

RESOLUTION NO. 2006-07

A RESOLUTION AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$1,738,570 CAPITAL IMPROVEMENT REVENUE BOND ANTICIPATION NOTES, SERIES 2006 PROVIDING FOR THE FORM OF SUCH NOTES; PROVIDING FOR THE PAYMENT THEREOF AND ENTERING INTO CERTAIN COVENANTS AND AGREEMENTS WITH THE OWNERS THEREOF; PROVIDING FOR THE NEGOTIATED AND PRIVATE SALE OF SUCH NOTES; FINDING THE NECESSITY OF A NEGOTIATED SALE; APPROVING THE SALE OF SAID NOTES TO THE ORIGINAL PURCHASER; AND PROVIDING AN EFFECTIVE DATE.

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

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is enacted pursuant to the provisions of the Constitution of Florida; the Charter of the City of Polk City, Florida; Chapter 166, Part II, Florida Statutes, Ordinance No. 1087 of the City of Polk City, Florida enacted on November 8, 2005 (the "Ordinance"), and other applicable provisions of law.

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 Ordinance defined above; provided that any reference to Rural Utilities Service shall be deemed to be or include Rural Development.

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

A. On November 8, 2005, the Issuer enacted an Ordinance entitled:

AN ORDINANCE OF THE CITY OF POLK CITY, FLORIDA PROVIDING FOR THE ACQUISITION, CONSTRUCTION AND ERECTION OF A NEW CITY HALL/PUBLIC WORKS FACILITY; AUTHORIZING THE ISSUANCE OF NOT EXCEEDING \$1,738,570 CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2005 TO FINANCE A PORTION OF THE COST THEREOF; PLEDGING A LIEN ON THE CITY'S COMMUNICATION SERVICES TAX AND HALF-CENT SALES TAX 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 \$1,738,570 principal amount of City of Polk City, Florida (the "Issuer"), Capital Improvement Revenue Bonds (the "Bonds") and Bond Anticipation Notes (the "Notes") of the Issuer, to acquire, construct and erect the new City Hall/Public Works Facility and to pay certain costs of issuance of the Notes (the "Project").

B. The Bonds and the interest thereon will be payable solely from and secured by a lien on the discretionary communications services tax levied by the Issuer pursuant to Section 202.19, Florida Statutes (the "Communications Services Tax") and the monies distributed to the Issuer from the Local Government Half-cent Sales Tax Clearing Trust Fund pursuant to Part VI of Chapter 218, Florida Statutes (the "Half Cent Sales Tax" and together with the Communications Services Tax, the "Bond Pledged Funds").

C. It is necessary and urgent that funds be made immediately available in order to provide money for the commencement of the Project at this time. The Issuer must, therefore, anticipate the receipt by it of the proceeds to be derived from the sale of the Bonds, and the Issuer has determined it to be in the best interest of the Issuer and its inhabitants that fully registered

interest bearing notes of the Issuer in the amount of not to exceed \$1,738,570 be authorized pursuant to this Note Resolution and the Ordinance in anticipation of the receipt by the Issuer of the proceeds from the sale of the Bonds. The principal of the Notes 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. The Notes are also secured by the moneys in the Construction Account created pursuant to the Ordinance until such moneys shall have been applied or committed as provided in the Ordinance.

D. It is hereby found and determined that the Notes to be issued by the Issuer are in a relatively small principal amount, and, therefore, a public sale of the Notes is impractical and uneconomical in the prevailing bond market. Protection of the public interest necessitates the approval of a negotiated sale of the Notes directly to the purchaser hereafter named.

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

F. The Issuer has received a commitment to purchase said Notes dated May 22, 2006 (the "Commitment") from SunTrust Bank, Orlando, Florida (the "Original Purchaser").

SECTION 3. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Notes 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 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 Notes, all of which shall be of equal rank and without preference, priority or distinction of any of the Notes over any other thereof, except as expressly provided therein and herein.

SECTION 4. AUTHORIZATION OF BOND ANTICIPATION NOTES. Subject and pursuant to the provisions hereof and in anticipation of the sale and delivery of the Bonds, and upon the approval of Rural Development, obligations of the Issuer to be known as "Capital Improvement Revenue Bond Anticipation Notes, Series 2006" herein defined as the "Notes", are authorized to be issued in the aggregate principal amount of not to exceed \$1,738,570.

SECTION 5. DESCRIPTION OF THE NOTES. The Notes shall be issued as one fully registered Note in the principal amount not to exceed \$1,738,570, shall be dated as of the date of its delivery to the purchaser thereof and shall mature eighteen months from its date. The Note shall be payable to the Original Purchaser, and shall bear interest based on the (Ask Side) of the 2 year US Dollar Swap Curve as published on Bloomberg. The actual rate shall be set three days prior to the closing using the following formula: 67% of the 2-year Swap Rate, plus 0.79%, calculated on the basis of a 360 day year for the actual number of days elapsed, subject to adjustment as provided in Schedule I to the form of the Note included herein. Interest shall be payable semi-annually on the principal amount of the Note outstanding from time to time, on each December 1 and June 1, commencing December 1, 2006 or such other date as agreed upon by the Issuer and the Original Purchaser. Said principal and any unpaid interest shall be 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 Notes, shall be payable by 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 his address as it appears on such registration books. Payment of the principal of the Notes shall be made upon the presentation and surrender of such Notes as the same shall become due and payable. The principal of the Notes shall be payable only to the registered Holder or his legal representative at the office of the Issuer (the "Registrar").

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

SECTION 7. NOTES MUTILATED, DESTROYED, STOLEN OR LOST. In case any 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. All Notes so surrendered shall be canceled by the Issuer. If any such Notes 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 Notes 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 Notes shall be at any time found by anyone, and such duplicate Notes shall be entitled to equal and proportionate 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 Notes to the same extent as all other Notes issued hereunder.

SECTION 8. NEGOTIABILITY AND REGISTRATION. The Registrar shall keep books for the registration of and for the registration of transfers of Notes as provided herein and in the Resolution. The transfer of any Notes 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 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 Note a new Note or Notes registered in the name of the transferee, and in an aggregate principal amount equal to the principal amount of such Note or Notes so surrendered.

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

The Notes 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 any of such Notes, shall be conclusively deemed to have agreed that such Notes 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 Notes 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 Notes.

SECTION 9. AUTHENTICATION OF NOTES. Only such of the Notes 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 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 any 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 any Note 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 Notes that may be issued hereunder at any one time.

SECTION 10. EXCHANGE OF NOTES. Any Note, upon surrender thereof at the principal office of the Registrar, together with an assignment duly executed by the Holder or his 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 Notes equal to the principal amount of the Notes so surrendered.

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

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

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

Unless waived by the Holder thereof, notice of such redemption shall, at least ten (10) days prior to the redemption date, be filed with the Registrar; and mailed, first class mail, postage prepaid, to all Holders of Notes to be redeemed at their addresses as they appear on the registration books hereinbefore provided for, but failure to mail such notice to one or more Holders of Notes shall not affect the validity of the proceedings for such redemption with respect to Holders of Notes to which notice was duly mailed hereunder. Each such notice shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Notes of one maturity are to be called, the distinctive numbers of such Notes to be redeemed and in the case of Notes to be redeemed in part only, the portion of the principal amount thereof to be redeemed.

Upon surrender of any Note for redemption in part only, the Registrar shall authenticate and deliver to the holder thereof, the cost of which shall be paid by the Issuer, a new Note of an authorized denomination equal to the unredeemed portion of the Note surrendered.

SECTION 13. FORM OF NOTES. The Notes 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:

[FORM OF BOND ANTICIPATION NOTE]

No. R-1

\$1,738,570

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF POLK
CITY OF POLK CITY
CAPITAL IMPROVEMENT REVENUE BOND ANTICIPATION NOTES
SERIES 2006

KNOW ALL MEN BY THESE PRESENTS that the City of Polk City, Florida (hereinafter called the "Issuer"), for value received, hereby promises to pay to the order of SunTrust Bank, a state bank organized under the laws of the State of Georgia, or registered assigns, as herein provided, on the ____ day of _____, 2006, upon the presentation and surrender hereof at the principal office of the Clerk, in the City of Polk City, Florida (the "Paying Agent"), from the special funds hereinafter mentioned, the principal sum of ONE MILLION SEVEN HUNDRED THIRTY-EIGHT THOUSAND FIVE HUNDRED SEVENTY 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 his address as it appears on the Note registration books of the Issuer, interest on such principal sum from the date hereof, at a fixed rate of ___% per annum. Interest shall be payable semi-annually on December 1 and June 1 commencing December 1, 2006 and principal payable at maturity or upon redemption, whichever shall occur first.

This Note is one of an authorized issue of Notes in the aggregate principal amount of not to exceed \$1,738,570 of like date, tenor and effect, except as to number issued to finance a portion of the cost to acquire, construct and erect the New City Hall/Public Works Facility and to pay certain costs of issuance of the Notes (the "Project"), and in full compliance with the Constitution and Statutes of the State of Florida, including particularly Chapter 166, Part II, Florida Statutes, and Ordinance No. 1087 duly enacted on November 8, 2005, as supplemented by Resolution No. __, duly adopted by the Issuer on August __, 2006 (collectively, the "Ordinance"), in anticipation of the

{4423/02/00068616.DOCv2}

receipt by the Issuer of the proceeds from the sale of not exceeding \$1,738,570 Capital Improvement Revenue Bonds (the "Bonds").

The principal of and interest on this Note are payable solely from and secured by a lien upon and pledge of the proceeds of the Bonds or such other bonds as the Issuer has covenanted to endeavor to issue . The payment of the principal of and interest on the Notes is also secured by the moneys in the Construction Account created pursuant to the Ordinance.

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

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 Ordinance.

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 proceeds to be derived from the sale of the Bonds or such other bonds as the Issuer has covenanted in good faith to issue, and certain other pledged revenues, all as more fully provided in the Ordinance.

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 Notes 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 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 Ordinance 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 Ordinance until it shall have been authenticated by the execution by the Registrar of the certificate of authentication endorsed hereon.

{4423/02/00068616.DOCv2}

IN WITNESS WHEREOF, the City of Polk City, Florida, has issued this Note and has caused the same to be signed by the Mayor and attested to by the Clerk and its seal or a facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon, all as of the ____ day of _____, 2006.

CITY OF POLK CITY, FLORIDA

(SEAL)

ATTESTED:

Mayor

Clerk

CERTIFICATE OF AUTHENTICATION

This Note is one of the Notes issued under the provisions of the within mentioned Ordinance.

CLERK OF THE CITY OF POLK CITY,
FLORIDA
Registrar, as Authenticating Agent

Date of Authentication:

By _____
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 Polk City, 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 Notes 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"
Adjustment to Rate of Interest

The interest rate on this Note shall be subject to adjustment in the event of a change in certain tax laws and regulations as set forth below:

Adjustment to Interest Rate

(a) Change in Maximum Corporate Tax Rate. If the maximum federal corporate income tax rate for the Bank (or in the case of another institutional holder of the Note, such holder or its holding company) and its subsidiaries (collectively, the "Bank") during any period in which interest is accruing, shall be other than 35%, then the interest on the Note during such period shall be modified by multiplying the interest on the Note (as adjusted) by a fraction equal to $(1-A)/.65$ where A equals the maximum marginal corporate income tax rate then in effect.

(b) Alternative Minimum Tax Where Interest on the Note is a Direct Tax Preference Item. If the Bank or its parent holding company pays an alternative minimum tax in any tax year and the interest on the Note is a direct tax preference item under Section 57(a)(5) of the Internal Revenue Code of 1986, as amended (the "Code"), or any successor provision of the Code then the interest on the Note for the period during such tax year in which interest is accruing on the Note shall be increased during such accrual period by an amount equal to $(A - B) \times C$ where:

- (1) A equals the interest on the Note expressed as a percentage;
- (2) B equals the Bank's Adjusted Cost of Funds; and
- (3) C equals the maximum marginal rate of the alternative minimum tax expressed as a decimal (currently .20).

"Bank's Adjusted Cost of Funds" means the fraction (expressed as a percentage), determined by the Bank, of the total interest expense of the Bank for each calendar year divided by the total average adjusted bases of all assets of the Holder during the calendar year as determined under Section 265(b)(2)(B) of the Code or any successor provision thereto.

(c) Alternative Minimum Tax Where Interest on the Note is an Indirect Tax Preference Item. If the Bank or its holding company pays an alternative minimum tax in any tax year and the interest on the Note is not a direct tax preference item under Section 57(a)(5) of the Code, but is an

{4423/02/00068616.DOCv2}

indirect tax preference item because of the application of Section 56(g) of the Code or any successor provision of the Code then the interest rate for the period during such tax year in which interest is accruing on the Note shall be increased during such accrual period by an amount to $(A - B) \times C$ where:

(1) A equals the interest on the Note expressed as a percentage;

(2) B equals the Bank's Adjusted Cost of Funds; and

(3) C equals 75% of the maximum marginal rate of the alternative minimum tax expressed as a decimal, or, if the Code is amended to effectively increase or decrease the percentage of interest on the Note which is subject to such indirect alternative minimum tax, then C shall equal the percentage of such interest on the Note which is effectively subject to such indirect alternative minimum tax multiplied by the maximum marginal rate of the alternative minimum tax expressed as a decimal.

(d) Partial Taxability. If the interest on the Note during any period becomes partially taxable because of any change in the tax laws or regulations, then the interest on the Note shall be increased during such period by an amount equal to $(A - B) \times C$ where:

(1) A equals the Taxable Rate (expressed as a percentage);

(2) B equals the interest on the Note (expressed as a percentage); and

(3) C equals the fraction of the interest on the Note which has become taxable as the result of such tax change (expressed as a decimal).

(e) Other Changes in Tax Laws. If the tax laws or regulations are amended to cause the interest on the Note to be taxable, to be subject to a minimum tax or an alternative minimum tax or to otherwise decrease the after tax yield on the Note to the Bank (directly or indirectly, other than a change described in (a) through (d) above or because of a Determination of Taxability) then the interest on the Note shall be adjusted to cause the yield on the Note, after payment of any increase in tax, to equal what the yield on the Note would have been in the absence of such change or amendment in the tax laws or regulations.

The above adjustments shall be cumulative, but in no event shall the interest on the Note exceed the maximum permitted by law. The above adjustments to the interest rate on the Note shall

{4423/02/00068616.DOCv2}

be effective on the effective date of the applicable change in the tax laws or regulations. All tax rates and interest rates are expressed as annual rates. However, proper partial adjustment shall be made if the tax law change is effective after the first day of the Bank's tax year or if the interest on the Note does not accrue for the entire tax year of the Bank. 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. If more than one of paragraphs (a) through (d) apply, then the interest on the Note shall be adjusted in the order in which listed above.

Non-Bank Qualified Rate

In the event the Note is not a "qualified tax-exempt obligation" under Section 265(b)(3)(B) of the Internal Revenue Code, the interest rate on the Note shall be adjusted to that interest rate necessary to ensure that the anticipated after tax yield contemplated by the Bank at the time of original purchase of the Note is received.

Taxable Rate

Notwithstanding the foregoing, in the event of a "Determination of Taxability" (as hereinafter defined), this Note shall bear interest at the rate equal to the Taxable Rate (the "Taxable Rate"), from and after and retroactively to the date as of which such Determination of Taxability is made and the Noteholder shall be entitled to such additional interest on this Note. For purposes hereof, "Determination of Taxability" means the circumstance of the interest on the Note becoming includable for federal income tax purposes in the gross income of the Bank 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 (i) the receipt by the Issuer or the Bank of an original or a copy of an Internal Revenue Service Technical Advice Memorandum or Statutory Notice of Deficiency which holds that the interest on the Note is includable in the gross income of the Bank; (ii) the issuance of any public or private ruling of the Internal Revenue Service that the interest on the Note is includable in the gross income of the Bank; or (iii) receipt by the Issuer or Bank of an opinion of a Bank Counsel that the interest on the Note has become includable in the gross income of the Bank 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 Bank.

In no event, however, shall interest be charged or paid in an amount in excess of the maximum interest rate permitted to be paid under applicable law.

Additional Definitions

“Prime Rate” means that index rate of interest which the Bank, from time to time announces as its prime rate, which rate is an index rate for guidance to loan officers and is not necessarily the best or lowest rate charged borrowing customers of the Bank, or if such rate is no longer announced, such comparable rate as shall be determined by the Register Owner.

“Taxable Rate” means a rate equal to the Prime Rate times that percentage which after the Determination of Taxability will result in the same after-tax yield to the Registered Owner of the Note as before said Determination of Taxability.

[END OF NOTE FORM]

SECTION 14. SPECIAL OBLIGATIONS OF ISSUER. The Notes shall not be or constitute general obligations or indebtedness of the Issuer as “bonds” within the meaning of the Constitution of Florida, but the payment of the principal of and interest thereon shall be payable solely from and secured by a lien of the proceeds of the Bonds or such other bonds as the Issuer has covenanted herein to in good faith endeavor to issue. The payment of the principal of and interest on the Notes is also secured by the moneys in the Construction Account as provided in Section 15 hereof. No holder or holders of any Notes 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 proceeds derived from the sale of the Bonds or such other bonds as the Issuer has covenanted herein to in good faith endeavor to issue to the payment of the principal of and interest on the Notes when those payments are due.

SECTION 15. APPLICATION OF NOTE PROCEEDS. The proceeds derived from the sale of the Notes 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 Notes. The remainder of the proceeds of the sale of the Notes shall be deposited into the Construction Account created pursuant to the Resolution and held under the Construction Account Agreement and applied as provided therein and in the Resolution. A form of the Construction Account Agreement is attached hereto as Exhibit B. The Mayor is hereby authorized and directed to execute and deliver, the City Clerk is hereby authorized to attest under seal, and the City Attorney is hereby authorized to

approve as to form, the Construction Account Agreement. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Construction Account 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. The owners of the Notes shall have a lien upon all the proceeds thereof until the same have been applied or committed as provided in the Resolution.

SECTION 16. COVENANTS OF THE ISSUER. For so long as the Notes 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 Notes, together with interest accrued and to accrue thereon, the Issuer covenants with the owners of the Notes 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 Notes 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 Resolution.

B. APPLICATION OF PRIOR COVENANTS. The covenants and pledges (to the extent the same are not inconsistent herewith) contained in the Ordinance, including specifically Section 3.04, shall be deemed to be for the benefit, protection and security for the payment of the Notes and for

the owners thereof in like manner as applicable to the Bonds provided, however the reserve requirements applicable to the Bonds shall not apply to the Notes, for the benefit of the owners thereof.

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

D. FINANCIAL STATEMENT. The Issuer shall submit annual audited statements within 210 days of fiscal year end, together with an annual budget within 30 days of adoption, together with any other information that the Bank 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.

SECTION 17. SUPPLEMENTAL INSTRUMENTS. The Issuer shall, as necessary, from time to time and at any time, adopt such resolutions and/or Resolutions 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 owners of the Notes the pledges made herein for the payment of the Notes 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 holders of the Notes.

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

SECTION 20. NOTES 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 NOTE. The Note is hereby sold and awarded to SunTrust Bank, at the price of par and the Mayor and the 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 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 Clerk shall be conclusive evidence of their approval of the form of the Notes.

SECTION 22. BANK QUALIFIED. The Issuer designates the Notes as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). 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 2006 to issue more than \$10,000,000 of “tax-exempt” obligations, exclusive of any private activity 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 Notes.

SECTION 24. EFFECTIVE DATE. This Note Resolution shall take effect immediately upon its adoption by the City Council of the City of Polk City, Florida.

Enacted at a meeting of the City Council of the City of Polk City, Florida on the ____ day of August, 2006.

CITY COUNCIL OF THE
CITY OF POLK CITY, FLORIDA

(SEAL)

Mayor

ATTEST:

City Clerk

APPROVED AS TO CONTENT AND FORM

City Attorney

EXHIBIT A

DISCLOSURE STATEMENT

NOT TO EXCEED \$1,738,570
CITY OF POLK CITY, FLORIDA
CAPITAL IMPROVEMENT REVENUE BOND ANTICIPATION NOTES
SERIES 2006

City of Polk City
Polk City, Florida

Ladies and Gentlemen:

In connection with the proposed issuance by the City of Polk City, Florida (the "Issuer") of \$1,738,570 principal amount of the issue of bond anticipation notes referred to above (the "Notes"), SunTrust Bank, Orlando, Florida (the "Bank"), has agreed to purchase the Notes.

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 underwriting of the Notes as follows:

(a) 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):

Broad & Cassel, P. A.
Bank Counsel Fees -- \$2,000

(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 Notes.

(c) The amount of underwriting spread expected to be realized equals \$250. There is no management fee.

(d) No other fee, bonus or other compensation is estimated to be paid by the Bank in connection with the issuance of the Notes to any person not regularly employed or retained by the Bank (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 Bank, as set forth in Schedule I attached hereto.

(e) The name and address of the Bank are set forth below:

SunTrust Bank
Institutional & Governmental Banking
200 South Orange Avenue, Tower 10
Mail Code FL-ORL- 1100
Orlando, Florida 32801

(f) The Issuer is proposing to issue the Notes for the purpose of providing funds which, together with other available funds of the Issuer will be used to acquire, construct and erect the new City Hall/Public Works Facility and to pay certain costs of issuance of the Notes (the "Project"). The Notes are expected to be repaid no later than eighteen months from their date. At a rate of interest equal to ____%, total interest estimated to be paid on the Notes is expected to equal \$_____.

(g) The source of repayment or security for the Notes is the proceeds to be derived from long-term financing of the Issuer. Assuming the issuance of such interim financing, the issuance of the Notes should not result in any Pledged Funds not being available to finance the other services of the Issuer in 2006.

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

Very truly yours,

SUNTRUST BANK

By: _____

William C. Jones

Vice President

EXHIBIT B

FORM OF CONSTRUCTION ACCOUNT AGREEMENT