida Statutes, a form of which is attached hereto as Exhibit A.

F. The Note will not be sold and delivered until the judgment of the Circuit Court for Bay County, Florida rendered on June 18, 2012 becomes final.

SECTION 3. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Note authorized to be issued hereunder by those who shall hold the same from time to time, this Note Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Holder. The covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the legal Holder of the Note

SECTION 4. AUTHORIZATION OF THE NOTE. Subject and pursuant to the provisions hereof and in anticipation of the sale and delivery of the Bonds, and upon the approval of the United States of America acting through the United States Department of Agriculture, Rural Utilities Service ("Rural Development"), an obligation of the Issuer to be known as "Subordinate Water and Sewer System Revenue Bond Anticipation Note, Series 2012" herein defined as the "Note," is authorized to be issued in the aggregate principal amount of not to exceed \$2,153,000.

SECTION 5. DESCRIPTION OF THE NOTE. The Note shall be issued as one fully registered Note in the principal amount not to exceed \$2,153,000, shall be dated as of the date of its delivery to the purchaser thereof and shall mature no more than 364 days from the date of its delivery. The Note shall be payable to the Original Purchaser, and shall bear interest from its dated date at the fixed rate of 1.49% subject to adjustment as provided in Schedule I to the form of the Note included herein. Principal and interest shall be due and payable upon maturity or redemption.

The Note 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 Note, shall be payable by the City Clerk acting as the paying agent (the "Paying Agent") upon redemption to the person appearing on the registration books of the Issuer hereinafter provided for as the registered Holder thereof, by check mailed to such registered Holder at the address as it appears on such registration books. Payment of the principal of the Note shall be made upon the presentation and surrender of such Note as the same shall become due and payable. The principal of the Note shall be payable only to the registered Holder or his legal representative at the office of the City Clerk (the "Registrar"). Notwithstanding the foregoing, principal and interest may be paid by wire transfer, ACH Direct Debit, or other electronic means as reasonably directed by the registered Holder to the domestic account of the registered Holder upon written request and furnishing of instructions to the Issuer.

SECTION 6. EXECUTION OF THE NOTE. The Note shall be executed in the name of the Issuer by the manual signature of the Mayor of the Issuer and attested by the manual signature of the City Clerk of the Issuer. The official seal of the Issuer shall be imprinted on the Note. In case any one or more of the officers who shall have signed or sealed the Note shall cease to be such officer of the Issuer before the Note so signed and sealed shall have been actually sold and delivered, the Note may nevertheless be sold and delivered, as herein provided, and may be issued as if the person who signed or sealed the Note had not ceased to hold such office.

SECTION 7. NOTE MUTILATED, DESTROYED, STOLEN OR LOST. In case the Note shall become mutilated, or be destroyed, stolen or lost, the Issuer may in its discretion cause the

issuance and delivery of a new Note of like date and tenor as the Note so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note or in lieu of and substitution for the Note destroyed, stolen or lost, and upon the Holder's furnishing to 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 may prescribe and paying such expenses as the Issuer or its agent may incur. The Note so surrendered shall be canceled by the Issuer. If such Note shall have matured or be about to mature, instead of issuing a substitute Note, the Issuer may provide for payment of the same at maturity, upon being indemnified as aforesaid, and if such Note be lost, stolen or destroyed, without surrender thereof.

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

SECTION 8. NEGOTIABILITY AND REGISTRATION. The Registrar shall keep books for the registration of and for the registration of transfers of Note as provided herein and in the Bond Ordinance. The transfer of the Note must be in whole only. The transfer of the Note may be registered only upon such books and only upon surrender thereof to the Registrar together with an assignment duly executed by the Holder or its 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 Note a new Note registered in the

name of the transferee, and in an aggregate principal amount equal to the principal amount of such Note so surrendered.

In all cases in which the Note shall be exchanged, the Issuer shall execute and the Registrar shall authenticate and deliver, at the earliest practicable time, a new Note in accordance with the provisions of this Note Resolution. The Note 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 the Note 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 the Holder for the privilege of exchanging or registering the transfer of the Note under the provisions of this Note Resolution and the Bond Ordinance. Neither the Issuer nor the Registrar shall be required to make any such exchange or registration of transfer of the Note during the 15 days immediately preceding any interest payment date.

The Note shall be and shall have all of the qualities and incidents of negotiable instruments under the laws of the State of Florida, and each successive owner, in accepting such Note, shall be conclusively deemed to have agreed that such Note shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Florida.

Notwithstanding the foregoing or any provision of this Note Resolution to the contrary, the Note shall not be transferred unless the new purchaser has executed an "investment letter" in substantially the same form and substance as the "investment letter" executed by the Original Purchaser of the Note.

SECTION 9. AUTHENTICATION OF THE NOTE. Only the Note as shall have endorsed thereon a certificate of authentication substantially in the form herein below set forth, duly executed by the Registrar as authenticating agent, shall be entitled to any benefit or security under this Note Resolution. No Note shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly adopted by the Registrar and such certificate of the Registrar upon such Note shall be conclusive evidence that such Note has been duly authenticated and delivered under this Note Resolution. The Registrar's certificate of authentication on the Note shall be deemed to have been duly executed if signed by an authorized officer of the Registrar.

SECTION 10. EXCHANGE OF THE NOTE. The Note, upon surrender thereof at the principal office of the Registrar, together with an assignment duly executed by the Holder or its attorney or legal representative in such form as shall be satisfactory to the Registrar, may, at the option of the Holder, be exchanged for an aggregate principal amount of the Note equal to the principal amount of the Note so surrendered.

The Registrar shall make provision for the exchange of the Note at the principal office of the Registrar. Notwithstanding the foregoing, the Note shall always be one fully registered Note in the denomination set forth in Section 5 hereof.

SECTION 11. OWNERSHIP OF THE NOTE. The person in whose name the Note 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 of the Note, and the interest on the Note, 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 the Note and interest thereon to the extent of the sum or sums so paid.

SECTION 12. PROVISIONS FOR REDEMPTION. The Note shall be subject to redemption in whole or in part prior to their maturity at the price of par plus accrued interest to the date of redemption.

Unless waived by the Holder thereof, written notice of such redemption shall, at least 10 days prior to the redemption date, be filed with the Registrar, and mailed, first class mail, postage prepaid, to the Holder of the Note to be redeemed at its address as it appears on the registration books hereinbefore provided for, but failure to mail such notice to the Holder of the Note shall not affect the validity of the proceedings for such redemption with respect to the Holder of the Note to which notice was duly mailed hereunder. Each such notice shall set forth the date fixed for redemption and the redemption price to be paid.

SECTION 13. FORM OF THE NOTE. The Note shall be in substantially the following form, with only such omissions, insertions and variations as may be necessary and desirable and permitted by this Note Resolution or by any subsequent ordinance or resolution adopted prior to the issuance thereof:

[Remainder of page intentionally left blank]

[FORM OF BOND ANTICIPATION NOTE]

No. R-1

NOT TO EXCEED \$2,153,000

UNITED STATES OF AMERICA  
STATE OF FLORIDA  
COUNTY OF BAY  
CITY OF MEXICO BEACH  
SUBORDINATE WATER AND SEWER SYSTEM  
REVENUE BOND ANTICIPATION NOTE  
SERIES 2012

KNOW ALL MEN BY THESE PRESENTS that the City of Mexico Beach, Florida, a municipal corporation created and existing under and by virtue of the laws of the State of Florida (hereinafter called the "Issuer"), for value received, hereby promises to pay to the order of SunTrust Bank, or registered assigns, as herein provided (the "Bank"), on the \_\_\_ day of \_\_\_\_\_, 2013, upon the presentation and surrender hereof at the principal office of the City Clerk, in the City of Mexico Beach, Florida (the "Paying Agent"), from the special funds hereinafter mentioned, the principal sum of TWO MILLION ONE HUNDRED FIFTY THREE THOUSAND DOLLARS, 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 check mailed to the registered owner at the address appearing on the Note registration books of the Issuer, interest on such principal sum from the date hereof, at a rate of 1.49% per annum, calculated on the basis of a 360 day year for the actual number of days elapsed, subject to adjustment as provided in Schedule I attached hereto. Notwithstanding the foregoing,

principal and interest shall be paid by wire transfer to the domestic account of the registered owner, upon written request and furnishing of wire transfer instructions to the Issuer. Interest and principal of this Note is payable at maturity or upon redemption, whichever shall occur first.

This Note is issued to finance a portion of the cost of the construction of improvements to the water system of the Issuer (the "2012 Water System Project") and in full compliance with the Constitution and Statutes of the State of Florida, including particularly Chapter 166, Part II, and Ordinance No. 337, enacted by the City of Mexico Beach, Florida (the "Issuer") on February 17, 1997, as amended by Ordinance No. 356, enacted by the Issuer on March 30, 1999, as further amended and supplemented by Ordinance No. 589 enacted by the Issuer on March 13, 2012 (collectively, the "Bond Ordinance") and Resolution No. 12-\_\_ duly adopted on June 26, 2012 (the "Note Resolution"), in anticipation of the receipt by the Issuer of the proceeds from the sale of not exceeding \$2,153,000 Subordinate Water and Sewer System Revenue Bonds (the "Bonds").

The principal, interest on, and other amounts payable with respect to this Note are payable solely from and secured by (i) a lien upon and pledge of the proceeds of the Bonds or such other bonds as the Issuer has covenanted to endeavor to issue and if sufficient proceeds have not been realized when such payments are due, by a covenant to budget and appropriate sufficient amounts of legally available Non-Ad Valorem Revenues, as defined in and as provided pursuant to Section 16(F) of the Note Resolution, for the payment of principal of and interest on this Note when due; and (ii) a lien upon and pledge of the moneys in the 2012 Water System Project Construction Account created pursuant to the Bond Ordinance until such moneys have been applied or committed as provided in the Bond Ordinance (collectively, the "Note Pledged Funds").

This Note may be redeemed in whole or in part at any time without penalty, provided notice is given as provided in the Note Resolution.

This Note 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 Note that such Holder 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 Note or the making of any reserve or other payments provided for in the Bond Resolution.

It is further agreed between the Issuer and the Holder of this Note that this Note and the indebtedness evidenced hereby shall not constitute a lien upon any property of or in the Issuer, but shall constitute a lien only on the Note Pledged Funds, all as more fully provided in the Bond Ordinance and the Note Resolution.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Note exist, have happened and have been performed in regular and due form and time, as required by the laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Note of this issue does not violate any constitutional, statutory, or charter limitation or provision.

This Note 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.

The transfer of this Note in whole is registrable by the Holder hereof in person or by his attorney or legal representative at the principal office of the Registrar but only in the manner and

subject to the conditions provided in the Note Resolution and upon surrender and cancellation of this Note.

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

IN WITNESS WHEREOF, the City of Mexico Beach, Florida, has issued this Note and has caused the same to be signed by the Mayor and attested to by the City Clerk and its seal or a facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon, all as of the \_\_\_\_ day of \_\_\_\_\_, 2012.

CITY OF MEXICO BEACH, FLORIDA

(SEAL)

By: \_\_\_\_\_  
Mayor

ATTESTED AND COUNTERSIGNED:

\_\_\_\_\_  
City Clerk

#### CERTIFICATE OF VALIDATION

This Note is the one fully registered Note which was validated by judgment of the Circuit Court for Bay County, Florida rendered on June 18, 2012.

\_\_\_\_\_  
Mayor

CERTIFICATE OF AUTHENTICATION

This Note is the one fully registered Note issued under the provisions of the within mentioned Note Resolution.

CITY CLERK OF THE CITY OF MEXICO  
BEACH, FLORIDA  
Registrar, as Authenticating Agent

Date of Authentication:

\_\_\_\_\_, 2012

By (manual) \_\_\_\_\_:  
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 Note of the City of Mexico Beach, Florida, and does hereby  
constitute and appoint \_\_\_\_\_, attorney, to transfer the said Note 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: \_\_\_\_\_

Title: \_\_\_\_\_

NOTICE: No transfer will be registered and no new Note 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 Note 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.

**SCHEDULE "I"**  
**Adjustments to Rate of Interest**

**Definitions.** The following terms shall have the meanings set forth below for purposes of this Schedule I:

*"Additional Amount"* shall mean (i) the difference between (A) interest on the Note for the Taxable Period at a rate per annum equal to the Taxable Rate as adjusted from time to time on the same dates and in the same manner as the interest rate on the Note was or would be adjusted pursuant to the provisions of the Note, and (B) the aggregate amount of interest payable on the Note for the Taxable Period under the provisions of the Note without considering the Determination of Taxability or Section 265 Nonqualification, plus (ii) any interest, penalties on overdue interest and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by the Holder as a result of the Determination of Taxability or Section 265 Nonqualification. The Holder shall provide the Issuer with a written statement explaining the calculation of the Taxable Rate, which statement shall, in the absence of manifest error, be conclusive and binding on the Issuer.

*"Change in Law"* means the occurrence, after the date of the Note, of any of the following: (a) the adoption or taking effect of any law, rule, regulation or treaty, (b) any change in law, rule, regulation or treaty or in the administration, interpretation, implementation or application thereof by any Governmental Authority, or (c) the making or issuance of any request, rule, guideline or directive (whether or not having the force of law) by any Governmental Authority. Notwithstanding anything herein to the contrary, all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or, pursuant to the accord commonly referred to as "Basel III," by the United States or foreign regulatory authorities, shall in each case be deemed to be a "Change in Law," regardless of the date enacted, adopted or issued.

*"Determination of Taxability"* shall mean the circumstance of interest paid or payable on a Note becoming includable for federal income tax purposes in the gross income of the Holder as a consequence of any act, omission or event whatsoever and regardless of whether the same was within or beyond the control of the Issuer. A Determination of Taxability will be deemed to have occurred upon (a) the receipt by the Issuer or a Holder of an original or a copy of an Internal Revenue Service Technical Advice Memorandum or Statutory Notice of Deficiency which holds that any interest payable on its Note is includable in the gross income of the Holder; (b) the issuance of any public or private ruling of the Internal Revenue Service that any interest payable on the Note is includable in the gross income of the Holder; or (c) receipt by the Issuer or a Holder of an opinion of Bond Counsel that any interest on its Note has become includable in the gross income of the Holder for federal income tax purposes. For all purposes of this definition, a Determination of Taxability will be deemed to occur on the date as of which the interest on the Note is deemed includable in the gross income of the Holder. A Determination of Taxability shall not occur solely from the fact that such interest is taken into account in determining adjusted current earnings for the purpose of the alternative minimum income tax imposed on corporations.



*“Governmental Authority”* shall mean the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

*“Margin Rate Factor”* shall mean the fraction the numerator of which is equal to one (1) minus the Maximum Federal Corporate Tax Rate on the date of calculation and the denominator of which is 0.65. The Margin Rate Factor shall be 0.65/0.65 or 1.0 so long as the Maximum Federal Corporate Tax Rate shall be 35%, and thereafter shall increase from time to time effective as of the effective date of any decrease in the Maximum Federal Corporate Tax Rate.

*“Maximum Federal Corporate Tax Rate”* shall mean the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, determined without regard to tax rate or tax benefit make-up provisions such as the last two sentences of Section 11(b)(1) of the Code, as in effect from time to time (or, if as a result of a change in the Code the rate of income taxation imposed on corporations shall not be applicable to the Holder, the maximum statutory rate of federal income taxation which could apply to the Holder. The Maximum Federal Corporate Tax Rate on the date hereof is 35%.

*“Section 265 Nonqualification”* shall mean the failure of the Note to be a “qualified tax-exempt obligation” for purposes of Section 265(b)(3) of the Code.

*“Taxable Period”* shall mean the period commencing on the date on which the interest on the Note (or portion thereof) loses its tax-exempt status or the date of the Section 265 Nonqualification and ending on the earlier of the date the Note ceased to be outstanding or such adjustment is no longer applicable to the Note.

*“Taxable Rate”* shall mean the interest rate per annum that shall provide the Holder with the same after tax yield that the Holder would have otherwise received had the Determination of Taxability or Section 265 Nonqualification not occurred, taking into account the increased taxable income of the Holder as a result of such Determination of Taxability or Section 265 Nonqualification.

### **Interest Rate Adjustments**

The interest rate on this Note (the “Interest Rate”) shall be subject to adjustment in certain events as set forth below:

(i) In the event of a Determination of Taxability or a Section 265 Nonqualification, the Interest Rate shall be changed to the Taxable Rate effective retroactively to the date on which such Determination of Taxability was made or to the date of such Section 265 Nonqualification, as applicable. Immediately upon a Determination of Taxability or a Section 265 Nonqualification, the Issuer agrees to pay to any holder of the Note the Additional Amount. The Holder shall provide

the Issuer with a written statement explaining the calculation of the Taxable Rate, which statement shall, in the absence of manifest error, be conclusive and binding on the Issuer.

(ii) If the Maximum Federal Corporate Tax Rate decreases the interest rate otherwise borne by the Note shall be adjusted (increased) to the product obtained by multiplying the interest rate otherwise borne by the Note by the Margin Rate Factor. The interest rate otherwise borne by the Note shall be adjusted automatically as of the effective date of each decrease in the Maximum Federal Corporate Tax Rate.

(iii) If, after its purchase of the Note, the Holder shall have reasonably determined that any other Change in Law shall have occurred that has or would have the effect of reducing the rate of return on the Holder's capital, on the Note or otherwise, as a consequence of its ownership of the Note to a level below that which the Holder could have achieved but for such adoption, change or compliance (taking into consideration the Holder's policies with respect to capital adequacy) by an amount deemed by the Holder to be material, then from time to time, promptly upon demand by the Holder, the Issuer shall, and hereby agrees to, pay the Holder such additional amount or amounts as will compensate the Holder for such reduction. A certificate of the Holder claiming compensation under this paragraph and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive absent manifest error, provided that at such time the Holder shall generally be assessing such amounts on a non-discriminatory basis against borrowers having loans similar to the loan evidenced by the Note. In determining any such amount, the Holder may use any reasonable averaging and attribution methods.

In the event that any applicable law or regulation or the interpretation or administration thereof by any Governmental Authority charged with the interpretation or administration thereof (whether or not having the force of law) (i) shall change the basis of taxation of payments to the Holder of any amounts payable by the Issuer under the Note (other than taxes imposed on the overall net income of the Holder) or (ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by the Holder, or (iii) shall impose any other condition with respect to the Note, and the result of any of the foregoing is to increase the cost to the Holder of making or maintaining the Note or to reduce any amount receivable by the Holder under the Note, then the Issuer shall from time to time, upon demand by the Holder, pay to the Holder additional amounts sufficient to compensate the Holder for such increased costs (the "Additional Costs"). A detailed statement as to the amount of such Additional Costs, prepared in good faith and submitted to the Issuer by the Holder, shall be conclusive and binding in the absence of manifest error.

The above adjustments shall be cumulative, but in no event shall the interest on the Note exceed the maximum permitted by law. Unless otherwise specifically provided herein, the above adjustments to the interest rate on the Note shall be effective on the effective date of the event causing the adjustment. Proper partial adjustment shall be made if the event causing the adjustment is effective after the first day of the Holder's tax year or if the interest on the Note does not accrue for the entire tax year of the Holder. Adjustments which create a circular calculation because the interest on the Note is affected by the calculation shall be carried out sequentially,

increasing the interest on the Note accordingly in each successive calculation using as the new value the increase in the interest rate on the Note, until the change on the interest rate on the Note caused by the next successive calculation of the adjustment is de minimis.

[END OF NOTE FORM]

SECTION 14. SPECIAL OBLIGATIONS OF ISSUER. The Note shall not be or constitute a general obligation or indebtedness of the Issuer as “bonds” within the meaning of the Florida Constitution, but the payment of the principal of and interest thereon shall be payable solely from and secured by (i) a lien upon and pledge of the proceeds of the Bonds or such other bonds as the Issuer has covenanted herein to in good faith endeavor to issue and if sufficient proceeds have not been realized when such payments are due, by a covenant to budget and appropriate sufficient amounts of legally available Non-Ad Valorem Revenues, as defined in and as provided pursuant to Section 16(F) below, for the payment of principal of and interest on the Note when due; and (ii) a lien upon and pledge of the moneys in the 2012 Water System Project Construction Account as provided in Section 15 hereof (collectively, the “Note Pledged Funds”). No holder of the Note issued hereunder 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 thereon.

The Issuer does hereby irrevocably pledge the Note Pledged Funds to pay and secure the payment of the Note.

SECTION 15. APPLICATION OF NOTE PROCEEDS. The proceeds derived from the sale of the Note shall be received by the Issuer. To the extent not reimbursed therefor by the Original Purchaser, the Issuer shall pay all costs associated with the issuance of the Note. The remainder of the proceeds of the sale of the Note shall be deposited into the 2012 Water System Project Construction Account created pursuant to the Bond Ordinance, held by the Original Purchaser, and applied as provided therein. The Issuer’s authorized representatives are hereby authorized to execute such documents as are necessary to open and maintain the 2012 Water System Project Construction Account.

Monies in the 2012 Water System Project Construction Account shall be held and disbursed for the costs, fees and expenses incurred by the Issuer in connection with the authorization, issuance, sale, and delivery of the Note, and for the payment of all eligible expenses and costs of the 2012 Water System Project. Such funds shall be disbursed by the Original Purchaser to the Issuer for all eligible costs and expenses of the 2012 Water System Project upon receipt by the Original Purchaser of acceptable written documentation as outlined in the Commitment.

Any income received from investment of monies in the 2012 Water System Project Construction Account can be used for purposes of the 2012 Water System Project as authorized in the Bond Ordinance and Note Resolution.

The 2012 Water System Project Construction Account held by the Original Purchaser shall be invested in a public fund deposit account, which shall be fully collateralized pursuant to the requirements of the Florida Statutes with regard to public fund depositories. The Original Purchaser will pay interest on the above referenced account at the interest rate agreed upon by and between the Issuer and Original Purchaser as delineated in the Commitment.

The owner of the Note shall have a lien upon all the proceeds thereof until the same have been applied or committed as provided in the Bond Ordinance.

SECTION 16. COVENANTS OF THE ISSUER. For so long as the Note shall be outstanding and unpaid or until there shall have been irrevocably set apart a sum sufficient to pay, when due, the entire principal of the Note, together with interest accrued and to accrue thereon, the Issuer covenants with the owner of the Note as follows:

A. PROCEEDS FROM BONDS. Upon the receipt of the proceeds of the Bonds, or such other bonds as the Issuer has covenanted herein to in good faith endeavor to issue, the Issuer shall apply such proceeds as follows:

(1) There shall be transmitted to the Paying Agent to pay forthwith the principal of the Note and the interest accrued thereon to such date of payment.

(2) For deposit and application of the balance of such proceeds pursuant to the provisions of the Bond Ordinance.

B. APPLICATION OF PRIOR COVENANTS. The covenants and pledges (to the extent the same are not inconsistent herewith) contained in the Bond Ordinance, including specifically Section 3.04 of the Master Bond Ordinance, shall be deemed to be for the benefit, protection and security for the payment of the Note and for the owner thereof in like manner as applicable to the Bonds provided, however the reserve requirements applicable to the Bonds shall not apply to the Note, for the benefit of the owner thereof. Such covenants and pledges shall be applicable to the Note herein authorized and are incorporated by reference herein to the same extent as if set forth in full herein.

C. SALE OF BONDS. From time to time the Issuer shall in good faith endeavor to sell a sufficient principal amount of Bonds and/or other bonds or debt in order to have funds available to pay the Note and the interest thereon as the same become due.

D. FINANCIAL STATEMENT. The Issuer shall submit annual audited statements within 270 days of fiscal year end, together with an annual budget within 30 days of adoption, together with any other information that the Original Purchaser may reasonably request.

E. OTHER CONDITIONS. The Issuer agrees to comply with the loan requirements of the Government, including obtaining the approval of Rural Development of all advances of Note proceeds.

F. COVENANT TO BUDGET AND APPROPRIATE.

(1) For purposes hereof, "Non-Ad Valorem Revenues" shall mean all available revenues of the Issuer derived from any source whatsoever other than ad valorem taxation on real and personal property which are legally available to make the payments required herein.

(2) Until all principal and interest of the Note is paid, the Issuer hereby covenants to appropriate in its annual budget, by amendment if necessary, from Non-Ad Valorem Revenues lawfully available in each fiscal year of the Issuer in which principal or interest on the Note and other amounts owing hereunder becomes due and payable amounts sufficient, together with other available Note Pledged Funds, to pay such amounts, as the same become due. Such covenant and agreement on the part of the Issuer to budget and appropriate such amounts of Non-Ad Valorem Revenues shall be cumulative to the extent not paid, and shall continue until such Non-Ad Valorem Revenues or other legally available funds in the amounts sufficient to make all such required payments hereunder shall have been budgeted, appropriated and actually paid. Notwithstanding the foregoing covenant of the Issuer, the Issuer does not covenant to maintain any services or programs, now provided or maintained by the Issuer, which generate Non-Ad Valorem Revenues. This Note Resolution shall not be construed as a pledge of all legally available Non-Ad Valorem Revenues of the Issuer, but shall be payable solely as provided in this Note Resolution and is subject in all respects to the provisions of Section 166.241, Florida Statutes. It is understood that the amounts available to be budgeted and appropriated to make principal and interest payments

hereunder is subject to the obligation of the Issuer to provide essential services.

(3) Such covenant to budget and appropriate is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore entered into (including the payment of debt service on bonds and other debt instruments). Nothing herein shall be deemed to pledge ad valorem tax revenues or to permit or constitute a mortgage upon any assets owned by the Issuer and no holder of the Note may compel the levy or use of ad valorem taxes on real or personal property within the boundaries of the Issuer. The obligations hereunder do not constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provision or limitation, and the holder of the Note shall not have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation of any real or personal property therein for the payment by the Issuer of its obligations hereunder. Notwithstanding any provision of this Note Resolution to the contrary, to the extent the Issuer is in compliance with all provisions and covenants contained herein, this Note Resolution and the obligations of the Issuer hereunder shall not be construed as a limitation on the ability of the Issuer to apply all or any portion of said Non-Ad Valorem Revenues for other legally permissible purposes.

SECTION 17. SUPPLEMENTAL INSTRUMENTS. The Issuer shall, as necessary, from time to time and at any time, adopt such resolutions and/or ordinances as shall not be inconsistent with the terms and conditions of this Note Resolution:

- A. To cure any ambiguity, defect, or omission herein; and/or
- B. To secure, extend or renew to the owner of the Note the pledges made herein for the payment of the Note and the interest to accrue thereon.



SECTION 18. MODIFICATION AND AMENDMENT. No material modification or amendment of this Note Resolution or of any resolution amendatory hereof or supplemental hereto may be made without the consent in writing of the holder of the Note.

SECTION 19. TAX COVENANTS. No use will be made of the proceeds of the Note which, if such use were reasonably expected on the date of issuance of the Note, would cause the same be to "arbitrage bonds" within the meaning of the Internal Revenue Code of 1986 (the "Code"). The Issuer at all times while the Note and the interest thereon are outstanding will comply with the requirements of the Code, including any amendments thereto and any valid and applicable rules and regulations promulgated thereunder necessary to maintain the exclusion of the interest on the Note from federal gross income including the creation of any rebate funds or other funds and/or accounts required in that regard.

SECTION 20. NOTE NOT GENERAL INDEBTEDNESS. The Note shall not be or constitute a general obligation of the Issuer within the meaning of any constitutional, statutory or other limitation of indebtedness, but shall be payable solely as provided in this Note Resolution. No holder of the Note 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 property therein to pay the Note or the interest due thereon.

SECTION 21. SALE OF THE NOTE. The Note is hereby sold and awarded to SunTrust Bank, at the price of par and the Mayor and the City Clerk are hereby authorized to execute and deliver the Note in the form set forth herein, receive the purchase price therefor and apply the proceeds thereof as hereinafter provided, without further authority from this body. The Mayor and the City Clerk are authorized to make any and all changes on the form of the Note which shall be

necessary to conform the same to the commitment of SunTrust Bank. Execution of the Note by the Mayor, and the City Clerk shall be conclusive evidence of their approval of the form of the Note.

SECTION 22. BANK QUALIFIED. The Issuer designates the Note as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code, as amended. The Issuer and any subordinate entities of the Issuer and any issuer of "tax-exempt" debt that issues "on behalf of" the Issuer do not reasonably expect during calendar year 2012 to issue more than \$10,000,000 of "tax-exempt" obligations, exclusive of any private activity bonds (other than 501(c)(3) bonds), as defined in Section 141(a) of the Code.


SECTION 23. SEVERABILITY. If any one or more of the covenants, agreements or provisions of this Note 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 reasons whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions, and in no way affect the validity of all the other provisions of this Note Resolution or of the Note.

SECTION 24. EFFECTIVE DATE. This Note Resolution shall take effect upon adoption by the City Council.

ADOPTED by the City Council of the City of Mexico Beach, Florida on this 10th day of July, 2012.

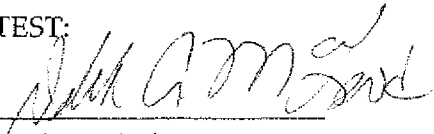
(SEAL)

CITY COUNCIL OF THE  
CITY OF MEXICO BEACH, FLORIDA

By: 

Mayor

ATTEST:

By:   
City Clerk

APPROVED AS TO FORM:

By: \_\_\_\_\_  
Attorney for the  
City of Mexico Beach, Florida

EXHIBIT A

DISCLOSURE STATEMENT

NOT TO EXCEED  
\$2,153,000  
CITY OF MEXICO BEACH, FLORIDA  
SUBORDINATE WATER AND SEWER SYSTEM REVENUE  
BOND ANTICIPATION NOTE  
SERIES 2012

City of Mexico Beach, Florida  
Mexico Beach, Florida

Ladies and Gentlemen:

In connection with the proposed issuance by the City of Mexico Beach, Florida (the "Issuer") of \$2,153,000 principal amount of the issue of bond anticipation note referred to above (the "Note"), SunTrust Bank, Pensacola, Florida (the "Purchaser"), has agreed to purchase the Note.

The purpose of this letter is to furnish, pursuant to the provisions of Section 218.385(6) and (2), Florida Statutes, as amended, certain information in respect to the arrangement contemplated for the purchase of the Note as follows:

(a) The nature and estimated amount of expenses to be incurred by the Purchaser and paid by the Purchaser in connection with the purchase and reoffering of the Note are set forth on Schedule I attached hereto.

(b) No person has entered into an understanding with the Purchaser, or to the knowledge of the Purchaser, 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 Purchaser or to exercise or attempt to exercise any influence to effect any transaction in the purchase of the Note.

(c) No underwriting or management fee will be charged by the Purchaser in connection with its purchase of the Note.

(d) No other fee, bonus or other compensation is estimated to be paid by the Purchaser in connection with the issuance of the Note to any person not regularly employed or retained by the Purchaser (including any "finder", as defined in Section 218.386(1)(a), Florida Statutes, as amended), except as specifically enumerated as expenses to be incurred and paid by the Purchaser, as set forth in Schedule I attached hereto.

(e) The name and address of the Purchaser is set forth below:

SunTrust Bank  
220 West Garden Street  
Pensacola, Florida 32502

(f) The Issuer is proposing to issue the Note for the purpose of providing funds that, together with other available funds of the Issuer will be used to acquire, construct and erect extensions and improvements to the water system of the Issuer. The Note is expected to be repaid no later than 364 days following the date of issue of the Note. At a rate of interest of 1.49%, total interest to be paid on the Note will be not more than \$\_\_\_\_\_.

(g) The source of repayment or security for the Note is the proceeds to be derived from long-term financing of the Issuer and a covenant to budget and appropriate legally available non-ad valorem revenues. Assuming the issuance of such interim financing, the issuance of the Note will result in \$\_\_\_\_\_ of Note Pledged Funds not being available to finance the other services of the Issuer for the next 364 days.

We understand that you do not require any further disclosure from the Purchaser, pursuant to Section 218.385(6) and (2), Florida Statutes, as amended.

Very truly yours,

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

SCHEDULE I

ESTIMATED PURCHASER'S FEE AND ISSUANCE EXPENSES

Bank's Counsel Fee (\_\_\_\_\_.) \$\_\_\_\_\_