

RESOLUTION NO.2011-07

A RESOLUTION SUPPLEMENTING RESOLUTION NO. 2011-06 OF THE CITY OF POLK CITY, FLORIDA; AUTHORIZING AND APPROVING THE NEGOTIATED SALE OF NOT TO EXCEED \$10,500,000 IN AGGREGATE PRINCIPAL AMOUNT OF CITY OF POLK CITY, FLORIDA WATER AND SEWER SYSTEM CAPITAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2011A, AND CITY OF POLK CITY, FLORIDA WATER AND SEWER SYSTEM REFUNDING REVENUE BONDS, TAXABLE SERIES 2011B, TO FINANCE, REFINANCE AND/OR REIMBURSE THE COST OF CERTAIN IMPROVEMENTS TO THE CITY OF POLK CITY WATER AND SEWER SYSTEM, TO FUND NECESSARY RESERVES, TO FUND CAPITALIZE INTEREST, IF ANY, AND TO PAY TRANSACTION COSTS, ALL SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS CONTAINED HEREIN AND SUBJECT TO THE TERMS AND CONDITIONS OF A BOND PURCHASE CONTRACT; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION OF SUCH BOND PURCHASE AGREEMENT, A DISCLOSURE DISSEMINATION AGENT AGREEMENT, AND A REGISTRAR AND PAYING AGENT AGREEMENT; DELEGATING TO THE MAYOR, VICE MAYOR, OR CITY MANAGER THE AUTHORITY TO AWARD THE SALE OF SUCH BONDS TO FIFTH THIRD SECURITIES, INC., PURSUANT TO A NEGOTIATED SALE AND SUBJECT TO THE CONDITIONS AND TERMS SET FORTH HEREIN AND IN SUCH BOND PURCHASE AGREEMENT; AUTHORIZING THE PURCHASE OF A FINANCIAL GUARANTY INSURANCE POLICY FOR ALL, SOME, OR NONE OF THE BONDS IN EITHER OR BOTH SERIES; AUTHORIZING EXECUTION OF AN INSURANCE COMMITMENT; DESIGNATING THE SERIES 2011A BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS," APPROVING THE FORM AND DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND APPROVING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT; APPOINTING THE PAYING AGENT AND REGISTRAR; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council (the "City Council") of the City of Polk City, Florida (the "Issuer") enacted Ordinance No. 2011-1278 on July 11, 2011, as amended and restated in its entirety by Ordinance No. 2011-1282 enacted on August 8, 2011 (collectively, the "Ordinance") and Resolution No. 2011-06 on August 8, 2011 (the "Bond Resolution") to authorize the issuance of City of Polk City, Florida Water and Sewer System Capital Improvement and Refunding Revenue Bonds, Series 2011A (the "Series 2011A Bonds") and City of Polk City, Florida Water and Sewer System Refunding Revenue Bonds, Taxable Series 2011B (the "Series 2011B Bonds" and together with the Series 2011A Bonds, the "Series 2011 Bonds"); and

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

WHEREAS, the Issuer has determined that it is in its best interests to supplement the Bond Resolution authorizing the issuance of the Series 2011 Bonds in an aggregate amount not to exceed \$10,500,000; and

WHEREAS, the Series 2011A Bonds are being issued to: (i) finance and/or reimburse the costs of certain improvements to the Water and Sewer System, including the costs of capitalized interest on a portion of the Series 2011A Bonds, if any (the "2011 Project"); (ii) currently refund the Refunded Obligations; (iii) fund a deposit into the 2011 Reserve Fund Subaccount created herein; and (iv) pay the allocable costs of issuance of the Series 2011A Bonds, including, without limitation, the premium for financial guaranty insurance, if any; and

WHEREAS, the Series 2011B Bonds are being issued to: (i) refund the Polk County Payment Obligation; (ii) fund a deposit into the 2011 Reserve Fund Subaccount created herein; and (iii) pay the allocable costs of issuance of the Series 2011B Bonds, including, without limitation, the premium for financial guaranty insurance, if any; and

WHEREAS, the Issuer has determined it to be in its best interests and to serve a paramount public purpose to provide in this Resolution for the issuance of the Series 2011 Bonds for the purposes heretofore stated, and this Resolution shall constitute a Supplemental Resolution for purposes of the Bond Resolution; and

WHEREAS, the Series 2011 Bonds shall be secured by a first lien and pledge of the Pledged Revenues as provided in the Bond Resolution; and

WHEREAS, pursuant to the Bond Resolution, the Issuer is permitted to incur "Subordinated Debt" which are obligations payable from Pledged Revenues on a junior, inferior and subordinated basis to the Series 2011 Bonds and any Additional Parity Obligations issued in the future; and

WHEREAS, the Issuer previously issued the FDEP Loan, and the FDEP Loan shall constitute Subordinated Debt within the meaning and contemplation of the Bond Resolution; and

WHEREAS, pursuant to the Bond Resolution, the Issuer may incur additional Subordinate Debt in the future, subject to satisfaction of certain requirements therein and in the FDEP Loan documents; and

WHEREAS, the Series 2011 Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of the State, but shall be payable solely from and secured by a first lien upon and pledge of the Pledged Revenues in the manner and to the extent provided herein, in the Ordinance and in the Bond Resolution, and no Holder or Holders of Series 2011 Bonds issued hereunder, in the Ordinance

and under the Bond Resolution shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any real or personal property therein, or to compel the Issuer to pay such principal and interest from any other funds of the Issuer; and

WHEREAS, except with respect to the FDEP Loan and the Refunded Obligations, the Pledged Revenues are not pledged or encumbered in any manner; and

WHEREAS, Fifth Third Securities, Inc. (the "Underwriter") has indicated that it is willing to enter into the hereinafter defined Purchase Agreement with the Issuer pursuant to which the Underwriter will agree to purchase the Series 2011 Bonds; and

WHEREAS, due to the present volatility of the market, the characteristics of the Series 2011 Bonds, the need to access the market very quickly, the willingness of the Underwriter to purchase the Series 2011 Bonds at interest rates favorable to the Issuer, and the critical importance of timing of the sale of the Series 2011 Bonds, the Issuer desires to sell the Series 2011 Bonds through a negotiated sale to the Underwriter pursuant to the terms of a Bond Purchase Agreement, the form of which is attached hereto as Exhibit A (the "Purchase Agreement"), if certain conditions set forth in this Resolution are satisfied; and

WHEREAS, prior to acceptance by the Issuer of the offer of the Underwriter to purchase the Series 2011 Bonds, the Underwriter will provide the Issuer with all applicable disclosure information required by Section 218.385, Florida Statutes, to be attached to, or otherwise included as part of, the Purchase Agreement; and

WHEREAS, because of current volatile market conditions and conditions surrounding the current credit ratings of the various municipal bond insurance companies, the Issuer desires to provide for the option of insuring some, all or none of the Series 2011 Bonds, whichever is determined by the Mayor, Vice Mayor or City Manager to be in the best financial interests of the Issuer as provided herein, with financial guaranty insurance; and

WHEREAS, the Issuer has received a commitment dated July 27, 2011 (the "Insurance Commitment") from Assured Guaranty Municipal Corp. (the "Insurer" with respect to any Series 2011 Bonds which are insured) to provide a financial guaranty insurance policy (the "Financial Guaranty Insurance Policy"); and

WHEREAS, such Insurance Commitment will require that the Issuer agree to certain conditions relating to any Series 2011 Bonds which may be insured, including the making of certain covenants set forth herein; and

WHEREAS, in connection with the offering and sale of the Series 2011 Bonds, the Issuer desires to approve the distribution of the Preliminary Official Statement, a form of which is attached hereto as Exhibit B, to delegate to the Mayor, Vice Mayor or City Manager the authority to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), and to delegate to the Mayor, Vice Mayor

and the City Manager the authority to execute and deliver a final Official Statement with respect to the Series 2011 Bonds (the "Official Statement"); and

WHEREAS, the Issuer desires to appoint the Registrar and Paying Agent with respect to the Series 2011 Bonds and authorize the execution and delivery of a Registrar and Paying Agent Agreement, a form of which is attached hereto as Exhibit C (the "Registrar and Paying Agent Agreement"); and

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

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

SECTION 1. Approval of Issuance of Series 2011 Bonds; Terms of Series 2011 Bonds; Execution of Series 2011 Bonds. The Series 2011 Bonds are hereby authorized to be issued subject to the terms and conditions set forth herein.

The Series 2011 Bonds are hereby authorized to be issued in the aggregate principal amount of not to exceed \$10,500,000. The Series 2011 Bonds are hereby authorized to be issued in fully registered form without coupons; may be Serial Bonds or Term Bonds; shall be dated; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R"; shall be in the denomination of \$5,000 each, or integral multiples thereof; shall bear interest at such rate or rates not exceeding the maximum rate allowed by State law, the actual rate to be approved based on the parameters set forth herein; such interest to be payable semiannually at such times as are described below, and shall mature annually on such date in such years and such amounts as will be fixed by the Purchase Agreement.

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

The principal of and the interest and redemption premium, if any, on the Series 2011 Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. Interest on the Series 2011 Bonds will be payable semiannually on February 1 and August 1, commencing on February 1, 2012, or such other date as set forth in the Purchase Agreement. The interest on the Serial or Term Bonds shall be payable by the Paying Agent on each interest payment date, or the first business day following an interest payment date if such interest

payment date is not a business day, to the person appearing on the registration books of the Issuer hereinafter provided for as the registered Holder thereof, by check or draft mailed to such registered Holder at his address as it appears on such registration books or by wire transfer to Holders of \$1,000,000 or more in principal amount of the Series 2011 Bonds. Payment of the principal of all Serial or Term Bonds (reduced by any Amortization Installments previously paid by the Issuer on any Term Bonds) shall be made upon the presentation and surrender of such Series 2011 Bonds as the same shall become due and payable.

As long as any Series 2011 Bonds are outstanding in book-entry form, the provisions of the Bond Resolution and this Resolution inconsistent with such system of book-entry registration shall not be applicable to such Series 2011 Bonds, and the Issuer covenants to cause adequate records to be kept with respect to the ownership of the Series 2011 Bonds issued in book-entry form or the beneficial ownership of bonds issued in the name of a nominee.

The Issuer hereby delegates to the Mayor, Vice Mayor or City Manager the authority to determine the final terms of the Series 2011 Bonds, including (i) the dated date, (ii) the principal amount and whether the Series 2011 Bonds shall be issued as Serial Bonds and/or Term Bonds, (iii) the maturity dates and amounts, (iv) the interest rates, prices and yields, (v) the optional redemption features, if any, (vi) the Amortization Installments and other mandatory redemption features, if any, (vii) the sale date and the delivery date, (viii) all other details of the Series 2011 Bonds, and to take such further action as shall be required for carrying out the purposes of this Resolution all with respect to the Series 2011 Bonds.

The proceeds of the Series 2011 Bonds shall be applied in accordance with Section 6 of this Resolution and as provided in a certificate of the Mayor, Vice Mayor or City Manager delivered upon issuance and delivery of the Series 2011 Bonds. All covenants contained in the Bond Resolution with respect to the Bonds shall be applicable to the Series 2011 Bonds.

The Series 2011 Bonds, in substantially the form approved pursuant to the Bond Resolution, shall be signed by, or bear the facsimile signature of the Mayor, Vice Mayor or City Manager and shall be attested and countersigned by, or bear the facsimile signature of, the City Clerk, shall be approved as to form and legality by the signature of, or bear the facsimile signature of, the City Attorney, and a facsimile of the official seal of the Issuer shall be imprinted or impressed on the Series 2011 Bonds.

In case any officer whose signature or a facsimile of whose signature shall appear on any Series 2011 Bonds shall cease to be such officer before the delivery of such Series 2011 Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if such Person remained in office until such delivery. Any Series 2011 Bond may bear the facsimile signature of or may be signed by such persons who, at the actual time of the execution of such Series 2011 Bond, shall be the proper officers to sign such Series 2011 Bonds although, at the date of such Series 2011 Bond, such persons may not have been such officers.

SECTION 2. Award of Sale of the Series 2011 Bonds; Execution of Purchase Agreement. Due to the present volatility of the market, the characteristics of the Series 2011 Bonds, the need to access the market very quickly, the willingness of the Underwriter to purchase the Series 2011 Bonds at interest rates favorable to the Issuer, and the critical importance of timing of the sale of the Series 2011 Bonds, the Issuer hereby determines to sell the Series 2011 Bonds through a negotiated sale to the Underwriter, and it is hereby determined that it is in the best interest of the public and the Issuer to delegate to the Mayor, Vice Mayor or City Manager the authority to fix the final details of the Series 2011 Bonds and accept the offer of the Underwriter to purchase the Series 2011 Bonds at a negotiated sale pursuant to the terms of a Purchase Agreement, the form of which is attached hereto as Exhibit A, if certain conditions set forth in this Resolution are satisfied; provided, however, that the Mayor, Vice Mayor or City Manager shall not have the authority to execute and deliver the Purchase Agreement, unless the Mayor, Vice Mayor or City Manager shall have received from the Underwriter (i) all applicable disclosure information required by Section 218.385, Florida Statutes, and (ii) such other information as the Mayor, Vice Mayor or City Manager shall deem necessary, which demonstrates to the Mayor, Vice Mayor or City Manager that (A) the aggregate principal amount of the Series 2011 Bonds is not in excess of \$10,500,000, (B) the final maturity of the Series 2011 Bonds is not later than August 1, 2041, (C) the underwriting discount is not greater than 1.6% of the original principal amount of the Series 2011 Bonds, and (D) the true interest cost rate on the Series 2011 Bonds is not greater than 6.5%.

All actions of the Mayor, Vice Mayor or City Manager taken pursuant to the authority contained in Sections 1 and 2 of this Resolution shall be evidenced by the execution and delivery of the Purchase Agreement, which shall be filed with the City Clerk. The execution and delivery of the Purchase Agreement shall constitute complete evidence of the actions of the Mayor, Vice Mayor or City Manager and shall constitute the action of the Issuer. Subject to satisfaction of the conditions in this Section 2, the Mayor, Vice Mayor or City Manager 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 Purchase Agreement. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Purchase Agreement by the Issuer, including any changes to the form attached hereto as Exhibit A, and shall be deemed to be a part of this instrument as fully and to the same extent as if incorporated verbatim herein.

SECTION 3. Optional Financial Guaranty Insurance; Financial Guaranty Insurance Policy Covenants and Agreements.

(A) The Mayor, Vice Mayor or City Manager is hereby authorized to determine whether it is in the best financial interests of the Issuer to obtain financial guaranty insurance for some, all or none of the Series 2011 Bonds, and to take any actions and do all things necessary in order to obtain such insurance.

(B) The prior written consent of the Insurer shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the 2011 Reserve Fund

Subaccount in the Reserve Fund. Notwithstanding anything to the contrary set forth in the Bond Resolution, amounts on deposit in the 2011 Reserve Fund Subaccount in the Reserve Fund shall be applied solely to the payment of debt service due on the Insured Bonds.

(C) The Financial Guaranty Insurance Policy, which guarantees the payment of principal and interest on any Series 2011 Bonds insured thereby (the "Insured Bonds"), is hereby authorized to be purchased from the Insurer in accordance with the Insurance Commitment, and payment for such insurance is hereby authorized from the proceeds of the Series 2011 Bonds. The Mayor, Vice Mayor or City Manager is hereby authorized to execute such Insurance Commitment. A statement of insurance is hereby authorized to be printed on or attached to the Insured Bonds. The Insurer shall be deemed to be the sole holder of the Insured Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the holders of the Insured Bonds insured by it are entitled to take pursuant to the Bond Resolution pertaining to (i) defaults and remedies and (ii) the duties and obligations of the Paying Agent. Remedies granted to the Bondholders shall expressly include mandamus.

(D) The Insurer is hereby recognized as a third party beneficiary to the Bond Resolution.

(E) Upon the occurrence of an extraordinary optional, special or extraordinary mandatory redemption in part, the selection of Insured Bonds to be redeemed shall be subject to the approval of the Insurer. The exercise of any provision of the Bond Resolution which permits the purchase of Insured Bonds in lieu of redemption shall require the prior written approval of the Insurer if any Insured Bond so purchased is not cancelled upon purchase.

(F) Any amendment, supplement, modification to, or waiver of, the Bond Resolution or this Resolution or any other transaction document, including any underlying security agreement (each a "Related Document"), that requires the consent of Bondholders or adversely affects the rights and interests of the Insurer shall be subject to the prior written consent of the Insurer.

(G) Unless the Insurer otherwise directs, upon the occurrence and continuance of an Event of Default or an event which with notice or lapse of time would constitute an Event of Default, amounts on deposit in the 2011 Project Fund shall not be disbursed, but shall instead be applied to the payment of debt service or redemption price of the Insured Bonds.

(H) The rights granted to the Insurer under the Bond Resolution or this Resolution or any other Related Document to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Insurer.

(I) Only (1) cash, (2) non callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Insurer, pre refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (5) subject to the prior written consent of the Insurer, securities eligible for "AAA" defeasance under then existing criteria of S & P or any combination thereof, shall be used to effect defeasance of the Insured Bonds unless the Insurer otherwise approves.

To accomplish defeasance, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to the Insurer ("Accountant") verifying the sufficiency of the escrow established to pay the Insured Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Insurer), (iii) an opinion of nationally recognized bond counsel to the effect that the Insured Bonds are no longer "Outstanding" under the Bond Resolution and (iv) a certificate of discharge of the Paying Agent with respect to the Insured Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Issuer, Paying Agent and Insurer. The Insurer shall be provided with final drafts of the above referenced documentation not less than five business days prior to the funding of the escrow.

Insured Bonds shall be deemed "Outstanding" under the Bond Resolution unless and until they are in fact paid and retired or the above criteria are met.

(J) Amounts paid by the Insurer under the Insurance Policy shall not be deemed paid for purposes of the Bond Resolution and the Insured Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with the Bond Resolution. The Bond Resolution shall not be discharged unless all amounts due or to become due to the Insurer have been paid in full or duly provided for.

(K) Each of the Issuer and Paying Agent covenant and agree to take such action as is necessary from time to time to preserve the priority of the pledge of the Pledged Revenues under applicable law.

(L) Claims Upon the Insurance Policy and Payments by and to the Insurer.

If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Paying Agent, after making all transfers and deposits required under the Bond Resolution, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Paying Agent shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent")



by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Paying Agent shall make a claim under the Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds and the amount required to pay principal of the Insured Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the Insurance Policy.

The Paying Agent shall designate any portion of payment of principal on Insured Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Bonds registered to the then current Bondholder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Bond to the Insurer, registered in the name of Assured Guaranty Municipal Corp., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent's failure to so designate any payment or issue any replacement Insured Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Insured Bond or the subrogation rights of the Insurer.

The Paying Agent shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal of any Insured Bond. The Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Paying Agent.

Upon payment of a claim under the Insurance Policy, the Paying Agent shall establish a separate special purpose trust account for the benefit of Bondholders referred to herein as the "Policy Payments Account" and over which the Paying Agent shall have exclusive control and sole right of withdrawal. The Paying Agent shall receive any amount paid under the Insurance Policy in trust on behalf of Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent to Bondholders in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under the sections hereof regarding payment of Insured Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything herein to the contrary, the Issuer agrees to pay to the Insurer (i) a sum equal to the total of all amounts paid by the Insurer under the Insurance Policy (the "Insurer Advances"); and (ii) interest on such Insurer Advances from the date paid by the Insurer until payment thereof in full, payable to the Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to

time by JPMorgan Chase Bank at its principal office in The City of New York, as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. The Issuer hereby covenants and agrees that the Insurer Reimbursement Amounts are secured by a lien on and pledge of the Pledged Revenues and payable from such Pledged Revenues on a parity with debt service due on the Insured Bonds.

Funds held in the Policy Payments Account shall not be invested by the Paying Agent and may not be applied to satisfy any costs, expenses or liabilities of the Paying Agent. Any funds remaining in the Policy Payments Account following an Insured Bond payment date shall promptly be remitted to the Insurer.

(M) The Insurer shall, to the extent it makes any payment of principal of or interest on the Insured Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy. Each obligation of the Issuer to the Insurer under the Bond Resolution shall survive discharge or termination of the Bond Resolution.

(N) The Issuer shall pay or reimburse the Insurer any and all charges, fees, costs and expenses that the Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Bond Resolution; (ii) the pursuit of any remedies under the Bond Resolution or otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Bond Resolution whether or not executed or completed, or (iv) any litigation or other dispute in connection with the Bond Resolution or the transactions contemplated thereby, other than costs resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Bond Resolution.

(O) After payment of reasonable expenses of the Paying Agent, the application of funds realized upon default shall be applied to the payment of expenses of the Issuer or rebate only after the payment of past due and current debt service on the Insured Bonds and amounts required to restore the 2011 Reserve Fund Subaccount in the Reserve Fund to the Reserve Requirement.

(P) The Insurer shall be entitled to pay principal or interest on the Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Insurance Policy) and any amounts due on the Insured Bonds as a result of acceleration of the maturity thereof in accordance with the Bond Resolution, whether or not the Insurer has received a Notice of Nonpayment (as such terms are defined in the Insurance Policy) or a claim upon the Insurance Policy.

(Q) The notice address of the Insurer is: Assured Guaranty Municipal Corp., 31 West 52nd Street, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. \_\_\_\_\_, Telephone: (212) 826 0100; Telecopier: (212) 339 3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(R) The Insurer shall be provided with the following information by the Issuer or Paying Agent, as the case may be:

(1) Annual audited financial statements within 150 days after the end of the Issuer's fiscal year (together with a certification of the Issuer that it is not aware of any default or Event of Default under the Bond Resolution), and the Issuer's annual budget within 30 days after the approval thereof together with such other information, data or reports as the Insurer shall reasonably request from time to time;

(2) Notice of any draw upon the 2011 Reserve Fund Subaccount in the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement and (ii) withdrawals in connection with a refunding of Insured Bonds;

(3) Notice of any default known to the Paying Agent or Issuer within five Business Days after knowledge thereof;

(4) Prior notice of the advance refunding or redemption of any of the Insured Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(5) Notice of the resignation or removal of the Paying Agent and Bond Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(6) Notice of the commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(7) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Insured Bonds;

(8) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Bond Resolution; and

(9) All reports, notices and correspondence to be delivered to Bondholders under the terms of the Bond Resolution.

In addition, to the extent that the Issuer has entered into a continuing disclosure agreement, covenant or undertaking with respect to the Insured Bonds, all information furnished pursuant to such agreements shall also be provided to the Insurer, simultaneously with the furnishing of such information.

(S) The Insurer shall have the right to receive such additional information as it may reasonably request.

(T) The Issuer will permit the Insurer to discuss the affairs, finances and accounts of the Issuer or any information the Insurer may reasonably request regarding the security for the Insured Bonds with appropriate officers of the Issuer and will use commercially reasonable efforts to enable the Insurer to have access to the facilities, books and records of the Issuer on any business day upon reasonable prior notice.

(U) The Issuer shall notify the Insurer of any failure of the Issuer to provide notices, certificates and other information under the transaction documents.

(V) Notwithstanding satisfaction of the other conditions to the issuance of Additional Parity Obligations set forth in the Bond Resolution, no such issuance may occur (1) if an Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) exists unless such default shall be cured upon such issuance and (2) unless the 2011 Reserve Fund Subaccount in the Reserve Fund is fully funded at the Reserve Requirement (including the proposed issue) upon the issuance of such Additional Bonds, in either case unless otherwise permitted by the Insurer.

(W) In determining whether any amendment, consent, waiver or other action to be taken, or any failure to take action, under the Bond Resolution would adversely affect the security for the Insured Bonds or the rights of the Bondholders, the Paying Agent shall consider the effect of any such amendment, consent, waiver, action or inaction as if there were no Insurance Policy.

(X) No contract shall be entered into or any action taken by the Issuer in which the rights of the Insurer or security for or sources of payment of the Insured Bonds may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of the Insurer.

(Y) If the Insured Bonds are issued for refunding purposes, there shall be delivered an opinion of Bond Counsel addressed to the Insurer (or a reliance letter relating thereto), or a certificate of discharge of the Paying Agent for the refunded Bonds, to the effect that, upon the making of the required deposit to the escrow, the legal defeasance of the Refunded Bonds shall have occurred. If the refunded Bonds are insured by Assured Guaranty Municipal Corp., at least three business days prior to the proposed date for delivery of the Policy with respect to the Refunding Bonds, the Insurer shall also receive (i) the verification letter, of which the Insurer shall be an addressee, by an independent firm of certified public accountants which is either nationally recognized or otherwise acceptable to the Insurer, of the adequacy of the escrow

established to provide for the payment of the refunded Bonds in accordance with the terms and provisions of the Escrow Deposit Agreement, and (ii) the form of an opinion of Bond Counsel addressed to the Insurer (or a reliance letter relating thereto) to the effect that the Escrow Deposit Agreement is a valid and binding obligation of the parties thereto, enforceable in accordance with its terms (such Escrow Deposit Agreement shall provide that no amendments are permitted without the prior written consent of the Insurer). An executed copy of each of such opinion and reliance letter, if applicable, or Paying Agent's discharge certificate, as the case may be, shall be forwarded to the Insurer prior to delivery of the Insured Bonds.

(Z) Any interest rate exchange agreement ("Swap Agreement") entered into by the Issuer shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the Insured Bonds and on any debt on parity with the Insured Bonds. The Issuer shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Insurer prior to the payment of any such termination amount that such payment will not cause the Issuer to be in default under the Bond Resolution, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least "A-" and "A3" by Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's"). If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Insurer. If the counterparty or the guarantor's long term unsecured rating falls below "Baa1" or "BBB+" by either Moody's or S&P, a replacement counterparty or guarantor, acceptable to the Insurer, shall be required.

(AA) For purposes of the Bond Resolution, the Financial Guaranty Insurance Policy is a Credit Facility and the Insurer is a Credit Facility Issuer.

SECTION 4. Reserve Fund and 2011 Reserve Fund Subaccount. Pursuant to Section 20(B)(2) of the Bond Resolution, there is hereby created and established a separate subaccount of the Reserve Fund to be designated the "2011 Reserve Fund Subaccount." It is hereby determined that the 2011 Reserve Fund Subaccount shall secure only the Series 2011 Bonds and any Additional Parity Obligations issued in the future which are designated to be secured thereby, and shall not secure Additional Parity Obligations which are not designated to be secured thereby. Upon the issuance of the Series 2011 Bonds, proceeds thereof in an amount equal to the Reserve Requirement for the Series 2011 Bonds will be deposited in the 2011 Reserve Fund Subaccount. The Reserve Requirement applicable to the 2011 Reserve Fund Subaccount shall be equal to the lesser of (i) the Maximum Bond Service Requirement calculated based on Series 2011 Bonds and any Additional Parity Obligations issued in the future which

are designated to be secured thereby (ii) 125% of the Average Annual Bond Service Requirement calculated based on the Series 2011 Bonds and any Additional Parity Obligations issued in the future which are designated to be secured thereby, or (iii) 10% of the aggregate stated original principal amount of the Series 2011 Bonds and any Additional Parity Obligations issued in the future which are designated to be secured thereby (except that, in determining the aggregate stated original principal amount of such Bonds for purposes of (iii), the issue price of such Bonds (net of pre-issuance accrued interest) shall be substituted for the original stated principal amount if such Bonds are sold at either an original issue discount or premium exceeding two percent (2%) of its stated redemption price at maturity).

SECTION 5. 2011 Project Fund Subaccount. Pursuant to Section 16 of the Bond Resolution, there is hereby created in the Project Fund the 2011 Project Fund Subaccount (hereafter the "2011 Project Fund Subaccount") which shall be held solely for the benefit of the Holders of the Series 2011 Bonds.

SECTION 6. Application of Series 2011 Bond Proceeds.

(A) Unless directed to be applied otherwise by subsequent resolution of the Issuer or by certificate executed by the Mayor, Vice Mayor or City Manager prior to or simultaneously with the issuance of the Series 2011A Bonds, the proceeds received from the sale of any or all of the Series 2011A Bonds shall be applied by the Issuer simultaneously with the delivery of the Series 2011A Bonds to the purchaser thereof, together with any other legally available funds of the Issuer, as follows:

(1) The Issuer shall pay in full the 2005 Note, the 1999 Bonds, the 2004 Bonds, and the Polk County Sprayfield Loan.

(2) The Issuer shall pay and/or reimburse all costs and expenses in connection with the preparation, issuance and sale of the Series 2011A Bonds, including, but not limited to legal, feasibility, accounting, engineering and underwriting fees and expenses and premium for financial guaranty insurance, if any.

(3) The Issuer shall deposit into the 2011 Reserve Fund Subaccount an amount which, together with proceeds of the Series 2011B Bonds simultaneously deposited therein, will equal the Reserve Requirement for the Series 2011 Bonds. The total amount deposited into the 2011 Reserve Fund Subaccount shall be apportioned between proceeds of the Series 2011A Bonds and proceeds of the Series 2011B Bonds pro rata based upon the original principal amount of each such Series of Bonds.

(4) The Issuer shall deposit remaining proceeds of the Series 2011A Bonds in the 2011 Project Fund Subaccount to finance and/or reimburse the costs of the 2011 Project, [including the payment of capitalized interest on a portion of the Series 2011 Bonds.]

(B) Unless directed to be applied otherwise by subsequent resolution of the Issuer or by certificate executed by the Mayor, Vice Mayor or City Manager prior to or simultaneously

with the issuance of the Series 2011B Bonds, the proceeds received from the sale of any or all of the Series 2011B Bonds shall be applied by the Issuer simultaneously with the delivery of the Series 2011B Bonds to the purchaser thereof, together with any other legally available funds of the Issuer, as follows:

(1) The Issuer shall pay in full the Polk County Payment Obligation.

(2) The Issuer shall pay and/or reimburse all costs and expenses in connection with the preparation, issuance and sale of the Series 2011B Bonds, including, but not limited to legal, feasibility, accounting, engineering and underwriting fees and expenses and premium for financial guaranty insurance, if any.

(3) The Issuer shall deposit into the 2011 Reserve Fund Subaccount an amount which, together with proceeds of the Series 2011A Bonds simultaneously deposited therein, will equal the Reserve Requirement for the Series 2011 Bonds. The total amount deposited into the 2011 Reserve Fund Subaccount shall be apportioned between proceeds of the Series 2011A Bonds and proceeds of the Series 2011B Bonds pro rata based upon the original principal amount of each such Series of Bonds.

(C) The cash required to be accounted for in each of the funds and accounts described in this Section 6 and in the Bond Resolution may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein for the various purposes of such funds and accounts as herein provided. The designation and establishment of the various funds in and by the Bond Resolution and this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

The Issuer may at any time and from time to time appoint one or more depositaries to hold, for the benefit of the Series 2011 Bondholders, any one or more of the funds, accounts and subaccounts established hereby and by the Bond Resolution. Such depository or depositaries shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds and accounts as herein set forth and as set forth in the Bond Resolution, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agent and employees. Any such depository shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than fifty million dollars (\$50,000,000).

SECTION 7. Approval of Distribution of Preliminary Official Statement and Authorization of Final Official Statement. The preparation and distribution of the Preliminary

Official Statement relating to the Series 2011 Bonds, in the form attached hereto as Exhibit B, is hereby approved and authorized, as is the use thereof by the Underwriter in connection with the sale of the Series 2011 Bonds. The Mayor, Vice Mayor or City Manager is hereby authorized to execute and deliver a certificate of the Issuer which deems such Preliminary Official Statement "final" within the contemplation of the Rule. The distribution of the final Official Statement relating to the Series 2011 Bonds is hereby authorized, and the execution of such Official Statement by the Mayor, Vice Mayor and the City Manager is hereby authorized, which execution and delivery shall constitute complete evidence of the approval of such final Official Statement by the Issuer.

SECTION 8. Appointment of Registrar and Paying Agent; Authorization of Execution and Delivery of Registrar and Paying Agent Agreement. Wells Fargo Bank, National Association, Jacksonville, Florida is hereby appointed Registrar and Paying Agent relating to the Series 2011 Bonds. The Registrar and Paying Agent Agreement, in the form attached hereto as Exhibit C, is hereby approved and authorized. The Mayor, Vice Mayor or City Manager 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 and legality, the Registrar and Paying Agent Agreement. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Registrar and Paying Agent Agreement by the Issuer, including any changes to the form being approved, and shall be deemed to be a part of this instrument as fully and to the same extent as if incorporated verbatim herein.

SECTION 9. Continuing Disclosure. The Issuer hereby covenants and agrees that, in order to assist the Underwriter in complying with the continuing disclosure requirements of the Rule with respect to the Series 2011 Bonds, it will comply with and carry out all of the provisions of the Disclosure Dissemination Agent Agreement with Digital Assurance Certification, L.L.C. ("DAC"), the form of which is attached hereto as Exhibit D, to be executed by the Issuer prior to the time the Issuer delivers the Series 2011 Bonds to the Underwriter, as it may be amended from time to time in accordance with the terms thereof. DAC is hereby appointed as dissemination agent for the Series 2011 Bonds.

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

Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with such Disclosure Dissemination Agent Agreement shall not be considered an Event of Default under the Bond Resolution. However, the Disclosure Dissemination Agent Agreement



shall be enforceable by the Series 2011 Bondholders in the event that the Issuer fails to cure a breach thereunder within a reasonable time after written notice from a Series 2011 Bondholder to the Issuer that a breach exists. Any rights of the Series 2011 Bondholders to enforce the provisions of the Disclosure Dissemination Agent Agreement shall be on behalf of all Series 2011 Bondholders and shall be limited to a right to obtain specific performance of the Issuer's obligations thereunder.

SECTION 10. Bank Qualified Designation. The Issuer hereby finds and determines that, including the original aggregate principal amount of the Series 2011A Bonds, the Issuer does not reasonably expect to issue in excess of \$10,000,000 in aggregate principal amount of tax-exempt obligations during calendar year 2011 within the meaning and contemplation of Section 265(b)(3) of the Code. Accordingly, the Issuer hereby designates the Series 2011A Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3) of the Code.

SECTION 11. General Authority. The Mayor, Vice Mayor, the City Manager, the City Clerk, the Finance Director, the City Attorney or any other appropriate officers of the Issuer are hereby authorized and directed to execute any and all certifications or other instruments or documents required by the Bond Resolution and this Resolution, the Purchase Agreement or any other document referred to above as a prerequisite or precondition to the issuance of the Series 2011 Bonds and any such representation made therein shall be deemed to be made on behalf of the Issuer. All action taken to date by the officers of the Issuer in furtherance of the issuance of the Series 2011 Bonds is hereby approved, confirmed and ratified.

SECTION 12. No Third Party Beneficiaries. Except as may be expressly described herein or in a Supplemental Resolution, nothing in the Bond Resolution or this Resolution, or in the Series 2011 Bonds, expressed or implied, is intended or shall be construed to confer upon anyone of another entity other than the Issuer, the Holders and the Insurer with respect to the Series 2011 Bonds, any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof or the Bond Resolution or any provision thereof, or of the Series 2011 Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer, the Holders from time to time and the Insurer with respect to the Series 2011 Bonds, if any.

SECTION 13. Severability. If any one or more of the covenants, agreements or provisions of the Bond Resolution or this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of the Bond Resolution or this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof, thereof or of the Series 2011 Bonds issued under the Bond Resolution or this Resolution.

SECTION 14. No Personal Liability. Neither the members of the City Council, nor the Mayor, Vice Mayor, City Manager or any officials or employees of the Issuer, nor any person

executing the Series 2011 Bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 15. Repeal Of Inconsistent Instruments. All prior resolutions of the Issuer inconsistent with the provisions of this Resolution are hereby repealed to the extent of such conflict and, except as otherwise repealed hereby, shall remain in full force and effect.

SECTION 16. Effective Date. This Resolution shall take effect immediately upon its adoption

PASSED IN OPEN AND REGULAR SESSION OF THE CITY COUNCIL OF THE CITY OF POLK CITY, FLORIDA THIS 8TH DAY OF AUGUST, 2011.

(SEAL)

ATTEST:

CITY OF POLK CITY, FLORIDA

By: \_\_\_\_\_  
Patricia Jackson, City Clerk

By: \_\_\_\_\_  
Joseph LaCascia, Mayor

Approved as to Form and Legality:

By: \_\_\_\_\_  
Thomas A. Cloud, City Attorney

**EXHIBIT A**

**FORM OF  
PURCHASE AGREEMENT**

**EXHIBIT B**

**FORM OF  
PRELIMINARY OFFICIAL STATEMENT**

**EXHIBIT C**

**FORM OF  
REGISTRAR AND PAYING AGENT AGREEMENT**

**EXHIBIT D**

**FORM OF  
DISCLOSURE DISSEMINATION AGENT AGREEMENT**

\$[\_\_\_\_\_]  
CITY OF POLK CITY, FLORIDA  
WATER AND SEWER SYSTEM CAPITAL IMPROVEMENT  
AND REFUNDING REVENUE BONDS, SERIES 2011A

and

\$[\_\_\_\_\_]  
CITY OF POLK CITY, FLORIDA  
WATER AND SEWER SYSTEM REFUNDING REVENUE BONDS,  
TAXABLE SERIES 2011B

**BOND PURCHASE AGREEMENT**

August [ ], 2011

Honorable Mayor and Members  
of the City Council  
Polk City, Florida

Ladies and Gentlemen:

The undersigned, Fifth Third Securities, Inc. (the "Underwriter"), offers to enter into this Bond Purchase Agreement (this "Agreement") with the City of Polk City, Florida (the "City"), which, upon the acceptance of this offer and the execution of this Agreement by the City, shall be in full force and effect in accordance with its terms and shall be binding upon the City and the Underwriter. This offer is made subject to your acceptance and execution of this Agreement on or before 11:59 p.m., Eastern Time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered by the Underwriter to the City at any time prior to the acceptance hereof by the City. Unless otherwise indicated, capitalized terms used herein without definitions shall have the meanings ascribed thereto in the hereinafter defined Bond Resolution.

1. Purchase and Sale of Bonds. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the City, and the City hereby agrees to issue, sell and deliver to the Underwriter, all (but not less than all) of (i) the \$\_\_\_\_\_ aggregate principal amount of City of

Polk City, Florida, Water and Sewer System Capital Improvement and Refunding Revenue Bonds, Series 2011A (the "Series 2011A Bonds"), at a purchase price of \$\_\_\_\_\_ (representing \_\_\_\_% of the principal amount thereof, taking into account a net original issue [discount] [premium] of \$\_\_\_\_\_ and an Underwriter's discount of \$\_\_\_\_\_) (the "2011A Purchase Price") and (ii) the \$\_\_\_\_\_ aggregate principal amount of City of Polk City, Florida Water and Sewer System Refunding Revenue Bonds, Taxable Series 2011B (the "Series 2011B Bonds" and, together with the Series 2011A Bonds, the "Series 2011 Bonds"), at a purchase price of \$\_\_\_\_\_ (representing \_\_\_\_% of the principal amount thereof, taking into account a net original issue [discount] [premium] of \$\_\_\_\_\_ and an Underwriter's discount of \$\_\_\_\_\_) (the "2011B Purchase Price" and, together with the 2011A Purchase Price, the "Total Purchase Price"). The Underwriter agrees to make a bona fide public offering of substantially all of the Series 2011 Bonds to the public at initial public offering prices not greater than (or yields not less than) the initial public offering prices (or yields) set forth in the Official Statement (hereinafter defined); provided, however, that the Underwriter reserves the right to make concessions to certain dealers, certain dealer banks and banks acting as agents and to change such initial public offering prices as the Underwriter shall deem necessary in connection with the marketing of the Series 2011 Bonds.

2. The Series 2011 Bonds. The Series 2011 Bonds are being issued pursuant to the Constitution and laws of the State of Florida, including Chapter 166, Part II, Florida Statutes, the municipal charter of the City, and other applicable provisions of law (collectively, the "Act") and pursuant to and subject to the terms and conditions of Ordinance No. 2011-\_\_\_ enacted by the City Council of the City (the "City Council") on August 8, 2011 (the "Bond Ordinance"), as supplemented by Resolution No. 2011-\_\_, and as further supplemented by Resolution No. 2011-\_\_, each adopted by the City Council on August 8, 2011 (collectively, the "Bond Resolution"). The Series 2011 Bonds shall mature on such dates in such amounts, shall bear interest at such rates, shall have such prices or yields, and shall be subject to redemption as set forth in Exhibit "A" attached hereto.

In connection with the public offering of the Series 2011 Bonds, the Underwriter has delivered to the City a letter containing the information required by Section 218.385, Florida Statutes, which letter is in the form attached hereto as Exhibit "B," and the Underwriter has delivered the truth-in-bonding statement in Section 4 hereof as required by Sections 218.385(2) and (3), Florida Statutes.

3. Purpose of the Series 2011 Bonds. The Series 2011A Bonds are being issued (i) to finance certain improvements (collectively, the "Project") to the City's combined water and sewer system (the "Utility System"); (ii) to currently refund all of the City's outstanding Sewer Revenue Bonds, Series 1999 (the "1999 Bonds"), Water System Revenue Bonds, Series 2004 (the "2004 Bonds"), Capital Improvement Revenue Note, Series 2005 (the "2005 Bonds") and the Polk County Sprayfield Loan (as defined in the Official Statement) (the Polk County Sprayfield Loan, the 1999 Bonds, the 2004 Bonds and the 2005 Bonds are referred to herein as the "Refunded Obligations"); (iii) fund a deposit into the 2011 Reserve Fund Subaccount; and (iv) to pay the



costs of issuance of the Series 2011A Bonds, including a portion of the premium for the municipal bond insurance policy (the "Bond Insurance Policy"). The Series 2011B Bonds are being issued (i) to refund the Polk County Payment Obligation (as defined in the Official Statement); (ii) fund a deposit into the 2011 Reserve Fund Subaccount; and (iii) to pay the costs of issuance of the Series 2011B Bonds, including a portion of the premium for the Bond Insurance Policy.

It shall be a condition to the obligation of the City to sell and deliver the Series 2011 Bonds to the Underwriter, and the obligations of the Underwriter to purchase and accept delivery of the Series 2011 Bonds, that the entire aggregate principal amount of the Series 2011 Bonds shall be sold and delivered by the City and paid for by the Underwriter at the Closing (as such term is hereinafter defined).

4. Truth-In-Bonding Statement. The Series 2011A Bonds are being issued for the purposes described in Section 3 hereof, and are expected to be repaid over a period of approximately \_\_\_ years. At a true interest cost rate of \_\_\_\_\_%, total interest paid over the life of the Series 2011A Bonds will be \$\_\_\_\_\_. The Series 2011B Bonds are being issued for the purposes described in Section 3 hereof, and are expected to be repaid over a period of approximately \_\_\_ years. At a true interest cost rate of \_\_\_\_\_%, total interest paid over the life of the Series 2011B Bonds will be \$\_\_\_\_\_. As more fully described in the Bond Resolution, the source of repayment or security for the Series 2011 Bonds are the Pledged Revenues which generally consist of Net Revenues of the Utility System and the Public Service Tax Revenues. Authorizing the Series 2011A Bonds will result in a maximum of \$\_\_\_\_\_ of such Pledged Revenues not being available to finance other services of the City each year over the approximate \_\_\_ year period. Authorizing the Series 2011B Bonds will result in a maximum of \$\_\_\_\_\_ of such Pledged Revenues not being available to finance other services of the City each year over the approximate \_\_\_ year period.

5. Delivery of Official Statement and Other Documents. (a) Prior to the date hereof, the City has provided to the Underwriter the Preliminary Official Statement dated \_\_\_\_\_, 2011 (the "Preliminary Official Statement"), that the City deemed final as of its date, except for certain permitted omissions (the "permitted omissions"), as contemplated by Rule 15c2-12 ("Rule 15c2-12") of the Securities and Exchange Commission ("SEC") in connection with the pricing of the Series 2011 Bonds. The City hereby confirms that the Preliminary Official Statement was final as of its date, except for the permitted omissions, and ratifies and confirms the use and distribution thereof by the Underwriter prior to the date hereof in connection with the public offering of the Series 2011 Bonds.

(b) The City shall deliver, or cause to be delivered, at its expense, to the Underwriter within seven (7) business days after the date hereof sufficient copies of the final printed Official Statement dated the date hereof (the "Official Statement") in form and substance satisfactory to the Underwriter. In determining whether the number of copies to be delivered by the City is sufficient, the number shall be sufficient to enable the Underwriter to comply with the

requirements of Rule 15c2-12, all applicable rules of the Municipal Securities Rulemaking Board ("MSRB") through its Electronic Municipal Market Access system or any other electronic municipal securities information access system designated by the MSRB for collecting and disseminating primary offering documents and information ("EMMA") and to fulfill its duties and responsibilities under Florida and federal securities laws generally.

Such Official Statement shall be delivered in the currently required designated format stated in Rule G-32 of the MSRB and the EMMA Dataport Manual.<sup>1</sup> The Underwriter may not terminate its obligations under this Agreement as a result of the failure of the City to deliver the Official Statement within such time period unless such failure adversely affects the Underwriter's marketing and sale of the Series 2011 Bonds or results in the Underwriter's failure to comply with the relevant rules of the SEC or the MSRB.

Unless the Underwriter otherwise notifies the City in writing, the Underwriter agrees that the "end of the underwriting period" for purposes of Rule 15c2-12 shall be the date of the Closing. The Underwriter shall, at its own expense, submit the Official Statement to EMMA within one business day of receipt from the City. The Underwriter will comply with the provisions of MSRB Rule G-32 as in effect on the date hereof, including without limitation with respect to the submission of Form G-32 and the Official Statement, and notify the City of the date on which the Official Statement has been so filed with EMMA. The Underwriter shall, if requested by the City, provide to the City a copy of any notice sent to purchasers of the Series 2011 Bonds from the Underwriter advising them as to the manner pursuant to which such purchasers could obtain a copy of the Official Statement from EMMA and indicating to them that a printed copy of the Official Statement will be provided to them upon their request.

The City authorizes the use and distribution of the Official Statement in connection with the public offering and sale of the Series 2011 Bonds.

(c) From the date hereof to and including the date which is twenty-five days from the end of the underwriting period (as defined for purposes of Rule 15c2-12), if an event occurs which, in the opinion of the Underwriter or in the opinion of the City, requires a supplement or amendment to the Official Statement so that it will not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, when it is delivered to a potential investor, the City will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter and the City. The City will promptly notify the Underwriter of the occurrence of any event of which it has knowledge, which, in its

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<sup>1</sup> "EMMA Dataport Manual" shall mean the document(s) designated as such and published by the MSRB from time to time that sets forth the processes and procedures with respect to submissions to be made to the primary market disclosure service of EMMA by underwriters under MSRB Rule G-32.

opinion, is an event described in the preceding sentence. The amendments or supplements that may be authorized for use with respect to the Series 2011 Bonds are hereinafter included within the term "Official Statement."

6. Conditions Precedent to Execution of this Agreement by the Underwriter. On or before the acceptance by the City of this Agreement, the City shall deliver to the Underwriter, together with such reasonable number of copies thereof as the Underwriter may request, certified copies of the Bond Ordinance and Bond Resolution.

7. Representations and Warranties of the City. The City represents and warrants to the Underwriter as follows:

(a) As of their respective dates, at the time of acceptance hereof and on the Closing Date (as such term is hereinafter defined), the statements and information contained in the Preliminary Official Statement, except for permitted omissions under Rule 15c2-12 (and other than as modified in the Official Statement), and the Official Statement are and will be accurate in all material respects for the purposes for which their use is authorized, and do not and will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. In addition, any amendments to the Official Statement prepared and furnished by the City pursuant hereto will not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(b) As of its date, the Preliminary Official Statement was deemed "final" by the City for purposes of paragraph (b)(1) of Rule 15c2-12.

(c) The City has duly authorized the execution, delivery and due performance of this Agreement.

(d) When executed and delivered by the City in accordance with the provisions of this Agreement, the Series 2011 Bonds will have been duly authorized by the City, in the manner required under applicable law, executed, issued and delivered and will constitute valid and binding revenue obligations of the City, enforceable against the City in accordance with their terms, in conformance with the Act, the Bond Ordinance and the Bond Resolution, such enforceability being subject to bankruptcy, insolvency, reorganization, moratorium or similar laws, relating to or affecting the enforcement of creditors' rights generally and to the exercise of judicial discretion in accordance with general principles of equity.

(e) The enactment of the Bond Ordinance, the adoption by the City of the Bond Resolution, the enactment or adoption, as the case may be, of the ordinances and resolutions under which the City (i) fixes, establishes, maintains and collects the rates, fees and charges applicable to users of the Utility System and (ii) imposes the taxes levied and collected

by the City on purchases of water under the authority of Section 166.231, Florida Statutes (collectively, the "Rate Instrument"), and the execution and delivery by the City of this Agreement, the Disclosure Dissemination Agent Agreement dated the Closing Date of the City relating to the Series 2011 Bonds (the "Disclosure Agreement"), the Registrar and Paying Agent Agreement dated the Closing Date between the City and Wells Fargo Bank, National Association (the "Paying Agent Agreement"), the Contract for Operation and Maintenance Services for the City of Polk City Water and Wastewater Utility dated January 12, 2011, as amended on July 11, 2011, between the City and Woodard & Curran, Inc. (collectively, the "Management Contract"), the Series 2011 Bonds, and any other documents executed and delivered by the City in connection with the issuance of the Series 2011 Bonds (collectively, the "Bond Documents") and the compliance by the City with the provisions thereof will not in any material respect conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any agreement or other instrument to which the City is a party or by which the City is bound, or any existing law, administrative regulation, court order or consent decree to which the City or its property is subject.

(f) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request, to (i) qualify the Series 2011 Bonds for offer and sale under the Blue Sky or other securities laws or regulations of such states and other jurisdictions of the United States of America as the Underwriter may designate, if required by the Underwriter, and (ii) determine the eligibility of the Series 2011 Bonds for investment under the laws of such states and other jurisdictions and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Series 2011 Bonds. This paragraph shall not, however, require the City to submit to the jurisdiction of a court of any state other than Florida.

(g) Between the date of this Agreement and the Closing Date, the City will not execute any bonds, notes or other obligations for borrowed money, other than the proposed issuance or the issuance of which is referred to explicitly in the Official Statement, without giving prior written notice thereof to the Underwriter.

(h) The City is, and will be on the Closing Date, duly organized and validly existing as a municipal corporation under the Constitution and laws of the State of Florida, with the power and authority set forth in the Act.

(i) The City (i) has full legal power and authority to enact the Bond Ordinance and adopt the Bond Resolution; to enact or adopt, as the case may be, the Rate Instrument; to execute and deliver this Agreement and the other Bond Documents; to issue, sell and deliver the Series 2011 Bonds; and to carry out and consummate the transactions contemplated by this Agreement, the Official Statement and the other Bond Documents; (ii) has in full force and effect all consents, approvals, permits or other actions by or filings with any governmental authority required for the execution and delivery by the City of this Agreement and the other Bond Documents, for the enactment of the Bond Ordinance, for the adoption of

the Bond Resolution, for the enactment or adoption, as the case may be, of the Rate Instrument, and for the performance by the City of the financing transactions contemplated thereby; (iii) represents that from the time of acceptance by the City hereof through the Closing Date, except as contemplated by the Official Statement, the City will not incur any material liabilities, direct or contingent, or enter into any transaction that could adversely affect the transactions contemplated hereby or by the Bond Ordinance, Bond Resolution or Bond Documents, and there shall not have been any material adverse change in the condition, financial or otherwise, of the City or the Utility System that could adversely affect the transactions contemplated hereby other than changes in the ordinary course of business or in the normal operation of the facilities operated by the City; and (iv) represents that the execution and delivery by the City of this Agreement and the other Bond Documents, the enactment of the Bond Ordinance, the adoption of the Bond Resolution, the enactment or adoption, as the case may be, of the Rate Instrument, and the compliance by the City with the provisions thereof, and the carrying out and consummation by the City of its obligations under such documents and instruments will not conflict with or constitute a breach of or a default under any law, administrative regulation, court decree, instrument or agreement to which the City is subject or by which the City is or any of its properties are bound.

(j) If between the date of this Agreement and the date which is twenty-five (25) days from the end of the underwriting period (as such term is defined in paragraph (f)(2) of Rule 15c2-12) any event shall occur which, in the opinion of the City, would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter and, if in the reasonable opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will, at its expense, supplement or amend the Official Statement in a form and in a manner approved by the Underwriter and provide the Underwriter with sufficient copies of such supplement or amendment so as to enable the Underwriter to comply with the provisions of paragraph (b)(4) of Rule 15c2-12.

(k) Except as disclosed in the Official Statement, to the best knowledge of the City, as of the date hereof, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened against the City, affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Series 2011 Bonds or contesting the validity or enforceability of the Act in any respect relating to authorization for the issuance of the Series 2011 Bonds, the enactment of the Bond Ordinance, the adoption of the Bond Resolution, the enactment or adoption, as the case may be, of the Rate Instrument, or contesting the pledge of the Pledged Revenues to secure payment of the Series 2011 Bonds or contesting the collection and application of the Pledged Revenues in accordance with the provisions of the Bond Resolution or contesting the exclusion from gross income for federal income tax purposes of interest on the Series 2011A Bonds, or contesting the authorization and undertaking by the City of the Project or the refunding of the

Refunded Obligations or the Polk County Payment Obligation, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or contesting the powers or the authority of the City for the issuance of the Series 2011 Bonds, the enactment of the Bond Ordinance, the adoption of the Bond Resolution, the enactment or adoption, as the case may be, of the Rate Instrument, or the execution and delivery by the City of this Agreement and the other Bond Documents.

(l) The City is lawfully empowered to pledge and grant a first lien upon the Pledged Revenues for payment of the principal of, redemption premium, if any, and interest on the Series 2011 Bonds.

(m) The City will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Series 2011 Bonds to be applied in a manner contrary to that provided for in the Bond Resolution and as described in the Official Statement.

(n) The City has undertaken pursuant to the Disclosure Agreement (the "Undertaking") to comply with the provisions of Rule 15c2-12, as defined in Paragraph 5 above, by providing certain annual financial information, audited financial statements and material event notices, as described in the Undertaking. The City has not previously been subject to such provisions of Rule 15c2-12. A description of the Undertaking is set forth in the Preliminary Official Statement and will also be set forth in the Official Statement.

8. The Closing. At 10:00 a.m., New York time, on \_\_\_\_\_, 2011 (the "Closing Date"), or on such later time or date as may be mutually agreed upon by the City and the Underwriter, the City will, subject to the terms and conditions hereof, deliver the Series 2011 Bonds to The Depository Trust Company ("DTC") in New York, New York or at such other location as agreed to by DTC in such form as shall be acceptable to DTC (which shall include printed or typewritten Series 2011 Bonds if and to the extent required by DTC) registered in the name of its nominee, duly executed and deliver to the Underwriter the other documents hereinafter mentioned; and, subject to the terms and conditions hereof, the Underwriter will pay the Total Purchase Price of the Series 2011 Bonds as set forth in Paragraph 1 hereof in federal funds or other immediately available moneys drawn to the order of the City (such delivery of and payment for the Series 2011 Bonds is herein called the "Closing").

The City shall cause CUSIP identification numbers provided by the Underwriter to be typed on the Series 2011 Bonds and to be set forth in the Official Statement, but neither the failure to type such numbers on any Series 2011 Bonds nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Series 2011 Bonds in accordance with the terms of this Agreement. The Closing (except for delivery of the Series 2011 Bonds to DTC in New York, New York or at such other location as agreed to by DTC) shall occur at \_\_\_\_\_ in \_\_\_\_\_, Florida or such other location as shall be agreed upon between the parties hereto.

9. Conditions of Closing. The Underwriter has entered into this Agreement in reliance upon the representations and warranties of the City herein contained and the performance by the City of its obligations hereunder, both as of the date hereof and as of the time of Closing. The obligations of the Underwriter hereunder are subject to the following conditions:

(a) At the time of the Closing, (i) the Bond Documents, and any other documents deemed necessary in connection with the issuance of the Series 2011 Bonds shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect prior to the Closing, except as may have been agreed to in writing by the City and the Underwriter, and the City shall have duly adopted and/or enacted, as the case may be, and there shall be in full force and effect, the Bond Ordinance, the Bond Resolution, the Rate Instrument and such additional resolutions, ordinances or agreements as shall, in the opinion of GrayRobinson, P.A., as counsel to the City, as Bond Counsel, and as Disclosure Counsel, and Bryant Miller Olive P.A., as counsel to the Underwriter, be necessary in connection with the issuance of the Series 2011 Bonds, (ii) the representations and warranties of the City herein shall be true and accurate in all material respects, and (iii) the City shall perform or have performed all obligations required under or specified in the Bond Ordinance, the Bond Resolution, this Agreement and the other Bond Documents to be performed at or prior to the Closing.

(b) At or prior to the Closing, the Underwriter shall have received the following documents:

(i) The approving opinion of Bond Counsel, dated the Closing Date, substantially in the form appended to the Official Statement as Appendix F and a letter of such Bond Counsel, dated the date of Closing and addressed to the Underwriter and Assured Guaranty Municipal Corp (the "Insurer"), to the effect that the foregoing opinion addressed to the City may be relied upon by the Underwriter to the same extent as if such opinion were addressed to it.

(ii) The supplemental opinion of Bond Counsel, dated the date of the Closing and addressed to the Underwriter to the effect that:

(A) the Series 2011 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and neither the Bond Ordinance nor the Bond Resolution are required to be qualified pursuant to the Trust Indenture Act of 1939, as amended; and

(B) the information contained in the Official Statement as of its date and as of the Closing Date under the captions "INTRODUCTION," "PURPOSE OF THE SERIES 2011 BONDS," "DESCRIPTION OF THE SERIES 2011 BONDS" (other than the information thereunder relating to DTC and DTC's book-entry only system), "SECURITY AND

SOURCES OF PAYMENT FOR THE SERIES 2011 BONDS," "TAX MATTERS," "APPENDIX D – FORM OF THE BOND RESOLUTION" and "APPENDIX F – FORM OF BOND COUNSEL OPINION" in so far as such information purports to be descriptions or summaries of the Bond Ordinance or the Bond Resolution, are fair and accurate statements of the matters set forth therein.

(iii) A certificate or certificates, dated the date of Closing, signed by the Mayor, the City Manager, the Finance Director, and the City Clerk of the City, in form and substance satisfactory to Bond Counsel, the Underwriter and Counsel to the Underwriter, in which such officials, to the best of their knowledge, state:

(A) that the representations and warranties of the City herein contained are true and correct in all material respects as of the Closing, that the City has satisfied all conditions on its part to be performed or satisfied hereunder at or prior to the Closing, and that the information and statements contained in the Official Statement are true, correct and complete in all material respects for the purposes for which such Official Statement is to be used, and, nothing has come to their attention that would lead them to believe that such information in the Official Statement includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that such certification shall not include the information concerning DTC and DTC's book-entry only system and the Insurer or its Bond Insurance Policy contained in the Official Statement;

(B) that no event affecting the City or the Utility System has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to be disclosed therein in order to make the statements and information therein not misleading in any material respect;

(C) that the financial statements and the other financial and statistical data relating to the City and the Utility System included in the Official Statement are true and correct as of the date of such information, and there has been no material adverse changes since such date;

(D) that since the date of the financial statements included in the Official Statement, (i) no material adverse change has occurred in the financial condition of the City or the Utility System, and (ii) the City has not incurred any material liabilities other than in the ordinary course of business, except as set forth in or contemplated by the Official Statement;

(E) that except as disclosed in the Official Statement, no obligations issued or guaranteed by the City are in default as to payment of principal or interest or have been in default as to payment of principal or interest at any time after December 31,



1975 (except with respect to conduit issues for which the City has no repayment obligation as to which no representation is made);

(F) that the City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the City is a bond issuer whose arbitrage certificates may not be relied upon;

(G) that the Bond Ordinance and the Rate Instrument, if applicable, were enacted following the requisite first and second reading, publication and public notice requirements as required by the Act; and

(H) **[that the City has contracted with Digital Assurance Certification ("DAC") for DAC to serve as the Dissemination Agent pursuant to the Dissemination Agent Agreement.]**

(iv) An opinion, dated the date of Closing, of GrayRobinson, P.A., as counsel to the City, addressed to the Underwriter, substantially in the form attached hereto as Exhibit "C";

(v) An opinion of GrayRobinson, P.A., as Disclosure Counsel, addressed to the City and the Underwriter dated the date of Closing, to the effect that (i) based upon the information made available to them in the course of their participation in the preparation of the Official Statement as Disclosure Counsel and without having undertaken to determine independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, they do not believe that the Official Statement as of its date and as of the date of Closing contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no opinion or belief need to be expressed as to any engineering, financial and statistical data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion or any information concerning the book-entry only system, DTC, the Insurer or the Bond Insurance Policy, and (ii) the Undertaking satisfies the requirements of Rule 15c2-12.

(vi) Evidence satisfactory to the Underwriter that Standard & Poor's Ratings Services ("S&P") **[and Moody's Investors Service]** have issued ratings of "AA+" and "Aa3" respectively, for the Series 2011 Bonds, conditioned upon the delivery of the Bond Insurance Policy by the Insurer and that the Series 2011 Bonds have been assigned an underlying rating of "A-" by S&P.

(vii) An executed copy of the Official Statement, each of the Bond Documents, and certified copies of the Bond Ordinance, the Bond Resolution and the Rate Instrument.

(viii) A certificate of an authorized representative of Wells Fargo Bank, National Association, as Registrar and Paying Agent, in a form acceptable to the Underwriter and Counsel to the Underwriter.

(ix) Written evidence acceptable to the Underwriter from SunTrust Bank ("SunTrust"), as the holder of the 2005 Bonds, evidencing SunTrust's waiver of the notice requirement contained in Ordinance No. 1089 enacted by the City Council on November 22, 2005 authorizing the issuance of the 2005 Bonds, and evidencing the amounts required to be paid by the City to prepay the 2005 Bonds.

(x) Written evidence acceptable to the Underwriter from the United States Department of Agriculture ("USDA"), as the holder of the 1999 Bonds, evidencing the USDA's waiver of any notice requirements contained in Resolution No. 98-27 adopted by the City Council on September 1, 1998 authorizing the issuance of the 1998 Bonds, and evidencing the amounts required to be paid by the City to prepay the 1999 Bonds.

(xi) Written evidence acceptable to the Underwriter from the USDA, as the holder of the 2004 Bonds, evidencing the USDA's waiver of any notice requirements contained in Ordinance No. 1001 enacted by the City Council on February 4, 2004 authorizing the issuance of the 2004 Bonds, and evidencing the amounts required to be paid by the City to prepay the 2004 Bonds.

(xii) An executed copy of that certain consent to issue the Series 2011 Bonds from the State of Florida Department of Environmental Protection ("FDEP"), as required by that certain Clean Water State Revolving Fund Loan Agreement WW51201P, dated September 1, 2006, by and between FDEP and the City.

(xiii) A certificate of GAI Consultants, Inc. (the "Consulting Engineer"), dated as of the Closing Date, and addressed to the City and the Underwriter to the effect that (i) the Consulting Engineer consents to the use of its name in the Official Statement, the inclusion of the Consulting Engineer's Report (the "Report") attached as APPENDIX B to the Official Statement and the statements prepared by the Consulting Engineer (ii) the Report was prepared in accordance with generally accepted engineering practices, (iii) nothing has come to the attention of the Consulting Engineer in connection with the preparation of the Report which would cause the Consulting Engineer to believe that the Report, as of its date, or any of the statements in the Official Statement summarizing the Report or specifically attributed to the Consulting Engineer, as of the date of the Official Statement, were inaccurate in any material respect, (iv) the Consulting Engineer has reviewed the Official Statement and the information in the Official Statement attributable to the Consulting Engineer, including but not limited to the information in the section therein entitled "THE UTILITY SYSTEM" and in "APPENDIX B – CONSULTING ENGINEER'S REPORT" attached thereto, and such information in said Official Statement does not contain any untrue statement of a material fact or omit to state a material

fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(xiv) The Consulting Engineer's Report, dated \_\_\_\_\_, 2011, prepared by GAI Consultants, Inc.

(xv) A duly executed copy of the Bond Insurance Policy.

(xvi) An opinion of general counsel to the Insurer relating to the validity and enforceability of the Bond Insurance Policy, and a certificate of an officer of the Insurer dated the date of the Closing concerning the Insurer and the Bond Insurance Policy, and the information relating to the Insurer and the Bond Insurance Policy, contained in the Official Statement, in form and substance satisfactory to the Underwriter and counsel for the Underwriter.

(xvii) A certificate, satisfactory to Bond Counsel, executed by the appropriate officials of the City and dated the Closing Date, setting forth the facts, estimates and circumstances which establish that it is not expected that the proceeds of the Series 2011A Bonds will be used in a manner that would cause the Series 2011A Bonds to be "arbitrage bonds" within the meaning of the Internal Revenue Code of 1986, as amended, and to the best of the knowledge and belief of such officer, such expectations are reasonable.

(xviii) A certificate, dated the date of the Closing, signed by the Mayor and City Manager of the City and an authorized representative of the Contract Operator (as defined in the Management Agreement) to the effect that they have reviewed the information in the Official Statement under the heading "THE UTILITY SYSTEM" and in "APPENDIX B – CONSULTING ENGINEER'S REPORT" attached thereto, and such information is accurate and complete, and that the information under such heading does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and which has not been disclosed in a supplement or amendment to the Official Statement.

(xix) A certificate of Brynjulfson CFA, P.A., consenting to the inclusion of the audited financial statements of the City in the Official Statement.

(xx) Such additional certificates, instruments or opinions as counsel to the City, Bond Counsel, counsel for the Underwriter or the Underwriter may deem necessary or desirable.

10. Termination. The Underwriter may terminate this Agreement by notification from the Underwriter to the City, if at the time or prior to the Closing:

(a) the marketability of the Series 2011 Bonds or the market price thereof, in the

reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation (other than any actions taken by either House of Congress on or prior to the date hereof) (i) enacted or adopted by the United States, (ii) recommended to the Congress or otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States, the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, the Treasury Department of the United States or the Internal Revenue Service, or (iii) favorably reported out of the appropriate Committee for passage to either House of the Congress by any full Committee of such House to which such legislation has been referred for consideration, or by any decision of any court of the United States or by any order, rule or regulation (final, temporary or proposed) on behalf of the Treasury Department of the United States, the Internal Revenue Service or any other authority or regulatory body of the United States, or by a release or announcement or communication issued or sent by the Treasury Department or the Internal Revenue Service of the United States, or any comparable legislative, judicial or administrative development affecting the federal tax status of the City, its property or income, obligations of the general character of the Series 2011 Bonds, as contemplated hereby, or the interest thereon; or

(b) any legislation, rule, or regulations shall be introduced in, or be enacted or adopted in the State of Florida, or a decision by any governmental agency or court of competent jurisdiction within the State of Florida shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market for the Series 2011 Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Series 2011 Bonds to be purchased by them; or

(c) any amendment to the Official Statement is proposed by the City or deemed necessary by Disclosure Counsel, Bond Counsel, or the Underwriter which, in the reasonable opinion of the Underwriter, materially adversely affects the market for the Series 2011 Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Series 2011 Bonds to be purchased by them; or

(d) an outbreak of hostilities or other national or international calamity or crisis shall have occurred or escalated which, in the reasonable opinion of the Underwriter, materially adversely affects the market for the Series 2011 Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Series 2011 Bonds to be purchased by them; or

(e) legislation shall be enacted or adopted, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which, in the reasonable opinion of Bond Counsel, has the effect of requiring the contemplated distribution of the Series 2011 Bonds to be registered under the Securities Act of 1933, as amended, or the Bond Ordinance and/or Bond Resolution to be qualified under the Trust Indenture Act of 1939, as amended, or any laws analogous thereto relating to governmental bodies, and compliance therewith cannot be accomplished prior to the Closing; or

(f) legislation shall be introduced by amendment or otherwise in or be enacted by, the House of Representatives or the Senate of the Congress of the United States, or a decision by a Court of the United States of America shall be rendered, or a stop order, ruling, release, regulation, official statement or no-action letter by or on behalf of the Securities and Exchange Commission or any other governmental authority having jurisdiction of the subject matter of the Series 2011 Bonds shall have been proposed, issued or made (which is beyond the control of the Underwriter or the City to prevent or avoid) to the effect that the issuance, offering or sale of the Series 2011 Bonds as contemplated hereby or by the Official Statement, or any document relating to the issuance, offering or sale of the Series 2011 Bonds is or would be in violation of any of the federal securities laws at Closing, including the Securities Act of 1933, as amended and then in effect, the Securities Exchange Act of 1934, as amended and then in effect, or the Trust Indenture Act of 1939, as amended and then in effect, or with the purpose or effect of otherwise prohibiting the offering and sale of obligations of the general character of the Series 2011 Bonds, or the Series 2011 Bonds, as contemplated hereby; or

(g) except as already disclosed in the Official Statement, there shall have occurred, after the signing hereof, either a financial crisis or a default with respect to the debt obligations of the City or proceedings under the federal or State of Florida bankruptcy laws shall have been instituted by the City or a proposal or petition to dissolve the City shall have been presented to the City, in any case the effect of which, in the reasonable judgment of the Underwriter, is such as to materially and adversely affect (i) the market price or the marketability of the Series 2011 Bonds, or (ii) the ability of the Underwriter to enforce contracts for the sale of the Series 2011 Bonds; or

(h) a general banking moratorium shall have been declared by the United States, New York or Florida authorities, which in the reasonable opinion of the Underwriter, materially adversely affects the market for the Series 2011 Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Series 2011 Bonds to be purchased by them; or

(i) any national securities exchange, or any governmental authority, shall impose, as to the Series 2011 Bonds or obligations of the general character of the Series 2011 Bonds any material restrictions not now in force, or increase materially those now in force, with respect to the establishment of material restrictions upon trading of securities, including limited or minimum prices, by any governmental authority or by any national securities exchange, which

in the reasonable opinion of the Underwriter, materially adversely affects the market for the Series 2011 Bonds or the sale, at the contemplated offering prices, by the Underwriter of the Series 2011 Bonds to be purchased by them; or

(j) except as disclosed in the Official Statement, legal action shall have been filed against the City or amended or threatened wherein an adverse ruling would materially adversely affect the transactions contemplated hereby or by the Official Statement or the validity of the Series 2011 Bonds, the Bond Ordinance, the Bond Resolution or any of the other Bond Documents; provided, however, that as to any such litigation, the City may request and the Underwriter may, in its sole discretion, accept an opinion by Bond Counsel or counsel to the City or of other counsel acceptable to the Underwriter, that in such counsel's opinion the issues raised by any such litigation or proceeding are without substance or that the contentions of any plaintiffs therein are without merit; or

(k) any information shall have become known which, in the Underwriter's reasonable opinion, makes untrue, incorrect or misleading in any material respect any statement or information contained in the Official Statement, as the information contained therein has been supplemented or amended by other information, or causes the Official Statement, as so supplemented or amended, to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required or necessary to be stated therein in order to make the statements made therein, in light of the circumstances under which they were made, not misleading, or

(l) an event occurs as a result of which the Official Statement, as then amended or supplemented, would include an untrue statement of a material fact or omit to state any material fact which is required or necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading which, in the reasonable opinion of the Underwriter, requires an amendment or supplement to the Official Statement and, in the reasonable opinion of the Underwriter, materially adversely affects the marketability of the Series 2011 Bonds or the contemplated offering prices thereof; or

(m) there shall have occurred or any notice shall have been given of any intended review, downgrading, suspension, withdrawal, or negative change in credit watch status by any national rating service to any of the City's obligations.

If the City shall be unable to satisfy the conditions to the obligation of the Underwriter to purchase, to accept delivery of and to pay for the Series 2011 Bonds contained in this Agreement and the Underwriter does not waive such inability in writing, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Agreement, this Agreement shall be terminated and neither the Underwriter nor the City shall have any further obligations hereunder, except as provided in Sections 11, 13 and 14 hereof. However, the

Underwriter may, in its discretion, waive, by written notice, one or more of the conditions imposed by this Agreement and proceed with the Closing.

11. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the City shall pay, all expenses incident to the performance of the City's obligations under this Agreement, including, without limitation, (i) the cost of preparation and printing of the Preliminary Official Statement and the Official Statement (including amendments or supplements thereto), (ii) the cost of the preparation, printing and execution of the Series 2011 Bonds, (iii) the fees and disbursements of Bond Counsel, Disclosure counsel to the City and counsel to the Underwriter, (iv) the fees and disbursements of the Registrar and Paying Agent, the City's independent certified public accountants, the Consulting Engineer and of any other experts, advisors or consultants retained to assist the City, (v) fees for bond ratings and the Bond Insurance Policy, (vi) the cost of reproducing all necessary copies of any of the Bond Ordinance, Bond Resolution, the Rate Instrument or the other Bond Documents, and (vii) all travel, if any, and other out-of-pocket expenses of the City's staff and officials as incurred; all such expenses to be paid by the City as issuance costs. Expenses incurred by the Underwriter on behalf of the City and its staff related to food, transportation, lodging, or entertainment, if any, are to be reimbursed by the City through the proceeds of the Series 2011 Bonds or the City's available funds; the City's obligations in regard to these expenses survive even if the underlying transaction fails to close or consummate.

(b) The Underwriter shall pay (i) all underwriting and advertising expenses in connection with the public offering and distribution of the Series 2011 Bonds and (ii) all expenses of the Underwriter in connection with the closing, as specified on Schedule I to Exhibit B attached hereto.

12. Fiduciary. The City acknowledges and agrees that (i) the purchase and sale of the Series 2011 Bonds pursuant to this Agreement is an arm's-length commercial transaction between the City and the Underwriter, (ii) in connection therewith and with the discussions, undertaking and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as the agent or fiduciary of the City, (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the City with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the City on other matters) and the Underwriter has no obligation to the City with respect to the offering contemplated hereby except the obligations expressly set forth in this Agreement, and (iv) the City has consulted its own legal, financial and other advisors to the extent it has deemed appropriate.

13. Survival of Contract. The respective agreements, representations and warranties and other statements of the City, the Underwriter and their respective officials and officers and directors set forth in, or made pursuant to, this Agreement will remain in full force and effect regardless of any investigation, or statement as to the results thereof, made by or on behalf of the City, the Underwriter or any of their respective officials, officers or directors or any controlling person, and will survive delivery and payment of the Series 2011 Bonds.

14. Benefit. This Agreement is made for the benefit of the parties hereto including the successors or assigns of the Underwriter. No other person shall acquire or have any right hereunder or by virtue thereof.

15. Execution in Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall be one and the same instrument, and any parties hereto may execute this Agreement by signing any such counterpart. The execution of this Agreement has been duly authorized by the City Council.

16. Notices. Any notices or other communications to be given to the City under this Agreement may be given by mailing the same to the City Manager of the City of Polk City, Florida at Polk City Government Center, 123 Broadway Boulevard SE, Polk City, Florida 33868, and any such notice or other communication to be given to the Underwriter may be mailed to Fifth Third Securities, Inc., 200 East Robinson Street, 8th Floor, Orlando, Florida 32801, Attention: John White, Vice President.

17. Severability. The invalidity or enforceability of any provision of this Agreement as to any one or more jurisdictions shall not affect the validity or enforceability of the balance of this Agreement as to such jurisdiction or jurisdictions, or affect in any way such validity or enforceability as to any other jurisdictions.

18. Waiver or Modifications. No waiver or modification of any one or more of the terms and conditions of this Agreement shall be valid unless in writing and signed by the party or parties making such waiver or agreeing to such modification.

[Remainder of page intentionally left blank]



19. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

Very truly yours,

FIFTH THIRD SECURITIES, INC.

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

Name: John White

Title: Vice President

ACCEPTED on August [\_\_\_\_], 2011

(SEAL)

CITY OF POLK CITY, FLORIDA

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

Name: [Joseph LaCascia]/[Matthew Brock]

Title: [Mayor]/[City Manager]

ATTESTED AND COUNTERSIGNED:

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

Name: Patricia Jackson

Title: City Clerk

APPROVED AS TO FORM AND LEGALITY  
FOR THE CITY OF POLK CITY ONLY:

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

Name: Thomas A. Cloud, Esq.

Title: City Attorney

**EXHIBIT A**

**[Bond Pricing Information to be Inserted]**

**REDEMPTION PROVISIONS**

**[Redemption Provisions to be Inserted]**

## EXHIBIT B

Form of Disclosure Letter pursuant to  
Section 218.385, Florida Statutes

\_\_\_\_\_, 2011

Honorable Mayor and Members of the  
City Council of the City of Polk City  
Polk City, Florida

Re: \$\_\_\_\_\_ City of Polk City, Florida Water and Sewer System Capital  
Improvement and Refunding Revenue Bonds, Series 2011A  
(the "2011A Bonds") and \$\_\_\_\_\_ City of Polk City, Florida Water and Sewer  
System Refunding Revenue Bonds, Taxable Series 2011B (the "2011B Bonds" and,  
together with the 2011A Bonds, the "2011 Bonds")

Ladies and Gentlemen:

In connection with the proposed issuance by the City of Polk City, Florida (the "City") of the 2011 Bonds referred to above, Fifth Third Securities, Inc. (the "Underwriter") is preparing to underwrite a public offering of the 2011 Bonds. Arrangements for underwriting the 2011 Bonds will include a Bond Purchase Agreement dated the date hereof (the "Agreement") between the City and the Underwriter that will embody the negotiations in respect thereof.

The purpose of this letter is to furnish, pursuant to the provisions of Section 218.385, Florida Statutes, certain information in respect of the arrangements contemplated for the underwriting of the 2011 Bonds as follows:

- (a) The nature and estimated amounts of expenses to be incurred by the Underwriter in connection with the purchase and offering of the 2011 Bonds are set forth in Schedule I attached hereto.
- (b) There are no "finders," as defined in Section 218.386, Florida Statutes, who have been retained or who will be paid by the Underwriter in connection with the issuance of the 2011 Bonds.
- (c) The underwriting spread (i.e., the difference between the price at which the 2011A Bonds will be initially offered to the public by the Underwriter and the price to be paid to the City for the 2011A Bonds exclusive of original issue [discount] [premium]) will be \$\_\_\_\_\_ per \$1,000 par value of the principal amount of the Series 2011A Bonds.

- (d) The underwriting spread (i.e., the difference between the price at which the 2011B Bonds will be initially offered to the public by the Underwriter and the price to be paid to the City for the 2011B Bonds exclusive of original issue [discount] [premium]) will be \$\_\_\_\_\_ per \$1,000 par value of the principal amount of the Series 2011B Bonds.
- (e) Based on and as part of the estimated underwriting spreads set forth in paragraphs (c) and (d) above, the Underwriter will charge a management fee of \$\_\_\_\_\_ per \$1,000 par value of the aggregate principal amount of the 2011 Bonds.
- (f) There is no other fee, bonus or other compensation to be paid by the Underwriter in connection with the issuance of the 2011 Bonds to any person not regularly employed or retained by the Underwriter, except as specifically enumerated as expenses referred to in paragraph (a) above to be incurred by the Underwriter as set forth in Schedule I attached hereto.
- (f) The name of the sole Underwriter is:

Fifth Third Securities, Inc.  
200 East Robinson Street, 8th Floor  
Orlando, Florida 32801

We understand that you do not require any further disclosure from the Underwriter pursuant to Section 218.385, Florida Statutes.

Very truly yours,

FIFTH THIRD SECURITIES, INC.

By: \_\_\_\_\_  
Name: John White  
Title: Vice President

**SCHEDULE I**

ESTIMATED EXPENSES (1)

<u>Item</u>	<u>Per \$1,000</u>	<u>Total</u>
TOTAL	\$	\$

(1) Bryant Miller Olive P.A. is serving as Underwriter's Counsel and will be paid a fee of \$\_\_\_\_\_. Such fee will be paid from the City's costs of issuance budget rather than from the underwriting spread.

**EXHIBIT C**

**FORM OF OPINON OF COUNSEL TO THE CITY**

[\_\_\_\_], 2011

City Council  
City of Polk City  
Polk City, Florida

Fifth Third Securities, Inc.  
Orlando, Florida

Assured Guaranty Municipal Corp.  
New York, New York

Re: \$\_\_\_\_\_ City of Polk City, Florida  
Water and Sewer System Capital Improvement and Refunding Revenue Bonds, Series  
2011A

\$\_\_\_\_\_ City of Polk City, Florida  
Water and Sewer System Refunding Revenue Bonds, Taxable Series 2011B

Ladies and Gentlemen:

As City Attorney, we have participated as counsel for the City of Polk City, Florida (the "City"), in connection with the issuance by the City of its \$\_\_\_\_\_ Water and Sewer System Capital Improvement and Refunding Revenue Bonds, Series 2011A (the "2011A Bonds") and its \$\_\_\_\_\_ Water and Sewer System Refunding Revenue Bonds, Taxable Series 2011B (the "2011B Bonds" and, together with the 2011A Bonds, the "Bonds"). The Bonds are issued pursuant to the Constitution and laws of the State of Florida, Chapter 166, Part II, Florida Statutes, the municipal charter of the City, and other applicable provisions of law (collectively, the "Act"), Ordinance No. 2011-\_\_\_\_ enacted by the City Council of the City on August 8, 2011 (the "Bond Ordinance"), as supplemented by Resolution No. 2011-\_\_ as further supplemented by Resolution No. 2011-\_\_ each adopted by the City Council of the City on August 8, 2011 (collectively, the "Bond Resolution"). The 2011A Bonds are being issued to (i) finance certain improvements (collectively, the "Project") to the City's combined water and sewer system (the "Utility System"), (ii) currently refund all of the City's outstanding Sewer Revenue Bonds, Series 1999, Water System Revenue Bonds, Series 2004, Capital Improvement Revenue Note, Series 2005, and the Polk County Sprayfield Loan, (iii) fund a deposit into the 2011 Reserve Fund Subaccount, and (iv) pay the costs of issuance of the 2011A Bonds, including a portion of the premium for the municipal bond insurance policy (the "Bond Insurance Policy"). The 2011B

Bonds are being issued to (i) refund the Polk County Payment Obligation, (ii) fund a deposit into the 2011 Reserve Fund Subaccount, and (iii) pay the costs of issuance of the 2011B Bonds, including a portion of the premium for the Bond Insurance Policy. All terms not otherwise defined herein shall have the meanings ascribed thereto in the Bond Purchase Agreement dated \_\_\_\_\_, 2011 between the City and Fifth Third Securities, Inc. (the "Agreement").

In connection with the sale of the Bonds, you have requested our opinion on matters hereinafter set forth. In our capacity as the City Attorney, we have examined such documents and have made such examinations of law as we have deemed necessary or useful in rendering the opinions set forth below.

A. DOCUMENTS EXAMINED: In rendering the following opinions, we have examined, among other things, the following (collectively, the "Reviewed Documents"):

the Constitution and the applicable statutes of the State of Florida, including, but not limited to Chapter 166 and Chapter 180, Florida Statutes;

(1) ordinances and resolutions of the City of Polk City, Florida, and

(2) such other opinions, documents and showings and related matters of law as we have deemed necessary or useful in order to enable us to render this opinion.

In giving the opinions expressed below, I do not purport to be an expert in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction (including, but not limited to, the laws of the United States) other than the laws of the State of Florida.

B. OPINIONS: Based solely on the foregoing and subject to the assumptions, limitations, qualifications, and exceptions hereinafter set forth, we are pleased to inform you of the following:

(1) The City is a duly existing municipal corporation of the State of Florida (the "State") and has full legal right and lawful authority under the Act to enact the Bond Ordinance, to adopt the Bond Resolution, and to enact or adopt, as the case may be, the Rate Instrument, and perform its obligations under each, to authorize, execute and deliver the Bonds and perform its obligations thereunder, and to authorize, execute and deliver the Bond Documents and perform its obligations thereunder.

(2) The Bond Ordinance has been duly enacted by the City, the Bond Resolution has been duly adopted by the City, and the Rate Instrument has been duly adopted or enacted, as the case may be, at duly convened public meetings, and each are in full force and effect and constitute valid, legal and binding obligations of the City, enforceable in accordance with their respective terms, and none of which have been otherwise amended or modified.

(3) The Bond Documents have been duly authorized, executed and delivered by the

City and constitute valid and binding agreements of the City, enforceable in accordance with their respective terms.

(4) The transactions contemplated by the Official Statement and the Agreement were duly authorized by the City.

(5) As of the date hereof, the City has duly performed all obligations to be performed by it as of such date pursuant to the Bond Ordinance, the Bond Resolution and the Agreement.

(6) The Official Statement has been duly authorized, executed and delivered for use in connection with the sale of the Bonds.

(7) With respect to the information in the Official Statement, and without having undertaken to determine independently the accuracy or completeness of the contents of the Official Statement, we have no reason to believe that the Official Statement (except for the financial and statistical data contained therein and except for information therein regarding The Depository Trust Company and its book-entry system of registration [and information therein regarding the Insurer], as to which no views are expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(8) The Bonds have been duly authorized, executed and delivered by the City. The Mayor of the City has duly executed the Bonds, the City Clerk has attested and countersigned the Bonds, we have approved as to form and legality the Bonds, and the City Clerk has affixed the official seal of the City onto the Bonds, and the same have been delivered. The City has the power and authority under the Act to pledge the Pledged Revenues to secure the Bonds given the application of proceeds described in the Bond Resolution.

(9) The City has complied with all conditions precedent to the issuance of the Bonds.

(10) To the best of our knowledge, the adoption of the Bond Resolution, the enactment of the Bond Ordinance, and the adoption or enactment, as the case may be, of the Rate Instrument, and the authorization, execution and delivery of the Bonds and the Bond Documents, and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, any law, administrative regulation, consent decree, ordinance or resolution or, to the best of our knowledge, any agreement or other instrument to which the City was or is subject, as the case may be, nor will such adoption, enactment, execution, delivery, authorization, or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City, or under the terms of any law, administrative regulation, ordinance, resolution or instrument, except as expressly provided by the Bond Resolution.



(11) To the best of our knowledge, all approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the City of its obligations under the Bonds, the Bond Documents, the Bond Ordinance, the Bond Resolution and the Rate Instrument have been obtained and are in full force and effect.

(12) The principal of, redemption premium, if any, and interest on the Bonds are payable from and secured by a lien upon the pledge of the Pledged Revenues (as defined in the Bond Resolution), to the extent and in the manner provided in the Bond Resolution, and the City has full authority to pledge such funds in accordance with the terms of the Bond Resolution as security for the Bonds. Neither the general credit nor the taxing power of the City, Polk County, the State of Florida nor any political subdivision thereof is pledged to the payment of the principal of, redemption premium, if any, or interest on the Bonds.

(13) Except as disclosed in the Official Statement, no litigation or other proceedings are pending or, to the best of our knowledge after due inquiry, threatened in any court, government agency, public board or body or other tribunal of competent jurisdiction, state or federal, in any way (a) restraining or enjoining, or seeking to restrain or enjoin, the issuance, sale, execution or delivery of any of the Bonds or the execution, delivery and performance of the Bond Documents or the adoption or enactment, as the case may be, of the Bond Ordinance, the Bond Resolution or the Rate Instrument, or (b) questioning or affecting (i) the validity or enforceability of the Bond Documents, the Bond Ordinance, the Bond Resolution or the Rate Instrument, (ii) the validity or enforceability of the Bonds or the security therefor, (iii) any proceedings of the City taken with respect to the issuance or sale of the Bonds, or (iv) the enactment of the Bond Ordinance or adoption of the Bond Resolution and compliance by the City with the provisions thereof, or (v) the power of the City to adopt or enact, as the case may be, the Rate Instrument or the power of the City to fix, establish and collect rates, fees and charges for the services and facilities of the Utility System or to impose, levy and collect taxes levied and collected on purchases of water under the authority of Section 166.231, Florida Statutes, or (vi) any proceedings of the City to fix, establish or collect such rates, fees and charges or to impose, levy and collect such taxes, or (vii) the pledge of the Pledged Revenues pursuant to the Bond Ordinance and the Bond Resolution for the purposes described therein and in the Official Statement, or (viii) the existence or power of the City, or (ix) the title to the office of the members of the City Council or the officers of the City; or (c) questioning or affecting the authority for the issuance and sale of the Bonds, or of any provision, program or transactions made or authorized for their payment; or (d) questioning affecting the power and authority of the City to enact the Bond Ordinance, adopt the Bond Resolution, adopt or enact, as the case may be, the Rate Instrument, or to collect the Pledged Revenues, or undertake any other transactions contemplated by the Agreement or the Official Statement; (e) which would dissolve the City, or (f) which would have a material adverse effect upon the operations or financial condition of the City or the Utility System or the contemplated use of the proceeds of

the Bonds.

(14) Based upon full payment made to Polk County of the Polk County Payment Obligation and the Polk County Sprayfield Loan, both of which occurred on the date hereof from proceeds of the Bonds, we are of the opinion that Polk County does not have any valid claims or encumbrances against the City or any of its property.

(15) The City has the authority to own and operate the Utility System, to determine, fix, impose and collect rates and charges for the use of the Utility System, to acquire, improve, equip, own and operate the Project, and to exclusively serve its customers inside and outside the City limits, all as contemplated in the Official Statement. The City has the authority to impose, levy and collect taxes levied and collected on purchases of water under the authority of Section 166.231, Florida Statutes.

C. ASSUMPTIONS: The opinions set forth above are subject to the following assumptions:

(1) All documents submitted to us as originals are authentic and contain genuine signatures of all parties thereto other than the Issuer, and all documents submitted to us as certified or photostatic copies conform to the original counterparts of such documents. In making our examination of documents executed by individuals or entities other than the City, we have assumed that each such individual or entity had the power to enter into and perform all its obligations thereunder and have also assumed the due authorization by each such entity of all requisite action and the due execution and delivery of such documents by each such individual or entity;

(2) The addressees and their officers, employees, attorneys, agents, consultants, and advisors are aware of neither facts nor laws, rules, regulations, or ordinances of state, local or municipal governmental or regulatory agencies that are contrary to, or that otherwise cause them to doubt the validity of, the opinions expressed herein;

(3) The conduct of the parties to this transaction complies with all requirements of good faith, fair dealing, and conscionability (although we do not have knowledge to the contrary); and

(4) There has not been any mutual mistake of fact or misunderstanding, fraud, duress, or undue influence (although we do not have knowledge to the contrary).

D. QUALIFICATIONS: The opinions expressed in this letter are based upon and subject to the qualifications, limitations, and exceptions set forth below:

(1) The enforceability of the rights and remedies of each party to an instrument or document against each other party thereto is subject to (i) applicable bankruptcy, insolvency,

reorganization, rearrangement, moratorium, fraudulent transfer and other similar laws affecting creditors' rights in effect at the time of an event of bankruptcy or insolvency of such other party and (ii) the applicability to such other party of such other laws affecting creditors' rights and (iii) general principles of equity.

(2) We are licensed to practice law in the State of Florida. The opinions set forth herein are based solely on and are limited in all respects to the laws of the State of Florida and the laws of the United States in effect on the date hereof. Accordingly, we express no opinion as to matters governed by the laws of any other state or jurisdiction. We assume no obligation to supplement this opinion if applicable laws change after the date hereof or if we become aware of facts that might change the opinions expressed herein after the date hereof.

(3) This opinion has been made solely for the benefit of the addressees as aforesaid. This opinion may not be relied upon by any other party nor may all or portions of this opinion be quoted, circulated or referred to in any other document, nor may copies be delivered to any other person, without the express prior written consent of this firm. The opinions expressed herein are limited to the matters set forth in this letter, and no other opinions should be inferred beyond the matters expressly stated.

Sincerely,

Thomas A. Cloud, Esq.  
GrayRobinson, P.A.

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 9, 2011

NEW ISSUE -- BOOK-ENTRY ONLY  
DAC Bond

RATINGS:  
S&P: AA+ (Insured)  
A- (Underlying)  
Moody's: Aa3 (Insured)

(See "RATINGS" and "BOND INSURANCE" herein.)

*In the opinion of GrayRobinson, P.A., Bond Counsel, under existing law and assuming compliance with the tax covenants described herein, and the accuracy of certain representations and certifications made by the City described herein, interest on the Series 2011A Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). Bond Counsel is also of the opinion that such interest will not be treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. The Series 2011A Bonds will be "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code. Finally, in the opinion of Bond Counsel, under existing statutes, regulations, and judicial decisions, interest on the Series 2011B Bonds will not be excluded from gross income for federal income tax purposes, and Bond Counsel will express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Series 2011B Bonds. See "TAX MATTERS" herein regarding certain other tax considerations.*

\$ \_\_\_\_\_ \*

CITY OF POLK CITY, FLORIDA

Water and Sewer System Capital Improvement and Refunding Revenue Bonds,  
Series 2011A

and

\$ \_\_\_\_\_ \*

CITY OF POLK CITY, FLORIDA

Water and Sewer System Refunding Revenue Bonds,  
Taxable Series 2011B

Dated: Date of Delivery

Due: \_\_\_\_\_ 1, as shown on inside cover

The City of Polk City, Florida (the "City") will issue its Water and Sewer System Capital Improvement and Refunding Revenue Bonds, Series 2011A (the "Series 2011A Bonds") and its Water and Sewer System Refunding Revenue Bonds, Taxable Series 2011B (the "Series 2011B Bonds," and, together with the Series 2011A Bonds, collectively, the "Series 2011 Bonds") as fully registered bonds, without coupons, which initially will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases will be made in book entry form only in denominations of \$5,000 and any integral multiple thereof. Purchasers of the Series 2011 Bonds (the "Beneficial Owners") will not receive physical delivery of the Series 2011 Bonds. Transfer of ownership in the Series 2011 Bonds will be effected by DTC's book-entry system as described herein. As long as Cede & Co. is the registered owner as nominee of DTC, principal and interest payments will be made directly to such registered owner which will in turn remit such payments to the Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. The principal and the premium, if any, on the Series 2011 Bonds will be payable upon presentation and surrender thereof at maturity or redemption at the principal corporate trust office of Wells Fargo Bank, National Association, Jacksonville, Florida, as Registrar and Paying Agent, or its successors. Interest on the Series 2011 Bonds is payable semi-annually on February 1 and

This Preliminary Official Statement and any information contained herein are subject to completion and amendment. Under no circumstances may this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2011 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

August 1 of each year (first payment due February 1, 2012) by check or draft mailed by the Paying Agent (or by wire transfer from the Paying Agent under certain circumstances) to the registered owner thereof at the address as shown on the registration books kept by the Registrar at the close of business on the fifteenth day (whether or not a business day) of the month preceding each interest payment date.

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Certain of the Series 2011 Bonds are subject to optional and mandatory redemption prior to maturity as set forth in this Official Statement. See “DESCRIPTION OF THE SERIES 2011 BONDS – Optional Redemption” and “–Mandatory Redemption” herein for more information.

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The Series 2011A Bonds are being issued to (i) finance and/or reimburse the costs of certain improvements (collectively, the “Series 2011 Project”) to the City’s combined water and sewer system (the “System” or the “Utility System”), including the costs of capitalized interest on a portion of the Series 2011A Bonds, if any, (ii) refund all of the City’s Sewer Revenue Bonds, Series 1999, the City’s Water System Revenue Bonds, Series 2004, the City’s Capital Improvement Revenue Note, Series 2005, and the Polk County Sprayfield Loan (as defined herein) (collectively, the “Refunded Obligations”), (iii) fund a portion of the reserve subaccount for the Series 2011 Bonds, and (iv) pay the costs of issuance of the Series 2011A Bonds, including the municipal bond insurance premium. The Series 2011B Bonds are being issued to (i) refund the Polk County Payment Obligation (as defined herein), (ii) fund a portion of the reserve subaccount for the Series 2011 Bonds, and (iii) pay the costs of issuance of the Series 2011B Bonds, including the municipal bond insurance premium.

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The Series 2011 Bonds are being issued pursuant to the Constitution and laws of the State of Florida, including Chapter 166, Part II, Florida Statutes, and other applicable provisions of law (the “Act”), and pursuant and subject to the terms and conditions of Ordinance No. 2011-1278 enacted by the City Council of the City on July 11, 2011, as amended and restated in its entirety by Ordinance No. 2011-1282 enacted on August 8, 2011 (collectively, the “Ordinance”) and Resolution No. \_\_ adopted by the City Council of the City on August 8, 2011 (the “Bond Resolution”). The Series 2011 Bonds are secured by a pledge of and are payable solely from the Net Revenues of the System, certain Public Service Tax Revenues and moneys in certain funds and accounts created pursuant to the Bond Resolution as further described herein (collectively, the “Pledged Revenues”).

The principal of and interest and redemption premium on the Series 2011 Bonds and all reserve and other payments contemplated under the Bond Resolution will be paid solely from the Pledged Revenues and no ad valorem taxing power of the City will ever be exercised nor will any holder of any Series 2011 Bond have the right to compel the exercise of such ad valorem taxing power to pay the principal of or interest on the Series 2011 Bonds or to make any other payments provided for in the Bond Resolution, and the Series 2011 Bonds shall not constitute a lien upon the System or upon any other property of the City, except the Pledged Revenues.

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The scheduled payment of principal of and interest on the Series 2011 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. (the “Insurer”) concurrently with the delivery of the Series 2011 Bonds.

[INSERT LOGO]

This cover page contains certain information for quick reference only. It is not a summary of the Series 2011 Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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*The Series 2011 Bonds are offered when, as and if issued and received by the Underwriter, subject to the receipt of an opinion as to the validity of the Series 2011 Bonds and certain other matters by GrayRobinson, P.A., Lakeland, Florida, Bond Counsel. Certain legal matters incident to the issuance and delivery of the Series 2011 Bonds will be passed on for the City by its counsel, GrayRobinson, P.A., Orlando, Florida, and its disclosure counsel, GrayRobinson, P.A., Tampa, Florida. Bryant Miller Olive P.A., Tampa, Florida is serving as Underwriter's counsel. It is expected that the Series 2011 Bonds will be available for delivery to the Underwriter at the facilities of DTC in New York, New York on or about August \_\_, 2011.*

[Insert 5/3 Securities Logo]

Dated: August \_\_, 2011

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\* Preliminary, subject to change.

\$ \_\_\_\_\_ \*

**CITY OF POLK CITY, FLORIDA**  
**Water and Sewer System Capital Improvement and Refunding Revenue Bonds,**  
**Series 2011A**

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND INITIAL CUSIP NUMBERS**

Maturity (_____ 1)*	<u>Amount*</u>	Interest <u>Rate</u>	Price or <u>Yield</u>	Initial CUSIP <u>Number**</u>
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\* Preliminary, subject to change.

\*\* The City is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the City as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Official Statement.

\$ \_\_\_\_\_ \*

**CITY OF POLK CITY, FLORIDA**  
**Water and Sewer System Refunding Revenue Bonds,**  
**Taxable Series 2011B**

**MATURITIES, AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND INITIAL CUSIP NUMBERS**

Maturity (____ 1)*	<u>Amount*</u>	Interest <u>Rate</u>	Price or <u>Yield</u>	Initial CUSIP <u>Number**</u>
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\* Preliminary, subject to change.

\*\* The City is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the City as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Official Statement.



CITY OF POLK CITY, FLORIDA  
MEMBERS OF THE CITY COUNCIL

Joe LaCascia, Mayor  
Trudy Block, Vice Mayor  
Nancy Adorno  
Mike Blethen  
Don Kimsey

CITY ATTORNEY

Thomas A. Cloud, Esquire  
GrayRobinson, P.A.  
Orlando, Florida

CITY OFFICIALS

Matthew Brock, City Manager  
Patricia Jackson, City Clerk  
Pamela Lawson, Finance Director

BOND COUNSEL

GrayRobinson, P.A.  
Lakeland, Florida

DISCLOSURE COUNSEL

GrayRobinson, P.A.  
Tampa, Florida

AUDITOR

Brynjulfson CPA, P.A.  
Lakeland, Florida

CONSULTING ENGINEER

GAI Consultants, Inc.  
Orlando, Florida

No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representations in connection with the Series 2011 Bonds other than as contained in this Official Statement, and, if given or made, such information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2011 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the City, DTC, the Insurer, public documents, records and other sources which are believed to be reliable, but is not guaranteed as to completeness or accuracy by, and is not to be construed as a representation of the Underwriter or, with regard to information provided by DTC, the Insurer, and other third parties, the City. Any statements in this Official Statement involving matters of opinion, whether or not so expressly stated, are intended as such and not as representations of fact, and the City expressly makes no representations that such estimates, assumptions and opinions will be realized or fulfilled. The information and expressions of opinion stated herein are subject to change, without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the matters described herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2011 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The scheduled payment of principal of and interest on the Series 2011 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued by the Insurer concurrently with the delivery of the Series 2011 Bonds.

The Insurer makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Series 2011 Bonds. In addition, the Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Insurer, supplied by the Insurer, and presented under the heading "BOND INSURANCE" and in APPENDIX E – SPECIMEN MUNICIPAL BOND INSURANCE POLICY attached hereto.

All summaries herein of documents and agreements are qualified in their entirety by reference to such documents and agreements, and all summaries herein of the Series 2011 Bonds are qualified in their entirety by reference to the form thereof included in the aforesaid documents and agreements.

NO REGISTRATION STATEMENT RELATING TO THE SERIES 2011 BONDS HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION (THE "COMMISSION") OR WITH ANY STATE SECURITIES COMMISSION. IN MAKING ANY INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATIONS OF THE CITY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2011 BONDS HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE COMMISSION OR ANY STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. THE FOREGOING AUTHORITIES HAVE NOT PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

CERTAIN STATEMENTS INCLUDED OR INCORPORATED BY REFERENCE IN THIS OFFICIAL STATEMENT CONSTITUTE "FORWARD-LOOKING STATEMENT." SUCH STATEMENTS GENERALLY ARE IDENTIFIABLE BY THE TERMINOLOGY USED, SUCH AS "PLAN," "EXPECT," "ESTIMATE," "PROJECT," "ANTICIPATE," "BUDGET" OR OTHER SIMILAR WORDS. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR, OTHER THAN AS DESCRIBED UNDER "CONTINUING DISCLOSURE" HEREIN.

THIS PRELIMINARY OFFICIAL STATEMENT IS IN A FORM DEEMED FINAL BY THE CITY FOR PURPOSES OF RULE 15C2-12 ISSUED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, EXCEPT FOR CERTAIN INFORMATION PERMITTED TO BE OMITTED PURSUANT TO RULE 15C2-12(B)(1).

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**OFFICIAL STATEMENT**

*relating to*

\$ \_\_\_\_\_ \*

**CITY OF POLK CITY, FLORIDA**

**Water and Sewer System Capital Improvement and Refunding Revenue Bonds,  
Series 2011A**

and

\$ \_\_\_\_\_ \*

**CITY OF POLK CITY, FLORIDA**

**Water and Sewer System Refunding Revenue Bonds,  
Taxable Series 2011B**

**INTRODUCTION**

The purpose of this Official Statement, including the cover page and all appendices, is to set forth certain information in connection with the sale by the City of Polk City, Florida (the "City") of its \$ \_\_\_\_\_ \* aggregate principal amount of Water and Sewer System Capital Improvement and Refunding Revenue Bonds, Series 2011 (the "Series 2011A Bonds") and its \$ \_\_\_\_\_ \* aggregate principal amount of Water and Sewer System Refunding Revenue Bonds, Taxable Series 2011B (the "Series 2011B Bonds," and, together with the Series 2011A Bonds, collectively, the "Series 2011 Bonds").

The Series 2011 Bonds are being issued pursuant to the Constitution and laws of the State of Florida, including Chapter 166, Part II, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), and pursuant and subject to the terms and conditions of Ordinance No. 2011-1278 enacted by the City Council of the City on July 11, 2011, as amended and restated in its entirety by Ordinance No. 2011-1282 enacted on August 8, 2011 (collectively, the "Ordinance") and Resolution No. \_\_\_ adopted by the City Council of the City on August 8, 2011 (the "Bond Resolution")

The Series 2011A Bonds are being issued to (i) finance and/or reimburse the costs of certain improvements (collectively, the "Series 2011 Project") to the City's combined water and sewer system (the "System" or the "Utility System"), including the costs of capitalized interest on a portion of the Series 2011A Bonds, if any, (ii) refund all of the City's Sewer Revenue Bonds, Series 1999, the City's Water System Revenue Bonds, Series 2004, the City's Capital Improvement Revenue Note, Series 2005, and the Polk County Sprayfield Loan (as defined herein) (collectively, the "Refunded Obligations"), (iii) fund a portion of the reserve subaccount for the Series 2011 Bonds, and (iv) pay the costs of issuance of the Series 2011A Bonds, including the municipal bond insurance premium. The Series 2011B Bonds are being issued to (i) refund the Polk County Payment Obligation (as defined herein), (ii) fund a portion of the reserve subaccount for the Series 2011 Bonds, and (iii) pay the costs of issuance of the Series 2011B Bonds, including the municipal bond insurance premium.

The Series 2011 Bonds, together with any Additional Parity Obligations hereafter issued under the Bond Resolution, shall be referred to herein as the "Bonds." The Series 2011 Bonds are secured by a

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\* Preliminary, subject to change.

pledge of and are payable solely from the Net Revenues of the System, certain Public Service Tax Revenues and, until applied in accordance with the provisions of the Bond Resolution, the moneys on deposit in the various funds and accounts created pursuant to the Bond Resolution except (A) for the Rebate Fund (as defined herein), (B) to the extent moneys on deposit in the Revenue Fund shall be required to pay the Cost of Operation and Maintenance in accordance with the terms of the Bond Resolution, and (C) to the extent moneys on deposit in the 2011 Reserve Fund Subaccount (as defined herein) or the Project Fund shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions of the Bond Resolution (collectively, the "Pledged Revenues"). The principal of and interest and redemption premium on the Series 2011 Bonds and all reserve and other payments contemplated under the Bond Resolution will be paid solely from the Pledged Revenues and no ad valorem taxing power of the City will ever be exercised nor will any holder of any Series 2011 Bond have the right to compel the exercise of such ad valorem taxing power to pay the principal of or interest on the Series 2011 Bonds or to make any other payments provided for in the Bond Resolution, and the Series 2011 Bonds shall not constitute a lien upon the System or upon any other property of the City, except the Pledged Revenues.

The Series 2011 Bonds are issuable only in the form of fully registered bonds, without coupons, in the principal amount of \$5,000 or any integral multiples thereof. The interest on the Series 2011 Bonds is payable on \_\_\_\_\_ 1, 201\_\_ and on each \_\_\_\_\_ 1 and \_\_\_\_\_ 1 thereafter until maturity or earlier redemption as more fully described herein. Wells Fargo Bank, National Association, Jacksonville, Florida is serving as Registrar and Paying Agent for the Series 2011 Bonds.

Capitalized terms used but not defined herein have the same meanings as when used in the Bond Resolution unless the context clearly indicates otherwise. Complete descriptions of the terms and conditions of the Series 2011 Bonds are set forth in the Bond Resolution, a form of which is attached to this Official Statement as APPENDIX D. The description of the Series 2011 Bonds, the documents authorizing and securing the same, and the information from various reports and statements contained herein are not comprehensive or definitive. All references herein to such documents, reports and statements are qualified by the entire, actual content of such documents, reports and statements. Copies of such documents, reports and statements referred to herein that are not included in their entirety in this Official Statement may be obtained, after payment of applicable copying and mailing costs, from the City of Polk City, 123 Broadway Boulevard SE, Polk City, Florida 33868, Attention: Patricia Jackson, City Clerk.

## **PURPOSE OF THE SERIES 2011 BONDS**

### **The Series 2011 Project**

A portion of the net proceeds from the Series 2011A Bonds will be used to finance the Series 2011 Project. The Series 2011 Project includes enhancing and upgrading the water supply, treatment and transmission facilities and wastewater collection, transmission, treatment and disposal facilities which includes, without limitation, the purchase of the leased land associated with the Cardinal Hill Wastewater Treatment Facility and certain other improvements to the Utility System. See APPENDIX B – CONSULTING ENGINEER'S REPORT herein for more information regarding the Series 2011 Project.

## **The Refunded Obligations**

A portion of the net proceeds from the Series 2011A Bonds will be used to refinance the City's outstanding Polk County Sprayfield Loan (as defined below), the City's outstanding Sewer Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), the City's outstanding Water System Revenue Bonds, Series 2004 (the "Series 2004 Bonds") and the City's outstanding Capital Improvement Revenue Note, Series 2005 (the "Series 2005 Note"). The Polk County Sprayfield Loan, the Series 1999 Bonds, the Series 2004 Bonds and the Series 2005 Note are collectively referred to herein as the "Refunded Obligations."

### Polk County Sprayfield Loan

The City owes Polk County, Florida ("Polk County") approximately \$822,000 in connection with the acquisition of real property and transfer of the Mount Olive water and sewer treatment facilities from Polk County in 2008 (the "Polk County Sprayfield Loan"). Pursuant to the terms of the Agreement for the Sale and Transfer of the Mount Olive Water and Wastewater Systems dated February 12, 2008 (the "Transfer Agreement") between Polk County and the City, the acquisition was structured as a lease-purchase whereby the City should receive a deed from Polk County to the acquired property upon the payment in full of the City's obligations with regard to the Polk County Sprayfield Loan. The two properties acquired total 45 acres in the aggregate and are used for disposal of wastewater effluent (including for the Mount Olive water and sewer treatment facilities). The Polk County Sprayfield Loan bears interest at eleven percent (11%) and annual payments began on February 12, 2009 with a final maturity of February 12, 2018. The City was unable to timely make the February 12, 2009 and the February 12, 2010 scheduled annual loan payments; however, the City made both of these outstanding payments on September 19, 2010 and the City is current with respect to its obligations under the Polk County Sprayfield Loan. See "RECENT FINANCIAL DIFFICULTIES AND RESTRUCTURING EFFORTS" for more information regarding certain litigation threatened by Polk County in connection with the Polk County Sprayfield Loan. The City has determined that it can achieve a present value debt service savings by refunding the Polk County Sprayfield Loan. The Polk County Sprayfield Loan will be paid off at the closing on the Series 2011 Bonds at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest thereon.

### Series 1999 Bonds

The Series 1999 Bonds are currently outstanding in the principal amount of \$506,900 plus accrued and unpaid interest. Although the Series 1999 Bonds provide a lower interest rate (4.375%) than the City expects to receive on the Series 2011 Bonds, the United States Department of Agricultural (the "USDA") as the sole bondholder, will not allow the Series 2011 Bonds to be issued on a parity basis with the Series 1999 Bonds. The USDA has agreed to allow the City to pre-pay the Series 1999 Bonds at the time of issuance of the Series 2011 Bonds at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest thereon.

### Series 2004 Bonds

The Series 2004 Bonds are currently outstanding in the current principal amount of \$1,127,000 plus accrued and unpaid interest. Although the Series 2004 Bonds provide a lower interest rate (4.25%) than the City expects to receive on the Series 2011 Bonds, the USDA, as the sole bondholder, will not allow the Series 2011 Bonds to be issued on a parity basis with the Series 1999 Bonds. The USDA has



agreed to allow the City to pre-pay the Series 1999 Bonds at the time of issuance of the Series 2011 Bonds at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest thereon.

#### Series 2005 Note

The Series 2005 Note is currently outstanding in the principal amount of \$3,565,000. The Series 2005 Note is secured by sewer impact fees and a subordinate lien and pledge on the net revenues of the sewer and water system along with a covenant to budget and appropriate non-ad valorem revenues. The Series 2005 Note was initially a line of credit with SunTrust Bank that converted to a term loan in December 2008. The Series 2005 Note bears interest at 3.06% with semi-annual principal and interest payments of \$83,749 due on June 1 and December 1 of each year with a final maturity of December 1, 2023. The Series 2005 Note proceeds were used to fund certain improvements to the Utility System.

The City is currently in technical default of a debt covenant set forth in the Series 2005 Note's underlying loan documents. See "RECENT FINANCIAL DIFFICULTIES AND RESTRUCTURING EFFORTS" below for more information. In order to remedy this default, the City has decided to refinance the Series 2005 Note with a portion of the proceeds of the Series 2011A Bonds. The Series 2005 Note will be redeemed simultaneously with the issuance of the Series 2011A Bonds at a redemption price of 100% of the principal amount to be redeemed, plus accrued interest thereon.

#### **Polk County Payment Obligation**

The City owes Polk County \$531,199 in certain impact fees that the City collected on behalf of Polk County during its 2007 and 2008 fiscal years (collectively, the "Polk County Payment Obligation") but never remitted to Polk County as required under an agreement entered into between the City and Polk County in 1989 (the "Interlocal Agreement") rendering the City in payment default of the Interlocal Agreement. The City has paid Polk County certain impact fees for fiscal years 2009, 2010 and so far in 2011 on a monthly basis; however, the outstanding balance for fiscal years 2007 and 2008 remains unpaid. The City will use a portion of the proceeds of the Series 2011B Bonds to pay off the Polk County Payment Obligation at the closing on the Series 2011 Bonds. The payment of the Polk County Payment Obligation with the proceeds of the Series 2011B Bonds serves a Utility System purpose by eliminating a threatened claim by Polk County to retake possession of certain Utility System assets, due to impact fees owed by the City to Polk County, and thereby preserving the ability of the City to continue to own, control and operate the Utility System free of any such claim. See "RECENT FINANCIAL DIFFICULTIES AND RESTRUCTURING EFFORTS" below for more information regarding the Polk County Payment Obligation and certain litigation threatened by Polk County in connection with the Polk County Payment Obligation.

### **RECENT FINANCIAL DIFFICULTIES AND RESTRUCTURING EFFORTS**

#### **Recent Payment and Covenant Defaults**

Prior to fiscal year 2008, the City operated a much smaller Utility System that historically operated at a deficit. See "THE UTILITY SYSTEM – Historical System Operating Results and Debt Service Coverage" herein for the Utility System's operating results for fiscal years ended September 30, 2006 through September 30, 2010. The City's management believed the deficit was the result of a Utility System too small to capitalize on economies of scale. For this reason, midway through fiscal year 2008,

the City purchased the Mount Olive water and wastewater facilities from Polk County and in the process added approximately 800 more water and sewer customers to the Utility System, which more than doubled the size of the Utility System. This provided for additional revenues and the Utility System's increased customer base in fiscal year 2009. Related debt service costs became due during the end of fiscal year 2009 and the beginning of fiscal year 2010. The City raised rates twice in fiscal year 2010 to provide for adequate coverage moving forward, and also enacted a series of optimizations, leading to the projected results found in the table entitled "Summary of Projected Operating Results" herein. See "THE UTILITY SYSTEM – Summary of Projected Operating Results."

In order for the City to fund the Mount Olive water and wastewater facilities purchase and related assets, the City borrowed funds from Polk County pursuant to the Polk County Sprayfield Loan. The Polk County Sprayfield Loan bears interest at eleven percent (11%) and annual payments were scheduled to begin on February 12, 2009 with a final maturity of February 12, 2018. The City was unable to timely make the February 12, 2009 and the February 12, 2010 scheduled annual lease payments in the amount of \$174,836 each, resulting in payment defaults. Polk County has since threatened litigation, including the possibility of litigation to rescind the Transfer Agreement, or otherwise attempt to repossess the Mount Olive water and wastewater facilities. On September 19, 2010, the City brought the Polk County Sprayfield Loan current by paying both of the 2009 and 2010 lease payments. The City timely made its February 12, 2011 annual lease payment. This loan is scheduled to be paid off in full with proceeds from the Series 2011A Bonds, at which time Polk County is required to deliver to the City a deed for the Mount Olive facilities (and related properties) pursuant to the Transfer Agreement.

The City also remains indebted to Polk County for \$531,199 in certain impact fees that Polk County has alleged that the City collected during its 2007 and 2008 fiscal years but never remitted to Polk County as required under the Interlocal Agreement, resulting in payment defaults. The City has paid Polk County impact fees for fiscal years 2009, 2010 and so far in 2011 on a monthly basis; however, the outstanding balance for fiscal years 2007 and 2008 remains unpaid. Commencing in 2010, the City attempted to negotiate a payment plan and presented a check for partial payment to Polk County; however, Polk County refused the payment plan and pursuant to a demand letter sent to the City on August 20, 2010, Polk County requires the balance be paid in full. The City and Polk County are currently in mediation pursuant to Section 164 of the Florida Statutes and Polk County has threatened litigation with respect to the unpaid impact fees.

The Chapter 164 proceedings were initiated by Polk County on November 16, 2010. Polk County seeks to rescind the Transfer Agreement for the sale and transfer of the Mount Olive water and sewer system from Polk County to the City because Polk County alleges that the City failed to properly transfer the Polk County Payment Obligation that the City collected on behalf of Polk County. Polk County also seeks rescission based upon an allegation that the City wrongfully charged (1) service availability charges and (2) higher than in-city charges to customers of the water and sewer system acquired by the City from Polk County in 2008 in violation of the Transfer Agreement. Polk County has requested declaratory relief, ancillary injunctive relief, rescission of the Transfer Agreement and recovery of the Polk County Payment Obligation. Polk County officials have also alleged fraudulent and criminal activity by the former City Manager in connection with the transaction; however, the State Attorney has reviewed and already determined that no crimes were committed by the former City Manager. The City Attorney does not believe there is any merit in Polk County's claims regarding the wrongful utility charges. Further, the City Attorney does not believe Polk County has any legitimate claim to rescind the Transfer Agreement or otherwise obtain the Mount Olive water and sewer treatment facilities, or have any other valid claims against the City or any encumbrance in favor of Polk County with regard to any Utility System asset,

after Polk County receives payment for the Polk County Payment Obligation. See the discussion under "Recent Restructuring Efforts and the Current Restructuring Plan for the Utility System" below as well as "RISK FACTORS" and "LEGAL MATTERS" herein for more information regarding litigation threatened by Polk County. The Polk County Payment Obligation is scheduled to be remitted to Polk County from a portion of the proceeds of the Series 2011B Bonds simultaneously with the delivery thereof.

The City also remains in technical default of an additional debt covenant set forth in the loan documents underlying the Series 2005 Note. The Series 2005 Note is secured by sewer impact fees and a subordinate lien and pledge on the net revenues of the sewer and water system along with a covenant to budget and appropriate non-ad valorem revenues. The ordinance the City enacted in connection with the Series 2005 Note provided that the City would not issue additional debt secured by the same revenues pledged as security for the Series 2005 Note without the consent of the owner of the Series 2005 Notes. The City subsequently entered into a state revolving fund loan with the Florida Department of Environmental Protection (the "FDEP") in 2006 (the "FDEP Loan") that pledged the same revenues pledged as security for the Series 2005 Note and the City failed to obtain the prior consent of the Series 2005 Note owner. The City has therefore opted to pay in full the Series 2005 Note with proceeds from the Series 2011A Bonds. Finally, the City was previously in payment default of the FDEP Loan for failing to timely remit \$5,570 of interest to the FDEP under the FDEP Loan. As discussed below, the City has since made this payment and the failure to make such payment appears to be due to the City's prior lack of financial controls. See "- Recent Restructuring Efforts and the Current Restructuring Plan for the Utility System."

### **Recent Auditor Findings**

The City's auditor found six ongoing problems with the City's financial accounting procedures in the City's 2009-2010 audit (four less than the ten problems reported in the City's 2008-2009 audit). The problems cited in the most recent audit can generally be described as follows: (1) the City's failure to pay the Polk County Payment Obligation (discussed above), (2) the City's non-compliance with the Series 2005 Note's debt service covenants (discussed above), (3) the City's failure to remit \$5,570 of interest to the FDEP under the FDEP Loan, (4) the City's failure to timely reconcile the utility accounts receivable subsidiary ledger to the general ledger control account, (5) the City's failure to monitor the sources and uses of all resources restricted by enabling legislation or contract or compliance with debt related covenants, and (6) the City's lack of internal control procedures over payroll processing and human resources. For more information see APPENDIX C - AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDING SEPTEMBER 30, 2010.

The auditors considered the problems listed in (4), (5) and (6) above as both significant deficiencies and material weaknesses in internal controls over financial reporting. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected the City's internal control.

The City's management responded to the auditor's problems as follows: with regard to (1) in the paragraph above, the City is currently in mediation with Polk County regarding the Polk County Payment Obligation and has offered to immediately make a partial payment; however Polk County has refused to accept partial payment for this debt. See the discussion above in "-Recent Payment and Covenant Defaults" regarding the status of this mediation. The City will pay in full the Polk County Payment Obligation with proceeds from the Series 2011B Bonds. With regard to (2) in the paragraph above and the City's long term debt issue compliance cited by the auditor, the City's new management responded that it is adhering to policies with long term debt issuance and that it is currently working on obtaining a new bond to replace the Series 2005 Note. By retiring the Series 2005 Note simultaneously with the delivery of the Series 2011A Bonds, the City will have addressed this problem cited by the auditor. With regard to number (3) in the paragraph above, the City sent a check to FDEP in April 2011 for the \$5,570 of unpaid interest which will cure this problem. With regard to number (4) in the paragraph above and the City's failure to timely reconcile the utility billing subledger with the general ledger, the City's management responded that it completed half of this finding from the previous year's audit which called for the City to reconcile its utility deposits as well as its accounts receivables. The City began the monthly utility deposit reconciliations during the fiscal year that ended September 30, 2010. The City is working on a plan to allow the City to begin reconciling accounts receivables in each fund on a monthly basis. With regard to number (5) in the paragraph above and the City's need to improve its monitoring of restricted cash, the City has already implemented processes to ensure that it is recording all restricted revenues properly. The City has also made sure that the restricted revenues were budgeted properly in the 2011 fiscal year budget and included a budgeted amount to "reserves expenses" to offset the budgeted restricted revenue, to show that the budgeted restricted cash items are not available for normal operation expenses. This had not been done in past budgets. Finally, with regard to (6) in the paragraph above, and the City's lack of internal control procedures over payroll processing and human resources, the current City staff has since updated each employee's personnel file to make sure that all human resource/payroll documentation is on file with the city manager/city clerk's office. The City's Finance Department has a copy of all payroll change documentation that has come into effect since approximately October 2008, when the current finance department staff was hired. The current finance department staff process payroll and files paperwork immediately afterwards in the same day to avoid repeating a previous incident involving misplaced paperwork (by an employee that has since been terminated). The City has also updated its employee handbook to reflect the City's decrease from a 40 hour workweek to a 36 hour workweek, which is set to be approved by the City Council. In addition to the additional problems cited in the prior year's audit that were cured and discussed above, the management was not cited this year with computer access controls or failure to timely file the City audit. For more information see APPENDIX C - AUDITED FINANCIAL STATEMENTS OF THE CITY FOR FISCAL YEAR ENDING SEPTEMBER 30, 2010.

### **Recent Restructuring Efforts and the Current Restructuring Plan for the Utility System**

Over the last few years, the City has implemented a number of changes to address its Utility System's operating deficits, as well as some of the payment and debt covenant defaults and accounting issues addressed by its auditors in its annual audits as discussed above. A number of these changes have been put in place by the Utility System's new management team. See "THE UTILITY SYSTEM – Utility System Management."

In order to achieve revenue sufficiency, the City adopted two rate increases: a 12.5% increase in October 2009, and a 50% increase in June 2010. The City anticipates the new rates will allow it to meet its

financial covenants in fiscal year 2011 and beyond. See “THE UTILITY SYSTEM – Summary of Projected Operating Results”, “—Projected Debt Service Coverage” and APPENDIX B – CONSULTING ENGINEER’S REPORT herein.

In its attempt to avoid additional rate increases and in order to correct some of the problems historically cited by the City’s auditors, the City has hired multiple consultants to assist the City with improving its financial reporting and billing systems and to provide professional utility operation and management. As a result of the consultants hired to improve financial reporting and billing systems, the City commenced monthly utility deposit reconciliations during fiscal year 2010, expects to commence monthly reconciliation of accounts receivables during fiscal year 2011 and, now properly records and tracks the Utility System’s restricted revenues. The City has signed an agreement with the nationally recognized firm of Woodard & Curran to manage the City’s utility operations, customer service, and billing functions, effective January 12, 2011, which the City anticipates resulting in an approximate annual savings of \$150,000. See “THE UTILITY SYSTEM – Utility System Management” herein for more information on Woodard & Curran and their contract with the City.

On September 19, 2010, the City brought the Polk County Sprayfield Loan current by paying \$349,672 which covered the first two annual payments that were due on February 1, 2009 and February 1, 2010, respectively. The City timely paid its February 1, 2011 payment. The City has determined that it can achieve a present value debt service savings by refunding the remaining portion of the Polk County Sprayfield Loan with the proceeds of the Series 2011 Bonds. Pursuant to the Transfer Agreement, Polk County is required to deliver the deed for the Mount Olive facilities and related properties upon payment in full of the Polk County Sprayfield Loan.

In April 2011, the City remitted the \$5,570 of interest to the FDEP under the FDEP Loan. The original non-payment appears to be due to the lack of financial controls in place. The City does not intend to pay off the FDEP Loan with proceeds from the Series 2011 Bonds because the payment terms of the FDEP Agreement are more advantageous to the City than those anticipated with respect to the Series 2011 Bonds. The FDEP has consented to the issuance of the Series 2011 Bonds, and agreed to allow the Series 2011 Bonds to be senior to the FDEP Loan.

The City has decided to refinance the Series 2005 Note to cure the existing additional debt covenant default mentioned above that exists due to the City subsequently entering into the FDEP Loan without the Series 2005 Note owner’s consent. Such refunding will be simultaneously accomplished through the issuance of the Series 2011A Bonds and the use of a portion of the proceeds thereof.

The City will use a portion of the proceeds of the Series 2011 Bonds to pay off the Polk County Payment Obligation. The City believes that upon the City’s payment in full to Polk County of the Polk County Payment Obligation and the prepayment of the Polk County Sprayfield Loan, Polk County will not file any litigation to rescind the transaction whereby it sold to the City, or otherwise seek to obtain, the Mount Olive water and wastewater facility. See “RISK MATTERS” herein for more discussion regarding the risks associated with Polk County’s threatened litigation. Further, upon payment of the Polk County Payment Obligation and the Polk County Sprayfield Loan, the City should receive a deed from Polk County transferring ownership of the Mount Olive water and wastewater facilities pursuant to the terms of the Transfer Agreement. Although payment of the Polk County Payment Obligation is not a condition precedent to the transfer of the deed under the Transfer Agreement, Polk County has taken the position that previous funds paid by the City to bring the Polk County Sprayfield Loan current were in fact partial payments under the Polk County Payment Obligation.



Thus, after the issuance of the Series 2011 Bonds, the City anticipates being in compliance with all of its existing debt payment obligations as well as all existing bond covenants, including, without limitation, all debt service covenants. After the issuance of the Series 2011 Bonds, it is expected that the City's Utility System will not have any remaining debt on parity with the Series 2011 Bonds (although the City will continue to have debt junior and inferior to the Series 2011 Bonds).

The Utility System wrote down \$3,399,487 in the fiscal year ending September 30, 2010 to reflect the City Council's determination that a proposed regional wastewater treatment facility was no longer viable and the City has halted all plans to construct the facility. This write down caused the City's business-type activities to decrease the City's net assets by \$3,198,067 compared to an increase of \$606,581 in the prior year. See "THE UTILITY SYSTEM – Projected Debt Service Coverage" and APPENDIX C – AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDING SEPTEMBER 30, 2010 for more information regarding the Utility System's financial condition.

The City has also undertaken efforts to improve its balance sheet outside of the Utility System. The City raised its millage rate by 12.4% for the 2011 fiscal year to balance the City's general fund budget. The City has also significantly reduced its payment obligation to the Polk County Sheriff by amending its services agreement with the Polk County Sheriff's Office. Under the amended agreement, the City will pay the Polk County Sheriff only \$104,434 for base services for the fiscal year ended September 30, 2011 (compared to the \$407,571 paid by the City for the prior fiscal year). Further, the City undertook aggressive cost cutting measures including personnel layoffs, streamlining service contracts, a spending freeze on unnecessary operational and capital items, a freeze on travel and utilizing an acting city manager without compensation (prior to hiring the new City Manager) to decrease the City's governmental activity expenses by 14% for the fiscal year ended September 30, 2010 over the prior fiscal year.

Notwithstanding the foregoing restructuring efforts to the contrary, as of the fiscal year ended September 30, 2010, the City's general fund had an excess of expenditures over appropriations of \$74,470, with the water fund having a deficit of \$20,048 and the sewer fund having a deficit of \$237,881. There was a net transfer of \$171,760 from the City's governmental activities to support the Utility System's activities and the City's government funds reported a September 30, 2010 ending balance of negative \$420,912 (with the deficit increasing by \$156,184 from the prior year).

### **Unsuccessful Attempts to Dissolve the City**

The Utility System's rate increases in October 2009 and July 2010, led some citizens to schedule a petition drive in September 2010 to seek a special election to dissolve the City and return the area to unincorporated Polk County. In October 2010, the City Council rejected a dissolution petition signed by several hundred residents on the advice of the City Attorney, who advised that referendum would violate applicable law if it failed to include a plan to pay off the City's existing municipal debt (which exceeded \$10,000,000 at that time). As of the date of this Official Statement, there does not appear to be any further organized efforts to dissolve the City. See "RISK FACTORS" herein.

## DESCRIPTION OF THE SERIES 2011 BONDS

### General

Each Series 2011 Bond shall be issued in fully registered form in the denomination of \$5,000 each, or integral multiples thereof, shall be dated the date of delivery, shall be numbered, shall bear interest computed on the basis of a 360 day year of twelve 30 day months at the rates and shall mature on the dates and in the amounts shown on the inside cover page hereof. The principal of and the interest and redemption premium, if any, on such Series 2011 Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts.

Upon initial issuance, the Series 2011 Bonds will be registered in the name and held by Cede & Co. as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and a clearinghouse for securities transactions. So long as DTC or Cede & Co. is the registered owner of the Series 2011 Bonds, payments of the principal of, redemption premium, if any and interest on the Series 2011 Bonds held by Cede & Co. will be mailed directly to DTC or Cede & Co., which will remit such payments to the Participants (as defined herein) of DTC, which in turn are to remit such payments to the Beneficial Owners (as defined herein) of the Series 2011 Bonds. See the discussion under the caption "DESCRIPTION OF THE SERIES 2011 BONDS – Book-Entry Only System" which immediately follows.

### Book-Entry Only System

THE FOLLOWING INFORMATION CONCERNING THE DEPOSITORY TRUST COMPANY ("DTC") AND DTC'S BOOK-ENTRY ONLY SYSTEM HAS BEEN OBTAINED FROM SOURCES THAT THE CITY BELIEVES TO BE RELIABLE, BUT THE CITY TAKES NO RESPONSIBILITY FOR THE ACCURACY THEREOF.

DTC will act as securities depository for the Series 2011 Bonds. The Series 2011 Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Series 2011 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2011 BONDS, AS NOMINEE OF DTC, CERTAIN REFERENCES IN THIS OFFICIAL STATEMENT TO THE SERIES 2011 BONDHOLDERS OR REGISTERED OWNERS OF THE SERIES 2011 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2011 BONDS. THE DESCRIPTION WHICH FOLLOWS OF THE PROCEDURES AND RECORD KEEPING WITH RESPECT TO BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2011 BONDS, PAYMENT OF INTEREST AND PRINCIPAL ON THE SERIES 2011 BONDS TO DIRECT PARTICIPANTS (AS HEREINAFTER DEFINED) OR BENEFICIAL OWNERS OF THE SERIES 2011 BONDS, CONFIRMATION AND TRANSFER OF BENEFICIAL OWNERSHIP INTERESTS IN THE SERIES 2011 BONDS, AND OTHER RELATED TRANSACTIONS BY AND BETWEEN DTC, THE DIRECT PARTICIPANTS AND BENEFICIAL OWNERS OF THE SERIES 2011 BONDS IS BASED SOLELY ON INFORMATION FURNISHED BY DTC. ACCORDINGLY, THE CITY NEITHER MAKES NOR CAN MAKE ANY REPRESENTATIONS CONCERNING THESE MATTERS.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC facilitates the post-trade settlement among Direct Participants of securities transactions, in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC is a holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard and Poor's highest rating: AAA. The DTC rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Series 2011 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2011 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2011 Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2011 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial interests in the Series 2011 Bonds, except in the event that use of the book-entry system for the Series 2011 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2011 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2011 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2011 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2011 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping an account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements made among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than



all of the Series 2011 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such bonds, as the case may be, to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2011 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2011 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2011 Bonds will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Direct or Indirect Participants and not of DTC, the Paying Agent or the City, subject to any statutory and regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City and/or the Paying Agent for the Series 2011 Bonds. Disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of the Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2011 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) upon compliance by the City with all applicable rules, policies and procedures of DTC regarding the discontinuation of the book-entry only system of registration. In that event, certificates will be printed and delivered.

### **Optional Redemption**

The Series 2011 Bonds maturing on or before \_\_\_\_\_ 1, 20\_\_ are not subject to redemption prior to maturity. The Series 2011 Bonds maturing after \_\_\_\_\_ 1, 20\_\_ are subject to redemption prior to their respective maturities, at the option of the City, in whole or in part, on \_\_\_\_\_ 1, 20\_\_ or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date. If less than all of the Series 2011 Bonds are called for redemption, the Series 2011 Bonds to be redeemed shall be selected in such manner as the City in its discretion shall determine, and if less than all of a maturity shall be called for redemption, the Series 2011 Bonds to be redeemed shall be selected by lot within such maturity.

### **Mandatory Redemption**

The Series 2011 Bonds which mature \_\_\_\_\_ 1, 20\_\_ are subject to mandatory redemption in part prior to maturity, by lot, at redemption prices equal to 100% of the principal amount thereof plus

interest accrued to the redemption date, beginning on December 1, 20\_\_ and on each \_\_\_\_\_ 1 thereafter in the following principal amounts in the years specified:

<u>Year</u>	<u>Principal Amount</u>
*	\$

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\*Final Maturity

**Notice of Redemption**

Unless waived by any Holder of Series 2011 Bonds to be redeemed, notice of any redemption made pursuant to the Bond Resolution shall be given by the Registrar on behalf of the City by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least thirty (30) days prior to the date fixed for redemption to each Holder of Series 2011 Bonds to be redeemed at the address of such Holder shown on the registration books maintained by the Registrar or at such other address as shall be furnished in writing by such Holder to the Registrar; provided, however, that no defect in any notice given pursuant to the Bond Resolution to any Holder of Series 2011 Bonds to be redeemed nor failure to give such notice shall in any manner defeat the effectiveness of a call for redemption as to all other Holders of Series 2011 Bonds to be redeemed.

Prior to any redemption date, the City shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of and accrued interest on all the Series 2011 Bonds or portions of Series 2011 Bonds which are to be redeemed on that date.

**SECURITY AND SOURCES OF PAYMENT FOR THE BONDS**

**General**

The Series 2011 Bonds are secured by a pledge of and are payable solely from the Net Revenues of the System, certain Public Service Tax Revenues and, until applied in accordance with the provisions of the Bond Resolution, the moneys on deposit in the various funds and accounts created pursuant to the Bond Resolution except (A) for the Rebate Fund (as defined herein), (B) to the extent moneys therein shall be required to pay the Cost of Operation and Maintenance in accordance with the terms of the Bond Resolution, and (C) to the extent moneys on deposit in the 2011 Reserve Fund Subaccount or the Project Fund shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions of the Bond Resolution (collectively, the "Pledged Revenues").

THE PRINCIPAL OF AND INTEREST AND REDEMPTION PREMIUM ON THE SERIES 2011 BONDS AND ALL RESERVE AND OTHER PAYMENTS CONTEMPLATED UNDER THE BOND RESOLUTION WILL BE PAID SOLELY FROM THE PLEDGED REVENUES AND NO AD VALOREM TAXING POWER OF THE CITY WILL EVER BE EXERCISED NOR WILL ANY HOLDER OF ANY SERIES 2011 BOND HAVE THE RIGHT TO COMPEL THE EXERCISE OF SUCH AD VALOREM TAXING POWER TO PAY THE PRINCIPAL OF OR INTEREST ON THE SERIES 2011 BONDS OR TO MAKE ANY OTHER PAYMENTS PROVIDED FOR IN THE BOND RESOLUTION, AND THE SERIES 2011 BONDS SHALL NOT CONSTITUTE A LIEN UPON THE SYSTEM OR UPON ANY OTHER

PROPERTY OF THE CITY OR SITUATED WITHIN ITS CORPORATE TERRITORIAL LIMITS, EXCEPT THE PLEDGED REVENUES.

“Net Revenues” of the System means Gross Revenues after deduction of the Cost of Operation and Maintenance. “Gross Revenues” means all income and earnings received by the City or accrued to the City from the ownership, use or operation of the System and all parts thereof, including, without limitation, unencumbered, non-ad valorem special assessments which are not pledged for the repayment of, or as security for, any indebtedness of the City, whether currently outstanding or hereafter issued, other than the Bonds, and which are legally available to be used as contemplated hereunder, any readiness to serve or availability of service charges, moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms of the Bond Resolution, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 90 days following the end of a Fiscal Year may be designated by the City as Gross Revenues of such prior Fiscal Year, and shall also include investment income, if any, earned on any fund or account created pursuant to the Bond Resolution, except the Rebate Fund, all as calculated in accordance with generally accepted accounting principles, and any payment received by the City as contemplated in Section 26 of the Bond Resolution, but “Gross Revenues” or “Revenues” shall not include non-ad valorem special assessments which are pledged for the repayment of, or as security for, any indebtedness of the City, whether currently outstanding or hereafter issued, other than the Bonds, any impact fees or similar fees or charges, proceeds from the sale or other disposition of the System or any part thereof, condemnation awards or proceeds of insurance received with respect to the System and moneys deposited to the Rate Stabilization Fund from the Surplus Fund, including any moneys transferred from the Surplus Fund to the Rate Stabilization Fund within 90 days following the end of a Fiscal Year which the City determines not to be Gross Revenues of such prior Fiscal Year, Contributions in Aid of Construction, or unrealized gains or losses from investments.

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

“Public Service Tax Revenues” means revenues derived by the City from taxes levied and collected by the City on purchases of water under the authority of Section 166.231, Florida Statutes, and ordinances of the City. The Public Service Tax was implemented pursuant to City Ordinance Number 105 enacted on September 16, 1985 and the same was amended pursuant to City Ordinance 92-14 enacted on December 14, 1992. The Public Service Tax imposes a ten percent (10%) tax on every payment received by a seller of utility service within the City’s limits. The City intends to pay debt service on the Series 2011B Bonds primarily through the Public Service Tax Revenues; however, holders of the Series 2011B Bonds will have a first priority lien on all of the Pledged Revenues, including without limitation the Public Service Tax Revenues, on parity with the holders of the Series 2011A Bonds.

The Bond Resolution establishes the Revenue Fund, the Bond Service Fund (which includes the Principal Account, the Interest Account, the Redemption Account and the Parity Contract Obligation Account), the Reserve Fund (which includes the 2011 Reserve Fund Subaccount), the Subordinated Debt Service Fund, the Renewal, Replacement and Improvement Fund, the Project Fund, the Rate Stabilization

Fund, the Surplus Fund and the Rebate Fund. All such funds and accounts will be held by one or more Authorized Depositories.

### **Investments**

Each fund and account established by the Bond Resolution shall be continuously secured in the same manner as state and municipal deposits are authorized to be secured by the laws of the State of Florida. Moneys on deposit in each fund and account may be invested and reinvested in Permitted Investments maturing not later than the date on which the moneys therein will be needed. All income on such investments, except as otherwise provided, shall be deposited in the respective funds and accounts from which such investments were made and be used for the purposes thereof unless and until the maximum required amount (or, with respect to the Project Fund, the amount required to acquire, construct and erect the project) is on deposit therein, and thereafter shall be deposited in the Revenue Fund. "Permitted Investments" means investments permitted by applicable law and the City's written investment policy, if any, as may be further limited as set forth in a Supplemental Bond Resolution of the City. Permitted Investments on deposit in the Reserve Fund shall be valued at fair value pursuant to generally accepted accounting principles at least annually.

### **Flow of Funds**

All Gross Revenues of the System and Public Service Tax Revenues shall, upon receipt thereof, be deposited in the Revenue Fund. All deposits into such Revenue Fund shall be deemed to be held for the purposes provided in the Bond Resolution and used only for the purposes and in the manner provided in the Bond Resolution. All remaining moneys in the Revenue Fund shall be disposed of monthly, but not later than the twenty-fifth (25th) day of each month commencing in the month immediately following the delivery of the first Series of Bonds issued under the Bond Resolution only in the following manner and the following order of priority:

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

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

frequency of interest payment dates applicable to such Series. Moneys in the Interest Account may be used only for the purposes set forth in this paragraph (a).

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

(c) Principal Account: Taking into account actual and anticipated earnings in the Principal Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12<sup>th</sup>) of the principal amount of the Outstanding Bonds which will mature and become due on such annual maturity dates beginning the month which is twelve (12) months prior to the first principal maturity date; provided, however, that monthly deposits for principal, or portions thereof, shall not be required to be made to the extent that money on deposit within such Principal Account is sufficient for such purpose. Any monthly payment out of Net Revenues or Public Service Tax Revenues to be deposited as set forth above, for the purpose of meeting principal payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such Series. Moneys in the Principal Account may be used only for the purposes set forth in this paragraph (c).

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

excess of the Amortization Installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall be credited in such manner and at such times as the City shall determine. Moneys in the Redemption Account in the Debt Service Fund may be used only for the purposes set forth in this paragraph (d).

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

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

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

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



## **Rate Covenant**

Pursuant to the Bond Resolution, the City has covenanted to fix, establish, revise from time to time whenever necessary, maintain and collect such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide Net Revenues in each Fiscal Year, taking into account actual receipts of certain Public Service Tax Revenues in such Fiscal Year, sufficient to pay one hundred twenty-five percent (125%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year.

In addition, Net Revenues, taking into account actual receipts of Public Service Tax Revenues, in each Fiscal Year shall also be sufficient to provide one hundred percent (100%) of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, any amounts required by the terms hereof to be deposited into the Reserve Fund or with any Credit Facility Issuer as a result of a withdrawal from the Reserve Fund, the Renewal, Replacement and Improvement Fund and debt service on other obligations payable from the Net Revenues of the System, and other payments, and all allocations and applications of revenues herein required in such Fiscal Year.

Net Revenues and Public Service Tax Revenues shall not be reduced so as to render them insufficient to provide revenues for the purposes provided therefor by the Bond Resolution.

If, in any Fiscal Year, the City shall fail to comply with the requirements set forth above, it shall cause the Consulting Engineers to review its rates, Gross Revenues, Cost of Operations and Maintenance and methods of operation and to make written recommendations as to the methods by which the City may promptly seek to comply with the requirements set forth above. The City has covenanted to promptly commence to implement such recommendations to the extent required to bring the City thereafter into compliance with said requirements. So long as the City shall diligently and in good faith implement such recommendations from the Consulting Engineers, failure of the City to comply with the rate covenant shall not constitute an Event of Default under the Bond Resolution.

## **Reserve Fund**

The Bond Resolution provides for the establishment and maintenance of a Reserve Fund and separate accounts therein. The City has established a separate account in the Reserve Fund herein referred to as the "2011 Reserve Fund Subaccount." The 2011 Reserve Fund Subaccount shall secure the Series 2011 Bonds. No other account established in the Reserve Fund in the future shall secure the Series 2011 Bonds. Upon delivery of the Series 2011 Bonds, the City shall deposit into the 2011 Reserve Fund Subaccount an amount equal to the Reserve Requirement. Pursuant to the Bond Resolution, the "Reserve Requirement" with respect to the Series 2011 Bonds means, as of any date of calculation, an amount equal to the lesser of (i) the Maximum Bond Service Requirement, (ii) one hundred twenty-five percent (125%) of the Average Annual Bond Service Requirement, or (iii) the largest amount as shall not adversely affect the exclusion of interest on the Series 2011A Bonds from the gross income of the holders thereof for federal income tax purposes. The City may establish by Supplemental Bond Resolution a different Reserve Requirement for a subaccount of the Reserve Fund which secures Additional Parity Obligations pursuant to the Bond Resolution.

Moneys on deposit in the 2011 Reserve Fund Subaccount in the Reserve Fund shall be applied in accordance with the provisions of the Bond Resolution solely for the purpose of the payment of maturing principal of, amortization, and interest on the Outstanding Bonds secured by such account.

## **Project Fund**

The Bond Resolution provides for the establishment and maintenance of a Project Fund to be used solely for the purpose of paying Project Costs. Moneys in the Project Fund, until applied in payment of any item of the Project Cost in the manner hereinafter provided, shall be held in trust by the City and shall be subject to a lien and charge in favor of the Bondholders and for the further security of such Holders.

There shall be paid into the Project Fund the amounts required to be so paid by the provisions of the Bond Resolution, and there may be paid into the Project Fund, at the option of the City, any moneys received for or in connection with a project by the City from any other source.

The proceeds of insurance maintained pursuant to the Bond Resolution against physical loss of or damage to a project, or of contractors' performance bonds with respect thereto pertaining to the period of construction thereof, shall be deposited into the appropriate account of the Construction Fund.

Notwithstanding any of the other provisions of the Bond Resolution, to the extent that other moneys are not available therefor, amounts in the Project Fund shall be applied to the payment of principal of or Redemption Price, if applicable, and interest on Bonds when due.

## **Additional Parity Obligations**

The City may issue one or more series of additional bonds or other obligations on parity and equal status with the Series 2011 Bonds and any Parity Contract Obligations as to lien and source of security; provided however, no such Additional Parity Obligations shall be issued by the City unless the following conditions are complied with:

(1) There shall have been obtained and filed with the Clerk a certificate of a Qualified Independent Consultant (as defined in the Bond Resolution) stating: (a) that the books and records of the City relative to the System and the Net Revenues and the Public Service Tax Revenues have been reviewed by the Qualified Independent Consultant; and (b) that the amount of Net Revenues and Public Service Tax Revenues derived for any consecutive twelve (12) months out of the preceding eighteen (18) months preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period) adjusted as provided in paragraphs (2), (3), (4), (5) and/or (6) below is equal to at least 125% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (i) all Bonds issued under the Bond Resolution, if any, then Outstanding, and (ii) on the Additional Parity Obligations with respect to which such certificate is made.

(2) Upon recommendation of the Qualified Independent Consultants, the Net Revenues certified pursuant to (b) in the previous paragraph may be adjusted for purposes hereof by including: 100% of the additional Net Revenues which in the opinion of the Qualified Independent Consultant would have been derived by the City from rate increases that were actually adopted by the City before the Additional Parity Obligations are issued, if such rate increases had been implemented before the commencement of such Bond Year.



(3) The City need not comply with the provisions of paragraph (1) above if and to the extent the Bonds to be issued are refunding bonds, if the City shall cause to be delivered a certificate of the Finance Director of the City setting forth the Maximum Annual Debt Service Requirement (i) for the Bonds then Outstanding and (ii) for all Series of Bonds to be immediately Outstanding thereafter and stating that the Maximum Annual Debt Service Requirement pursuant to (ii) above is not greater than that set forth pursuant to (i) above.

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

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

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

(7) So long as any Series 2011 Bonds insured by Assured Guaranty Municipal Corp. ("AGM") remain Outstanding hereunder, and notwithstanding anything to the contrary in the Resolution, the City will not issue any Variable Rate Bonds or Bonds which grant the holder thereof the right to "put" such Bonds back to the City in an aggregate principal amount Outstanding at any time exceeding twenty-five (25%) of all Bonds then issued and Outstanding hereunder, without the prior written consent of AGM.

### **Subordinated Indebtedness**

The City will not issue any other obligations, except under the conditions and in the manner provided in the Bond Resolution, payable from the Pledged Revenues or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The City may at any time or from time to time issue evidences of indebtedness that are not Additional Parity Obligations and that are payable in whole or in part out of the Pledged Revenues and which may be secured by a pledge of the Pledged Revenues; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Revenues created by the Bond Resolution.

The City may provide for the accession of Subordinated Indebtedness to the status of complete parity with the Bonds, if (A) the City shall meet all the requirements imposed upon the issuance of Additional Parity Obligations described above, assuming, for purposes of said requirements, that such Subordinated Indebtedness shall be Additional Parity Obligations, (B) the facilities financed by such Subordinated Indebtedness shall be, or become part of the Utility System, and (C) the City shall provide

for the funding of the Reserve Fund, upon such accession, in an amount equal to the increase in the amount of the Reserve Requirement occasioned by such accession in accordance with the Bond Resolution.

### **Separate Accounts**

The moneys required to be accounted for in each of the funds and accounts established in the Bond Resolution may be deposited in a single bank account, and funds allocated to the various funds and accounts established in the Bond Resolution may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds and accounts as provided in the Bond Resolution.

The designation and establishment of the various funds and accounts in and by the Bond Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the System for certain purposes and to establish certain priorities for application of such revenues as provided in the Bond Resolution.

## **BOND INSURANCE**

### **General**

The following information is not complete and reference is made to APPENDIX E for a specimen of the municipal bond insurance policy (the "Policy") of the Insurer.

THE INFORMATION RELATING TO THE INSURER CONTAINED BELOW HAS BEEN FURNISHED BY THE INSURER. NO REPRESENTATION IS MADE BY THE CITY NOR THE UNDERWRITER AS TO THE ACCURACY OR ADEQUACY OF SUCH INFORMATION OR THAT THERE HAS NOT BEEN ANY MATERIAL ADVERSE CHANGE IN SUCH INFORMATION SUBSEQUENT TO THE DATE OF SUCH INFORMATION. NEITHER THE CITY NOR THE UNDERWRITER HAVE MADE ANY INVESTIGATION INTO THE FINANCIAL CONDITION OF THE INSURER, AND NO REPRESENTATION IS MADE AS TO THE ABILITY OF THE INSURER TO MEET ITS OBLIGATIONS UNDER THE POLICY.

### **Bond Insurance Policy**

Concurrently with the issuance of the Series 2011 Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the Series 2011 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2011 Bonds when due as set forth in the form of the Policy included as APPENDIX E to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

## **Assured Guaranty Municipal Corp.**

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. (“Holdings”). Holdings is an indirect subsidiary of Assured Guaranty Ltd. (“AGL”), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol “AGO”. AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

AGM’s financial strength is rated “AA+” (stable outlook) by Standard and Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business (“S&P”) and “Aa3” (negative outlook) by Moody’s Investors Service, Inc. (“Moody’s”). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

### *Current Financial Strength Ratings*

On June 13, 2011, S&P issued a release stating that it had affirmed the “AA+” financial strength rating of AGM, with a stable outlook. Reference is made to the release, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P’s comments.

On January 24, 2011, S&P published a Request for Comment: Bond Insurance Criteria (the “Bond Insurance RFC”) in which it requested comments on its proposed changes to its bond insurance ratings criteria. In the Bond Insurance RFC, S&P notes that it could lower its financial strength ratings on existing investment-grade bond insurers (including AGM) by one or more rating categories if the proposed bond insurance ratings criteria are adopted, unless those bond insurers (including AGM) raise additional capital or reduce risk. Reference is made to the Bond Insurance RFC, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P’s comments.

On December 18, 2009, Moody’s issued a press release stating that it had affirmed the “Aa3” insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at [www.moodys.com](http://www.moodys.com), for the complete text of Moody’s comments.

There can be no assurance as to any further ratings action that Moody’s or S&P may take with respect to AGM.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which was filed by AGL with the Securities and Exchange Commission (the “SEC”) on March 1, 2011, and AGL’s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011, which was filed by AGL with the SEC on May 10, 2011.

*Capitalization of AGM*

At March 31, 2011, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,058,791,206 and its total net unearned premium reserve was approximately \$2,285,987,748, in each case, in accordance with statutory accounting principles.

*Incorporation of Certain Documents by Reference*

Portions of the following document filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 (which was filed by AGL with the SEC on March 1, 2011); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (which was filed by AGL with the SEC on May 10, 2011).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Series 2011 Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

AGM makes no representation regarding the Series 2011 Bonds or the advisability of investing in the Series 2011 Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

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**ESTIMATED SOURCES AND USES OF FUNDS**

The following table sets forth the estimated sources and uses of the proceeds to be received from the sale of the Series 2011 Bonds:

<u>Sources of Funds</u>	<u>Series 2011A Bonds</u>	<u>Series 2011B Bonds</u>
Principal Amount of Series 2011 Bonds	\$ _____	\$ _____
Less/Plus Original Issue Discount/Premium	\$ _____	\$ _____
 Total Sources of Funds	 \$ _____	 \$ _____
 <u>Uses of Funds</u>		
Fund the Series 2011 Project	\$ _____	\$ _____
Refund the Refunded Obligations(1)	\$ _____	\$ _____
Pay Polk County Payment Obligation	\$ _____	\$ _____
Pay Costs of Issuance (2)	\$ _____	\$ _____
 Total Uses of Funds	 \$ _____	 \$ _____

- 
- (1) The Refunded Obligations are the Series 1999 Bonds, the Series 2004 Bonds, the Series 2005 Note and the Polk County Sprayfield Loan.
- (2) Includes legal and advisory fees, bank fees, printing, municipal bond insurance premium, and Underwriter’s discount.

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**DEBT SERVICE SCHEDULE**

Bond Year Ending <u>1</u>	Series 2011A <u>Principal</u>	Series 2011A <u>Interest</u>	Total Series 2011A <u>Debt Service</u>	Series 2011B <u>Principal</u>	Series 2011B <u>Interest</u>	Total Series 2011B <u>Debt Service</u>	Total Series 2011 Bonds <u>Debt Service</u>
2011							
2012							
2013							
2014							
2015							
2016							
2017							
2018							
2019							
2020							
2021							
2022							
2023							
2024							
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2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							

## THE CITY

The City of Polk City (the "City") is located in north central Polk County about 45 miles southwest of the City of Orlando and approximately 40 miles northeast of the City of Tampa. The City occupies approximately 5.03 square miles and is mainly residential with a small central business district centered generally near the intersection of State Road 33 (Commonwealth Boulevard) and State Road 655 (Berkley Road).

The City has a Council-Manager form of government. The five City Council members are elected at-large to serve overlapping four-year terms and each April the City Council selects two of its members to serve as the Mayor and Vice Mayor for the next year. The City Council employs a full-time City Manager to administer the day-to-day operations of the City. See APPENDIX A – GENERAL INFORMATION CONCERNING THE CITY for more information regarding the City.

## THE UTILITY SYSTEM

### General

The City's Utility System provides water and wastewater services to customers located both inside and outside the City limits. The City's Utility System's service area generally borders the utility service areas of the City of Lakeland to the west; the City of Auburndale to the south; the City of Lake Alfred to the southeast; and the Green Swamp conservation and recharge area, along with other rural and agricultural areas, to the north. The Utility System's service area contains all of the property within the City's limits and a portion of unincorporated Polk County.

As of February 2011, the City provided central water service to approximately 1,981 metered (drinking water) connections serving an estimated 5,920 people, and central wastewater service to approximately 981 metered connections serving an estimated 2,880 people within its 37.3 square miles service area. Additionally, the City provided central water service to approximately 144 metered irrigation connections. There were approximately 3,128 people being served by individual wells and septic.

The City's Utility System currently provides wastewater treatment service to the downtown area of the City, as well as the Mount Olive and Mount Olive Shores North communities. According to the City's billing records as of February 2011, there are approximately 981 customers connected to the Utility System with centralized sewage service, while the other approximately 1,000 central water connections/customers have septic facilities.

### Utility System Management

The personnel involved in the management and operations of the Utility System include an elected City Council consisting of five members, certain appointed employees of the City and employees of a private company hired to provide certain specified services. The City Manager is appointed by the City Council and is responsible for the day to day management and administration of the City. The City Council also appoints the City Clerk and Finance Director. Woodard & Curran, Inc. (an integrated engineering, science, and operations company that provides water and wastewater utilities operation and management for many municipal entities nationwide) was selected by the City through a bid process and awarded a contract that commenced effective January 12, 2011 (and such contract was amended on July

11, 2011) to provide certain management, operation, maintenance and repair services for the City's Utility System. The contract expires December 31, 2012 and is subject to automatic, successive one (1) year renewals unless either the City or Woodard & Curran provide at least ninety (90) days prior written notice in advance of the next renewal date electing not to renew the contract. Renewals for succeeding terms of one (1) year each after December 31, 2015 shall be at the discretion of the City and based upon a the parties negotiating a new scope of services and costs. See APPENDIX B – CONSULTING ENGINEER'S REPORT for more information regarding the contract with Woodard & Curran. Below are the primary individuals responsible for the City's Utility System.

*Matthew Brock, City Manager.* Mr. Brock was appointed by the City Council on April 16, 2011, and took office on May 2, 2011. Mr. Brock has served various municipalities as a City or Town Manager / Administrator since 1999, effectively managing for Pahokee, Florida; Grant-Valkaria, Florida; Chiefland, Florida; Live Oak, Florida; Dundee, Florida; and Luray, Virginia, with populations ranging from 2,000 to 6,600. Prior to working as a City Manager, Mr. Brock served in the United States Marine Corps for 25 years, most recently serving as a Chief Administrative Officer & Executive Officer for an 1,800 member unit, and often in combat situations. He holds a Bachelor of Science in Economics from James Madison University, a Master of Science in Administration from Central Michigan University, and is an ICMA Credentialed Manager as well.

*Mr. Joe LaCascia, City Mayor.* Mr. LaCascia was appointed by the City Council to the Planning Board in October 2008, and then to the City Council in October 2009 to fill a vacated seat on the Council. Subsequently, he ran for election and won in April 2010. Prior to joining the City, Mr. LaCascia spent six years as the Vice-Chair for the Planning Board of the Town of Becket, Massachusetts, while concurrently working as the Mountain Risk Manager for Butternut Basin, Inc. Additionally, he held the position of Owner, President, and CEO of an insurance brokerage and risk management business for 42 years. Mr. LaCascia holds a Bachelor of Business Administration from Hofstra College.

*Ms. Trudy Block, Vice Mayor.* Ms. Block joined the City Council in April 2010, and also served as the Acting City Manager from the time she was appointed Vice Mayor by the City Council in June 2010 until Mr. Brock's arrival in May 2011. She was a former Hewlett-Packard (HP) executive. As Acting City Manager, Ms. Block was responsible for administering Community Development, Library, Finance, Public Safety, and Public Works for the City. Ms. Block has a Bachelor of Science in Electrical Engineering from Illinois Institute of Technology and an RN degree.

*Patricia Jackson, City Clerk.* Ms. Jackson is responsible for managing all municipal records according to the required standards; creating and managing public meeting agendas including minutes of all meetings; managing the city website and public information; and managing the fixed asset program for the municipality. Prior to joining the City, she was City Manager of the City of Eagle Lake and the City of Mulberry. She has 33 years leadership experience in Florida Municipal Government and is also a certified Municipal Clerk through the Florida Association of City Clerks and the International Institute of Municipal Clerks.

*Pamela Lawson, Finance Director.* Ms. Lawson oversees utility billing, payroll, accounts receivable, accounts payable, and various reconciliations – including bank reconciliations, utility billing and collections, customer service, etc. Prior to joining the City, Ms. Lawson was Finance Director of the Town of Dundee. She has a Bachelors Degree in Accounting from Florida Metropolitan University.



*Michael Cherniak, Senior Vice President of Technical Services for the Operations and Maintenance team, Woodard & Curran.* Mr. Cherniak oversees the environmental safety and health training and management programs, environmental compliance, and technical support programs for the group. He is a member of the National Environmental Training Association (“NETA”) and a Certified Environmental Trainer. He is a past president of NETA and served on its board of directors for 18 years. Mr. Cherniak has 28 years of experience as an environmental consultant for the municipal and industrial sectors, offering services related to water and wastewater management. Mr. Cherniak holds a Bachelor of Science in Agricultural Engineering from the University of Delaware and a Master of Engineering in Environmental Engineering from Penn State University.

*Troy Kepley, Senior O&M Specialist, Woodard & Curran.* Mr. Kepley has more than 20 years of experience managing and operating water and wastewater treatment utilities serving residential communities. As a Senior O&M Specialist, Mr. Kepley’s key functions include troubleshooting process problems and development of corrective actions; managing a utility staff to provide safe drinking water to customers and generate wastewater effluent for reuse applications; compliance reporting; and managing the construction of plant expansions and facility upgrades.

*Xochitl Munoz, Billing Specialist, Woodard & Curran.* Ms. Munoz is responsible for providing technical and administrative support for the Woodard & Curran technical field staff operating the City’s water and wastewater facilities. She schedules and coordinates meter readings, billings, delinquent notices, and cutoff dates for utility meter readers. She is responsible for utility records management and posting account adjustments. Ms. Munoz reconciles utility billing activity with the general ledger, prepares monthly reconciliation of receivables and revenues, and reviews utility revenues to verify billing accuracy. She serves as the prime office contact for customers, handles questions and complaints, and coordinates individual customer issue follow-ups with the Woodard & Curran utility field staff. Ms. Munoz has been working with the City since February 2011, and holds a Bachelor of Arts in Accounting from Keiser University.

*Charles Nichols, Jr., O&M Technician II, Woodard & Curran.* Mr. Nichols assumes the lead day-to-day technical oversight responsibilities for the City’s water and wastewater facilities. His activities include, but are not limited to: Utility System mechanical checks; process control adjustments; laboratory sampling and analysis coordination; maintenance documentation; and regulatory recordkeeping. Mr. Nichols oversees sub-contractors, prepares and submits all regulatory reports, and plans and schedules field staff activities. He also prepares monthly operating reports for the Utility System that are delivered to the Utility System’s management and the City Council.

## **Existing System**

### History

The City’s water utility was formed through acquisitions, beginning in 2002. Potable water service in the City was provided by the City of Lakeland before the City purchased the water system facilities from the City of Lakeland in 2002 for the sum of \$1.1 million. The acquisition was funded by the City’s Capital Improvement Revenue Note, Series 2002 (the “Series 2002 Note”). The Series 2002 Note was subsequently retired upon the issuance of the Series 2004 Bonds. The water facilities initially consisted of two water production facilities; various water mains and one water emergency interconnect with the City of Auburndale. After this acquisition, the City began to provide water service to the customers in the City’s service area and constructed a number of new water facilities to provide service to

new developments. While the City did not provide central sewer service at that time, the infrastructure built using the Series 1999 Bonds allowed the City to provide sewer service to the elementary school and certain parts of the downtown area through bulk purchase of service from Polk County via the Mt. Olive treatment facilities, which were owned by Polk County.

In 2005, the City began the process of designing the 300,000 gallons per day (1,800 ERCs @ actual AADF flow rates) Cardinal Hill Wastewater Treatment Facility, transmission and effluent disposal system (with sufficient expansion capability to readily go to 600,000 gallons per day) on approximately 30 acres of property to accommodate the over 1,000 proposed residential development lots, certain failing septic tanks within the City requesting service, a few commercial/institutional accounts, and the elementary school across from City Hall. Completion of the Cardinal Hill Wastewater Treatment, transmission and effluent disposal system occurred in 2008, at which time it was brought online. Approximately 180 sewer ERCs have connected to the Utility System to date.

A part of the City's previous regional plan included the grant-funded 2008 acquisition of an additional approximately 40 acre site for future wastewater treatment facility and sprayfield use. This land asset owned by the City allows the flexibility for treatment and/or disposal expansion on City-owned land, or asset management measures for future consolidation of reuse sites. This property is located in the northeast area of the City.

In 2008, the City entered into the Utility Transfer Agreement to acquire the Mount Olive water and wastewater system from Polk County and to expand the City's service area west of the City limits. This acquisition added approximately 800 water and wastewater customers/connections to the Utility System. As part of this acquisition, the City agreed to purchase two tracts of property used for disposal of wastewater effluent, for the combined price of \$1,027,000. See "PURPOSE OF THE SERIES 2011 BONDS – The Refunded Obligations – Polk County Sprayfield Loan" for more information regarding this acquisition.

### Water Utility

The water utility is currently comprised of water supply, treatment, transmission and distribution facilities providing service to approximately 1,981 metered connections in the City's Utility System's service area. The current water utility service area is approximately 37.3 square miles. The current water utility contains four raw water supply wells; three chlorine disinfection water production (and treatment) facilities with a total permitted capacity of 0.967 million gallons per day; and three hydro-pneumatic tanks with a total storage volume of 40,000 gallons. There are approximately 45 miles of water transmission and distribution mains ranging from two to ten inches in diameter.

### Water Supply

The primary sources of the water supply to the City's water production (and treatment) facilities are the Floridan Aquifer and other undifferentiated aquifers. There are four raw water wells, two within the City limits and two outside, all located on City-owned land. The total installed pumping capacity is 2,700 gallons per minute and the total installed firm capacity (with the largest well out of service) is 1,700 gallons per minute.

The Southwest Florida Water Management District ("SWFWMD") regulates raw water supply for the water utility. The SWFWMD is a governmental agency created by the Florida Legislature, which has

the responsibility of managing the water resources within its boundaries (i.e., Southwest Florida). The SWFWMD authorizes the use of the groundwater in the City pursuant to a water user permit issued on August 25, 2008, which expires on December 31, 2013. The table below shows the permitted raw water withdrawal along with the actual amount withdrawn between 2007 and 2010.

Year	Permitted Annual Average Withdrawal (Gallons Per Day)	Actual Annual Average Withdrawal (Gallons Per Day)	Permitted Peak Month Daily Withdrawal (Gallons Per Day)	Actual Peak Month Daily Withdrawal (Gallons Per Day)
2007	967,200	467,648	1,238,000	759,545
2008	967,200	455,074	1,238,000	780,636
2009	967,200	402,308	1,238,000	698,364
2010	967,200	332,288	1,238,000	530,000

The City’s water system has an emergency interconnect with the water system of the City of Auburndale. This interconnect is operated manually and provides water supply to both water systems when either one is under emergency situations such as fire protection and major maintenance.

Water Production Facilities

The City owns three water production facilities, consisting of the Matt William Water Production Facility, the Commonwealth Water Production Facility and the Mount Olive Water Production Facility.

The Matt William Water Production Facility is the primary water production and treatment facility in the City. It is located in the north-central region of the City’s existing service area, behind the new City Hall facility on North Bougainvillea Boulevard. Matt William Water Production Facility includes one water production well, one sodium hypochlorite disinfection system, and one 20,000 gallon hydro-pneumatic tank. The on-site raw water production well is equipped with a 650 gallon per minute well pump. The well pump delivers water to the 20,000 gallon hydro-pneumatic tank via a 12-inch diameter pipe. The production water is metered by a 12-inch water meter before entering the tank. A sodium hypochlorite system provides disinfection to the raw groundwater prior to entry into the hydro-pneumatic tank. A diesel-powered generator with fuel tank is provided onsite to provide emergency power.

The Commonwealth Water Production Facility is located adjacent to the intersection of State Road 33 and Berkley Road (State Road 655). It consists of one water production well, a sodium hypochlorite disinfection system, and a chlorine contact tank. There is currently no backup power at the Commonwealth Water Production Facility. The well pump at this facility has a rating of approximately 400 gallons per minute. The Commonwealth Water Production Facility includes a chlorine contact tank to assure proper contact time for disinfection.

The Mount Olive Water Production Facility and its associated service area were acquired in 2008 from Polk County. It is located in the southwestern portion of the City’s utility service area and north of Mount Olive Road. The Mount Olive Water Production Facility includes two water production wells, a sodium hypochlorite disinfection system, and two 10,000 gallon hydro-pneumatic tanks. The on-site raw water production wells have well pump capacities of approximately 650 gallons per minute and 1,000 gallons per minute, respectively. Each well pump delivers water via a manifold piping system to the

10,000 gallon hydro-pneumatic tanks, which operate in parallel. A sodium hypochlorite system provides disinfection to the raw groundwater prior to entry into the hydro-pneumatic tanks.

### Water Distribution Facilities

The water transmission and distribution facilities consist of over 45 miles (approximately 237,900 feet) of pipeline. The mains are constructed of cast iron, galvanized steel pipe or polyvinyl chloride (PVC) pipe. The older water lines in the central portion of the City were installed up to 40 years ago concurrent with the growth and development of what is now part of the Utility System. The Utility System consists of a significant quantity of piping six to eight inches in diameter that is used to provide fire flow and service to development in residential areas. The Utility System also contains a significant quantity of piping two to four inches in diameter that is used to provide service to individual customers on streets/blocks connected to six inch diameter mains or larger on each end. The water utility is well-looped within the service area. The pressure in the localized water distribution portion of the utility is generally maintained between 40 and 65 pounds per square inch, which meets the peak flow requirements of the service area. The distribution system is equipped with isolation valves that allow for repairs and maintenance without the need for shutting down a significant portion of the water flow at once. The Utility System also includes over 144 hydrants to provide public fire protection within the service area.

### Condition of the Water Utility

The Consulting Engineer's report attached hereto as Appendix B states that the water supply and treatment facilities appear to be in fair to good condition based upon the intended use of the facilities, general field observations by engineers, the Consulting Engineer's interviews with City Staff, and the Consulting Engineer's review of water permits and engineering reports. Upon completion of the proposed new water main, new emergency interconnect, and relocation of water flow meters to be completed as part of the Series 2011 Project and logical expansions thereof over time to provide for the City's development, there should be sufficient capacity and a sufficient water main network to serve anticipated growth through fiscal year 2016. See APPENDIX B – CONSULTING ENGINEER'S REPORT for more information regarding the condition of the water utility system.

### Regulatory Issues for the Water Utility

In April 2007, the City was issued a new water use permit by the Southwest Florida Water Management District which modified the City's previous water use permit to increase water use quantities for public supply. Under the 2007 water use permit, the standard annual average quantity increased from 320,000 gallons per day to 967,200 gallons per day (an increase of 647,200 gallons per day), and the peak month quantity increased from 448,000 gallons per day to 1,238,000 gallons per day (an increase of 790,000 gallons per day). The current water use permit will expire on December 31, 2013, but is expected to be renewed.

The Consulting Engineer conducted a review of the federal regulations issued by the United States Environmental Protection Agency ("USEPA") to define the applicable standards and regulations for the Utility System. The USEPA has promulgated both primary and secondary standards. The Florida Department of Environmental Protection ("FDEP") adopts most federal regulations although there are some minor differences between the federal regulations and those adopted by the FDEP. According to

the Water Quality Report of the City conducted by the Consulting Engineer, the drinking water met or exceeded all federal and state quality standards.

Additionally, the Florida Department of Health conducted sanitary surveys of the City's water treatment facilities on March 10, 2011, in which it identified a few areas to be addressed in order to strengthen the City's abilities to meet public drinking water requirements. The City is currently addressing these needs through operating costs because the costs are minor and the City has undertaken steps to submit the plan and expected completion dates to the Florida Department of Health soon.

### Wastewater Utility

The City owns 12 lift stations and two wastewater treatment facilities consisting of the Mount Olive Wastewater Treatment Facility and the Cardinal Hill Wastewater Treatment Facility. Currently, the City has a centralized sewer system only in the downtown area and in the Mount Olive neighborhood. Other parts of the City are still on septic tanks. The original wastewater utility collection system was built in the Mount Olive neighborhood in 1998 by Polk County, representing approximately 560 future connections. Later, in 2000, Polk County built a collection system in the downtown area and constructed a pump station to convey wastewater to the Mount Olive wastewater treatment facility for treatment. As previously discussed herein, these facilities were transferred to the City in 2008. Similarly, a collection system was built in the Mount Olive Shores North neighborhood and five pump stations were constructed to transfer sewage to the Mount Olive wastewater treatment facility for treatment. In 2008, the City built a new wastewater treatment facility (the Cardinal Hill facility) in the northwest area of the City for the development expected to occur there.

### Collection Facilities

The current collection system for the Utility System consists of pump stations, force mains, gravity mains and associated manholes. There are currently 12 pump stations in operation in the City wastewater collection system. More than half of them are new and in excellent condition. All pump stations are running well. The majority of the gravity collection system is 8-inch PVC but also includes 10-inch PVC and various sizes of cast iron pipe. The 8-inch and 10-inch PVC gravity sewer in the downtown area was constructed in 2000. The downtown gravity sewer has been in operation since then and it is in good condition. The 6-inch force main built in the same year (2000) to carry sewage from Berkeley Road pump station to the Mount Olive Wastewater Treatment Facility pump station is in operation and is in good condition. The gravity sewers and force mains in the Mount Olive Shores North neighborhood were constructed by Polk County around 1998 and are also in good condition. Similarly, the gravity sewer and force main constructed in 1998 in the Mount Olive neighborhood is in good condition.

### Wastewater Treatment Facilities

The City's two wastewater treatment facilities are described below. In addition, the City currently owns approximately 40 acres of land bordering Orange Boulevard and Terminal Avenue. This land is being held for a future wastewater treatment facility.

The Mount Olive Wastewater Treatment Facility was designed to treat up to 0.215 millions of gallons per day of three month average daily flow under FDEP permit. The Mount Olive wastewater system was acquired from Polk County in 2008. The plant is a Type II contact stabilization domestic

wastewater plant. The wastewater treatment facilities consist of one on-site duplex pump station and one flow splitter box feeding two parallel treatment trains of equal size and configuration. Each treatment train consists of four contact zone basins of 5,000 gallons each for a total of 20,000 gallons, 12 stabilization basins of 5,000 gallons each for a total of 60,000 gallons, four clarifiers of 5,000 gallons each for a total of 20,000 gallons, and two chlorine contact chambers of 3,890 gallons each for a total of 7,780 gallons. The plant is operated to provide secondary treatment with sodium hypochlorite for basic disinfection. There are two means of effluent disposal at this facility. For more information see APPENDIX B – CONSULTING ENGINEER’S REPORT.

The Cardinal Hill Wastewater Treatment Facility is a Type III extended aeration domestic wastewater treatment plant, constructed by the City in 2006 under FDEP permit. This wastewater treatment facility, constructed on a leased property (which property is to be purchased as part of the Series 2011 Project), is located north of Tavares/Stevens Drive neighborhood. The major component in the plant consists of one aeration basin of 300,000 gallons, two clarifiers of 158,600 gallons total volume with a total surface area of 1,500 square feet, two chlorine contact chambers of 8,400 gallons total volume, and one aerobic digester of 45,000 gallons. This plant provides secondary treatment with basic disinfection. For more information see APPENDIX B – CONSULTING ENGINEER’S REPORT.

Permitted Treatment Capacity and Actual Treated Wastewater Flow

Year	Mount Olive Wastewater Treatment Facility 3 Month Average Daily Flow (Millions of Gallons Per Day) <sup>(1)</sup>		Cardinal Hill Wastewater Treatment Facility Annual Average Daily Flow (Millions of Gallons Per Day)	
	Permitted Treatment Capacity	Actual Treated Wastewater Flow	Permitted Treatment Capacity <sup>(2)</sup>	Actual Treated Wastewater Flow
2008	0.215	0.088	0.300	0.0022 <sup>(2)</sup>
2009	0.215	0.080	0.300	0.0042
2010	0.215	0.077	0.300	0.0081

Notes:

(1) This flow is 3-month average due to the availability of DMRs since the plant started the operation in 2008.

(2) Limited to 0.07 million gallons per day pursuant to the facility’s existing FDEP Permit. See “Regulatory Issues for the Wastewater Utility” below for more information.

Condition of the Wastewater Utility

The Consulting Engineer’s report states that the wastewater treatment facilities’ appear to be in good condition based upon the intended use of the facilities, and general field observations by engineers, the Consulting Engineer’s interviews with City Staff, and the Consulting Engineer’s review of water permits and engineering reports. Additionally, the City will decommission the Mount Olive Wastewater Treatment Facility in the near future, and convert the treatment site to a reclaimed water distribution center, to be funded through a portion of the Series 2011A Bonds’ proceeds. This conversion is being done to reduce costs. Upon completion of the proposed pump station upgrades, Cardinal Hill Wastewater Treatment Facility improvements, Mount Olive Wastewater Treatment Facility decommission and installation of new collection mains to be completed as part of the Series 2011 Project and other expansions thereof over time to provide for the City’s development, there should be sufficient capacity and collection main network to serve any growth and absorptions experienced through fiscal



year 2016. See APPENDIX B – CONSULTING ENGINEER’S REPORT for more information regarding the condition of the wastewater utility system.

### Regulatory Issues for the Wastewater Utility

The City operates two wastewater treatment facilities, the Mount Olive Wastewater Treatment Facility and the Cardinal Hill Wastewater Treatment Facility, under two State of Florida Domestic Wastewater Facility Permits.

The permit for the Mount Olive Wastewater Treatment Facility was issued on July 11, 2008 and will expire on July 10, 2013. In the long-term interests of the City and its Utility System’s customers and as a cost reduction measure, Mount Olive Wastewater Treatment Facility is proposed to be converted to a reclaimed water distribution center (essentially a pump station), with such conversion being funded through a portion of the Series 2011A Bonds’ proceeds. A facility abandonment plan will be required by the FDEP to demonstrate the plans and procedures of the abandonment. The transfer of the disposal system at Mount Olive Wastewater Treatment Facility will be included in the permit renewal/modification for the Cardinal Hill Wastewater Treatment Facility. For the rerouting of flows to the Cardinal Hill Wastewater Treatment Facility, a permit application for the construction of a wastewater collection system will be required by the FDEP.

The permit for the Cardinal Hill Wastewater Treatment Facility was issued on February 27, 2007 and will expire on February 26, 2012. FDEP requires that permit applications must be filed with the appropriate FDEP office 180 days before the current permit expires, which means before August 2011 for the Cardinal Hill Wastewater Treatment Facility. Under the current permit, there is only 0.07 million gallons per day permitted effluent disposal capacity. In order to fully use the treatment capacity of Cardinal Hill Wastewater Treatment Facility, the new permit will include the existing reuse land application capacity of Cardinal Hill Wastewater Treatment Facility and the transferred reuse capacity (from 0.1 million gallons per day to 0.115 million gallons per day) of the Mount Olive Wastewater Treatment Facility. The City has already begun reviewing the necessary steps involved with the application preparation and expects to begin work on the application process in the near future.

Per the latest FDEP wastewater treatment facility inspections and since Woodard & Curran took over operations of the City’s Utility System, both the Mount Olive and Cardinal Hill wastewater treatment facilities have maintained treatment compliance with all wastewater discharge standards. However, according to the compliance evaluation inspections performed by the FDEP in November 2010, ground water monitoring wells RMW-10 of the Mount Olive Wastewater Treatment Facility and MWB-01 of the Cardinal Hill Wastewater Treatment Facility were not compliant with the ground water regulatory rules. The Mount Olive well was found to have an exceedance of nitrate apparently from adjacent agricultural operations, while the Cardinal Hill well was found to have an exceedance of cadmium apparently from an adjacent property. The City has submitted a plan to the FDEP, which was subsequently approved and begun, to relocate the impacted monitoring wells and redevelop the dry wells to keep the monitoring wells within regulatory limits, the cost of which is expected to be covered through normal operating funds. As a result of the above activities, and the subsequent relocation of the two wells, the City is expected to be in compliance with FDEP regulations. See APPENDIX B – CONSULTING ENGINEER’S REPORT herein for more information.

Currently, the average annual daily wastewater flow in the City is approximately 160,000 gallons per day. Therefore, the wastewater treatment facilities have the extra permitted capacity for

approximately 1,000 new customers even with decommissioning the Mount Olive Wastewater Treatment Facility.

Future Utility System Financings

The City anticipates undertaking additional improvement projects for the Utility over the next five years. These projects will be funded through a community development block grant the City received in March 2011. See APPENDIX B – CONSULTING ENGINEER’S REPORT for more information regarding future Utility System projects as well as future funding sources. At this time, the City does not anticipate issuing Additional Parity Obligations.

**Ten Largest Water Customers**

<u>Customer (1)</u>	<u>Account Type</u>	<u>Generated Revenue</u>	<u>Percent of Total (2)</u>
Mount Olive Shores N. HOA	Commercial	\$ 19,759	1.50%
PCSB-PC Elementary	Commercial/School	14,436	1.09%
Children’s Bible Mission	Residential/Religious	14,435	1.09%
Lu-Ha RV Trailer Park	Commercial	10,208	0.77%
BB&T	Commercial	9,975	0.75%
Ron’s Inc.	Commercial	7,679	0.58%
Orlampa, Inc.	Commercial	7,324	0.55%
Polk City Fire Department	Commercial/Govt.	6,234	0.47%
Country Angels	Commercial	5,755	0.44%
Polk City Government Center	Commercial/Govt.	5,662	0.43%
<b>Total</b>		<b>\$ 101,467</b>	<b>7.68%</b>

Notes: (1) Provided by City staff for the 12-month period ended September 30, 2010, exclusive of franchise fees.

(2) Based on total billing system reported revenues of \$1,321,459.

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## Historical System Operating Results

The historical operating results for the System for the fiscal years ended September 30, 2006 through and including 2010 are included below:

### HISTORICAL SYSTEM OPERATING RESULTS

Description <sup>(1)</sup>	Fiscal Year Ended September 30,				
	2006	2007	2008	2009	2010
Operating Revenues <sup>(2)</sup>					
Water Utility	\$275,505	\$309,869	\$486,495	\$ 737,065	\$ 840,776
Wastewater Utility	55,774	73,366	245,906	470,369	644,518
Total Operating Revenues	\$331,279	\$383,235	\$732,401	\$1,207,434	\$1,485,294
Total Operating Expenses <sup>(3)</sup>	300,097	339,264	661,591	775,306	849,187
Net Operating Revenues	\$ 31,182	\$ 43,971	\$ 70,810	\$ 432,128	\$ 636,107
Debt Service <sup>(4)</sup>					
Water Utility	64,000	64,448	64,853	75,767	114,037
Wastewater Utility	31,214	31,194	31,162	263,379	571,348
Total Debt Service	\$ 95,214	\$ 95,642	\$ 96,014	\$ 339,146	\$ 685,384
Net Operating Balance	\$(64,032)	\$(51,671)	\$(25,204)	\$ 92,982	\$ (49,277)
Non-Operating Revs (Exp)					
Public Service Taxes <sup>(5)</sup>	15,985	18,859	20,739	23,705	28,776
Total Non-Operating Revs (Exp)	\$ 15,985	\$ 18,859	\$ 20,739	\$ 23,705	\$ 28,776
<b>Net Surplus (Deficit)</b>	<b>\$(48,046)</b>	<b>\$(32,812)</b>	<b>\$ (4,465)</b>	<b>\$ 116,687</b>	<b>\$ (20,501)</b>
Other Revenues					
Impact Fees					
Water Utility	15,973	99,673	29,292	8,735	8,735
Wastewater Utility	45,239	239,948	130,703	13,245	22,075
Total Impact Fees	\$ 61,212	\$339,621	\$159,995	\$ 21,980	\$ 30,810
Surplus Including Impact Fees	\$ 13,166	\$306,809	\$155,530	\$ 138,667	\$ 10,309

Note: (1) Prior to fiscal year 2008, the City's Utility System served a smaller customer base and was not able to capitalize on economies of scale. Acquisition of the Mount Olive facilities in mid-fiscal year 2008 more than doubled the size of the Utility System, which provided for additional revenues and increased customer base in fiscal year 2009. Related debt service costs became due during the end of fiscal year 2009 and the beginning of fiscal year 2010. The City raised rates twice in fiscal year 2010 to provide for adequate coverage moving forward, and also enacted a series of optimizations, leading to the projected results found in the table entitled "Summary of Projected Operating Results" herein.

(2) Increase in revenues for fiscal year 2008 and 2009 due primarily to Mount Olive acquisitions and customers. Increase in fiscal year 2010 due primarily to rate adjustments adopted by the City in October, 2009 and July, 2010.

(3) Excludes Depreciation and Amortization. Increases in fiscal year 2008 and 2009 due to acquisition of Mount Olive facilities midway through fiscal year 2008, with fiscal year 2009 being the first full year of operation of the expanded Utility System.

(4) Historical debt service coverage requirements are not included herein since all debt instruments with coverage requirements are being refunded using the Series 2011A Bonds, with the exception of the FDEP

Loan. Principal on the FDEP Loan debt is not due until fiscal year 2011, so a coverage test is not required until then.

- (5) Public Service Tax Revenues collected within the City limits for water and irrigation service, as provided by City staff.

Sources: Consulting Engineer's Report; City of Polk City Finance Division

### **Rates and Charges**

The existing water and wastewater rate structures each utilize two primary components in the generation of monthly revenues consisting of a base charge per meter, and a series of inclining block usage rates per 1,000 gallons based on metered water usage. The base monthly charge is a fixed amount providing for revenue stability; whereas, the usage rates allow for equitable cost recovery at various service levels while also promoting conservation of natural resources.

The water usage rates for residential and irrigation customers utilize an inclining block or conservation rate structure with four usage blocks; wherein, the cost per 1,000 gallons within each inclining block increases as usage progresses into the next usage block level. This inclining block structure is not charged to the commercial class, which is standard practice, as it provides no cost signal to a commercial customer because they simply pass on their costs to their customers. Wastewater usage is currently capped at 12,000 gallons per month per meter for residential class accounts, while commercial usage has no cap.

The current inside-City user rates and charges together with relevant application criteria are summarized in the table that follows, as established by Resolution 2010-01. The rates set forth on the table reflect two recent rate increases: a 12.5% increase in October 2009 and a 50% increase in June 2010. These rate increases were adopted after a finding by the City's rate consultants that the City should more equitably spread the cost of debt service between existing and new customers and the City's need to address debt and operational cost issues, given that anticipated growth had failed to materialize.

## Existing Rate Structure and Rates

		FY 2011		
		Water	Wastewater	Irrigation
<b>Base Monthly Charges</b>				
Per ERC		\$ 17.09	\$ 34.70	\$ 17.09
<b>Usage Rate Per 1,000 gal.</b>	<b>Block</b>			(blocks vary
Residential <sup>(2)</sup>	<b>Limits</b>			by meter)
Block 1	6,000	\$ 2.62	\$ 9.74	\$ 5.23
Block 2	12,000	\$ 5.23	\$ 19.47	\$ 9.15
Block 3	18,000	\$ 9.15	N/A	\$ 14.63
Block 4	> 18,000	\$ 14.63	N/A	N/A
Commercial				
Block 1	All Use	\$ 5.23	\$ 14.60	\$ 5.23
Block 2	N/A	N/A	N/A	\$ 9.15
Block 3	N/A	N/A	N/A	\$ 14.63
<b>Irrigation Blocks</b>	<b>Block 1</b>	<b>Block 2</b>	<b>Block 3</b>	
5/8 x 3/4 Inch	6,000	12,000	> 12,000	
1.0 Inch	15,000	30,000	> 30,000	
1.5 Inch	30,000	60,000	> 60,000	
2.0 Inch	48,000	96,000	> 96,000	
3.0 Inch	96,000	192,000	> 192,000	
4.0 Inch	150,000	300,000	> 300,000	

Note: (1) Reflecting inside-City Rates.

(2) Monthly wastewater billable gallons currently capped at 12,000 for residential customers, but recommendations to lower this cap to 11,000 is likely to be implemented in the near future.

### Readiness to Serve Charges

The City adopted a Water Availability Charge and a Sewer Availability Charge per Ordinances 1256 and 1257, and subsequently revised these to a Water Readiness to Serve Charge and a Sewer Readiness to Serve Charge, for the purpose of providing funds for: (1) the City's source of supply, treatment, storage, and distribution systems, and the plant and facilities connected therewith; (2) the payment of capital charges represented by debt used to finance additions or expansions; and (3) the payment of reasonable reserves for repair or replacement when needed. These readiness to serve charges are assessed on an annual basis in the amount of 12 times the base charge per equivalent residential connection ("ERC"), to those customers not yet connected to the Utility System but with service available to their property, since capacity must be available to provide for connection at any time. An exception to being required to pay the readiness to serve charges is being given to those property owners with vacant, undeveloped properties outside the City's limits, but these exceptions are minimal. For owners of these properties who choose not to pay the readiness to serve charges, it is understood that the City will no longer be responsible for fulfilling the obligation for service to that property, nor is the City required to reserve capacity in the System for such properties. Residential lots are charged as one ERC per parcel or lot, while commercial lots are charged at the rate of two ERCs per acre, based on a typical two inch meter.

There are currently an estimated 593 customers eligible for being charged the Water Readiness to Serve Charge, and an estimated 463 customers eligible for being charged the Sewer Readiness to Serve Charge.

### Connection Charges and Miscellaneous Charges

The City currently has in place both water and wastewater connection charges and miscellaneous charges that act as additional revenue streams for the Utility System. In addition to these charges, as a result of the City's consultants' recommendations, the City approved adjustments to certain miscellaneous charges to make them more in line with industry norms, and add certain other charges that are commonly used in the industry. These changes and additions will aid in allowing the City to generate positive cash flow and improve the financial strength and performance of the Utility System.

### Water and Sewer Impact Fees

The City has adopted impact fees for water and wastewater as well. Impact fees are collected for the purpose of reimbursing the equitable share of the capital costs relating to constructing, expanding, or equipping of excess capacity necessary to serve new users of the Utility System as well as to finance capital expenditures and the payment of City indebtedness associated with the expansion of the City's water and wastewater systems. The obligation of payment of such charges by a new customer (or developer) arises prior to development or construction. The impact fees are applied per ERC. The ERC factors vary depending on the type of customer and are determined based on the estimated demand the proposed customer or development will place upon the transmission and treatment facilities.

#### **Current Impact Fees**

Water per ERU	\$1,747
Wastewater per ERU	<u>\$4,415</u>
Total	<u>\$6,162</u>

Additionally, impact fees assessed by the City are just and equitable for recovery of costs, and are on par with numerous other utility's capital charges throughout the State. Under Florida law, impact fees may only be expended to cover the costs of expansion of a system necessary to service new customers. Impact fees are not pledged to pay debt service on the Series 2011 Bonds.

### Capacity-Related Charges

The Water Readiness to Serve Charge and a Sewer Readiness to Serve Charge discussed above are each essentially readiness to serve charges. This type of charge is designed to help a utility recover costs associated with maintaining currently unused capacity for future not-yet-connected customers of the Utility System. Many utilities implement a similar type of charge, but under various names, and sometimes in various capacities of usage. Application of this charge can also vary, sometimes applied monthly or annually, directly or through tax bills, and covering one month, one year, or some other time period at a time. Because of these variations, and the fact that costs of water and wastewater services are difficult to accurately compare in that different systems do not have similar costs, service areas, resources, plant facilities, capitalization, financing, rate structures and customers, caution should be used in interpreting comparisons.

The Water Readiness to Serve Charge and a Sewer Readiness to Serve Charge charges currently assessed by the City to those customers not yet connected to the Utility System, but with service available to their property, are typical throughout the State of Florida and are comparable to similar charges held by numerous other utilities. The majority of Florida utilities' readiness to serve charges tend to approximate their base facility charges, as is the case with the City. These charges have been consistently upheld by a number of Florida appellate courts.

### Comparison of Monthly Service Bills

A comparison of the cost of providing monthly water and wastewater service for a residential single-family customer for fiscal year 2011 under the rates of the City's Utility System and other neighboring Florida utilities is provided below. For comparison purposes, monthly bills for all utilities were calculated on the basis of 5,000 gallons per month consumption for both water and wastewater.

	Fiscal Year 2011		
	Water	Wastewater	Total
<b>City of Polk City</b>	\$ 30.19	\$ 83.40	\$ 113.59
<b>Other Utilities in Polk County</b> <sup>(1)(2)</sup>			
Polk County	\$ 16.52	\$ 56.38	\$ 72.90
City of Frostproof	\$ 31.06	\$ 86.25	\$ 117.31
City of Haines City	\$ 15.76	\$ 50.00	\$ 65.76
City of Lake Alfred	\$ 17.50	\$ 50.68	\$ 68.18
City of Mulberry <sup>(3)</sup>	\$ 24.86	\$ 51.11	\$ 75.97
<b>Other Utilities in Area</b> <sup>(1)(2)</sup>			
City of Plant City	\$ 18.20	\$ 49.82	\$ 68.02
City of Daytona Beach	\$ 35.26	\$ 47.16	\$ 82.42
City of Deltona	\$ 20.52	\$ 114.65	\$ 135.17
City of Edgewater	\$ 31.60	\$ 39.35	\$ 70.95
City of Holly Hill	\$ 40.05	\$ 40.05	\$ 80.10
City of Ormond Beach	\$ 31.22	\$ 42.53	\$ 73.75
City of Ponce Inlet	\$ 27.48	\$ 55.40	\$ 82.88
City of South Daytona	\$ 39.53	\$ 56.10	\$ 95.63
<b>Overall Other Utilities Average</b>	<b>\$ 26.89</b>	<b>\$ 56.88</b>	<b>\$ 83.77</b>

Note: (1) Using rates current as of 04/21/2011. Comparable city bills calculated using outside city rates, since over 70% of Utility System customers reside outside the City.

(2) City Utilities comparable in System size and technology.

(3) Rates anticipated to be placed in effect June 2011.

See APPENDIX B – CONSULTING ENGINEER'S REPORT for a projection of 2016 monthly service rates for the above municipalities.

## Summary of Projected Operating Results

Description	Projected Fiscal Year					
	2011 <sup>(1)</sup>	2012	2013	2014	2015	2016
Operating Revenues <sup>(2)</sup>						
Water Utility	\$ 952,200	\$ 968,400	\$ 984,100	\$1,000,000	\$1,016,100	\$1,032,400
Wastewater Utility	819,800	848,900	869,000	887,800	906,900	926,300
Other Revenue <sup>(3)</sup>	58,100	66,200	69,500	73,300	76,600	79,300
Total Operating Revs	<u>\$1,830,100</u>	<u>\$1,883,500</u>	<u>\$1,922,600</u>	<u>\$1,961,100</u>	<u>\$1,999,600</u>	<u>\$2,038,000</u>
Total O & M Expenses <sup>(4)</sup>	<u>808,900</u>	<u>816,400</u>	<u>813,700</u>	<u>841,800</u>	<u>871,300</u>	<u>901,900</u>
Net Operating Revenues	<u>\$1,021,200</u>	<u>\$1,067,100</u>	<u>\$1,108,900</u>	<u>\$1,119,300</u>	<u>\$1,128,300</u>	<u>\$1,136,100</u>
Public Service Tax Revs <sup>(5)</sup>	<u>33,000</u>	<u>34,000</u>	<u>34,000</u>	<u>35,000</u>	<u>35,000</u>	<u>36,000</u>
Revenues Avail for Debt Svc.	<u>\$1,054,200</u>	<u>\$1,101,100</u>	<u>\$1,142,900</u>	<u>\$1,154,300</u>	<u>\$1,163,300</u>	<u>\$1,172,100</u>
Debt Service						
Existing Debt	\$ 623,900	\$ 116,400	\$ 116,400	\$ 108,200	\$ 174,200	\$ 174,200
Proposed Series 2011 <sup>(6)</sup>	-	653,000	653,000	653,000	653,000	653,000
Total Debt Service	<u>\$ 623,900</u>	<u>\$ 769,400</u>	<u>\$ 769,400</u>	<u>\$ 761,200</u>	<u>\$ 827,200</u>	<u>\$ 827,200</u>
Bal. after Debt Service	<u>\$ 430,300</u>	<u>\$ 331,700</u>	<u>\$ 373,500</u>	<u>\$ 393,100</u>	<u>\$ 336,100</u>	<u>\$ 344,900</u>
Other Expenses <sup>(7)</sup>	<u>171,100</u>	<u>103,500</u>	<u>106,600</u>	<u>109,700</u>	<u>112,900</u>	<u>116,200</u>
Total Avail. for Transfer	<u>\$ 259,200</u>	<u>\$ 228,200</u>	<u>\$ 266,900</u>	<u>\$ 283,400</u>	<u>\$ 223,200</u>	<u>\$ 228,700</u>
Transfer Exp. / (Rev.) <sup>(8)</sup>	<u>25,300</u>	<u>91,500</u>	<u>94,200</u>	<u>96,100</u>	<u>98,100</u>	<u>100,000</u>
Avail. for Other Uses	<u><b>\$ 233,900</b></u>	<u><b>\$ 136,700</b></u>	<u><b>\$ 172,700</b></u>	<u><b>\$ 187,300</b></u>	<u><b>\$ 125,100</b></u>	<u><b>\$ 128,700</b></u>
Impact Fees <sup>(9)</sup>	<u>30,800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Incl. Impact Fees	<u><b>\$ 264,700</b></u>	<u><b>\$ 136,700</b></u>	<u><b>\$ 172,700</b></u>	<u><b>\$ 187,300</b></u>	<u><b>\$ 125,100</b></u>	<u><b>\$ 128,700</b></u>

- Notes: (1) Based on approved Fiscal Year 2011 Budget, historic levels, and adjusted for all optimizations as approved by the City.
- (2) Proposed Water and Wastewater Utility Revenues include effects of current rates, ordinances, and resolutions, as approved by City Council. Revenues include revenues from Water Readiness to Serve charges and Sewer Readiness to Serve Charges based on historical receipts of the same.
- (3) Other Revenue includes revenue from connection/installation charges, interest income, and miscellaneous charges including other licenses/fees/permits, non-sufficient funds, late fees, other fines or forfeitures, and additional approved miscellaneous charges introduced in the optimization plan.
- (4) Excludes Amortization and Depreciation.
- (5) Calculated using 10% tax rate applied to approximately 35% of water revenues due to customers being inside the City limits.
- (6) Calculated assuming approximately level payments, using a \$9,750,000 principal amount, an assumed 5.25% interest rate, and a term of 30 years.
- (7) Includes Minor Capital from Rates, Operating Reserves, and Other non-operating expenses.
- (8) Includes transfers to and from the General Fund, Renewal, Replacement and Improvement Fund, and Reserves.
- (9) Not a pledged revenue source.

See APPENDIX B – CONSULTING ENGINEER’S REPORT for more information regarding the principal considerations and assumptions used in projecting operating results.

## Projected Debt Service Coverage

Description	Projected Fiscal Year					
	2011	2012	2013	2014	2015	2016
<b>Primary</b>						
Revenues <sup>(1)</sup>	\$1,054,200	\$1,101,100	\$1,142,900	\$1,154,300	\$1,163,300	\$1,172,100
Parity Debt Svcs <sup>(2)</sup>	\$ 333,100	\$ 653,000	\$ 653,000	\$ 653,000	\$ 653,000	\$ 653,000
Projected Coverage	3.16	1.69	1.75	1.77	1.78	1.79
Minimum Required	1.25	1.25	1.25	1.25	1.25	1.25
<b>Subordinate</b>						
Revenues <sup>(3)</sup>	\$ 635,600	\$ 250,900	\$ 292,700	\$ 303,100	\$ 312,100	\$ 319,900
Subord. Debt Svcs <sup>(4)</sup>	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 174,200	\$ 174,200
Projected Coverage	6.36	2.51	2.93	3.03	1.79	1.84
Minimum Required	1.15	1.15	1.15	1.15	1.15	1.15

Notes: (1) Proposed Water and Wastewater Utility Revenues include effects of current rates, ordinances, and resolutions, plus Public Service Taxes Revenues.

(2) Includes debt service payments on the Series 2011 Bonds and the fiscal year 2011 payment for the Series 2005 Note.

(3) Revenues used for calculation of Subordinate debt service coverage include Net Revenues after the payment of primary debt service with required coverage and the Public Service Tax Revenues removed, plus Impact Fees.

(4) The FDEP Loan debt shall be subordinate per the consent letter obtained from the FDEP.

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## RISK FACTORS

The future financial condition of the System could be affected adversely by, among other things, legislation, environmental and other regulatory actions as set forth above, changes in demand for services, economic conditions, demographic changes, and litigation. In addition to those items listed in the preceding sentence, some of the possible changes in the future may include, but not be limited to, the following:

1. The City's water and sewer facilities are subject to regulation and control by numerous federal, state and local governmental agencies. Neither the City nor its consultants can predict future policies such agencies may adopt. Future changes could result in the City having to discontinue operations at certain facilities or to make significant capital expenditures and could generate substantial litigation. No such discontinuances or shutdowns are foreseen at this time.

2. Estimates of revenues and expenses contained in this Official Statement and the appendices hereto and the realization of such estimates, are subject to, among other things, future economic conditions, the potential occurrence of natural disasters including hurricanes, or other conditions which are unpredictable and which may adversely affect such revenues and expenses, and in turn, the payment of the Series 2011 Bonds.

3. Polk County and the City are currently engaged in Chapter 164 conflict resolution proceedings with regard to Polk County's threatened litigation arising from certain alleged unpaid impact fees to attempt to re-possess the Mount Olive water and wastewater facilities. The City Attorney believes that after the City's payment of the Polk County Payment Obligation and the City's prepayment of the Polk County Sprayfield Loan, there will be no encumbrance in favor of Polk County with regard to any Utility System asset and Polk County will not file any claim to rescind the transaction or otherwise attempt to obtain the Mount Olive water and wastewater facilities. Further, the City Attorney believes that in the unlikely event that Polk County were to instigate litigation after receipt of such funds, Polk County will be unsuccessful in any such attempts.

4. In connection with the refunding of the Series 2004 Bonds, the City's Utility System will lose its current federal service area protection that was previously provided by the USDA Rural Development Program which granted exclusive rights to the City for the service area where revenues were collected and prohibited private utilities from serving this area. Nevertheless, the City's Utility System is still entitled to similar service area protection provided by Chapter 180 of the Florida Statutes as well as from its existing FDEP Loan and the Florida common law of utility territorial disputes. Chapter 180's service area protection has been unchanged since its adoption in 1935, nor has there been any attempt to change this part of Chapter 180 since its adoption.

5. As discussed in "RECENT FINANCIAL DIFFICULTIES AND RESTRUCTURING EFFORTS – Unsuccessful Attempts to Dissolve the City," several hundred citizens previously signed a petition to seek a special election to dissolve the City and return the area to unincorporated Polk County. Although the City Council rejected the dissolution petition in October 2010, there is no guarantee that the City's citizens will not successfully implement such a petition in the future.



## **INVESTMENT POLICY**

The City does not have an investment policy. The types of investments in which the City may invest are governed by Florida Statutes. According to Florida Statutes, the City is authorized to invest in the following types of financial instruments: Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized through the Florida Inter-local Cooperation Act; S.E.C. registered money market funds with the highest credit quality rating from a nationally recognized rating company; interest-bearing time deposits and savings accounts in qualified public depositories; direct obligations of the U.S. Treasury and federal agencies and instrumentalities or repurchase agreements fully collateralized by such securities; and interest in an entity registered under the Investment Company Act of 1940 whose investments are limited to U.S. Governments. The City currently does not maintain any investments other than deposits in financial institutions. The City is in full compliance with the Florida Statutes pertaining to authorized investments.

## **LEGAL MATTERS**

Certain legal matters in connection with the issuance of the Series 2011 Bonds are subject to an approving legal opinion of GrayRobinson, P.A., Lakeland, Florida, Bond Counsel, whose approving opinion (a form of which is attached hereto as APPENDIX F) will be available at the time of delivery of the Series 2011 Bonds. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that subsequent to the date of the opinion Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion. Certain legal matters will be passed on for the City by GrayRobinson, P.A. City Attorney, Orlando, Florida and by GrayRobinson, P.A., Tampa, Florida, Disclosure Counsel. The underwriter is represented by Bryant Miller Olive P.A., Tampa, Florida.

## **LITIGATION**

Other than the litigation threatened by Polk County regarding the Polk County Payment Obligation and the Polk County Sprayfield Loan and the current Chapter 164 proceedings, there is no pending or, to the knowledge of the City, any threatened litigation against the City of any nature whatsoever which in any way questions or affects the validity of the Series 2011 Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the adoption of the Bond Resolution, the enactment of the Rate Ordinance or the pledge of the Pledged Revenues. Neither the creation, organization or existence of the City, nor the position of the present members of the City Council, or other officers of the City is being contested.

The City experiences routine litigation and claims incidental to the conduct of its affairs. In the opinion of the City Attorney, there are no actions presently pending or threatened, the adverse outcome of which would have a material adverse effect on the availability of the Pledged Revenues or the ability of the City to pay the Series 2011 Bonds from the Pledged Revenues. From time to time, the City is party to other various legal proceedings which individually are not expected to have a material adverse effect on the operations or financial condition of the City or the System, but may, in the aggregate, have a material impact thereon. However, in the opinion of the City Attorney, the City and/or its insurance carrier will either successfully defend such actions or otherwise resolve such matters without any material adverse consequences.

## DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the City except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Office of Financial Regulation which reports to the Florida Financial Services Commission (the "Commission"). Pursuant to administrative rulemaking, the Commission has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the City, and certain additional financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. Other than the City's defaults discussed in the section entitled "RECENT FINANCIAL DIFFICULTIES AND RESTRUCTURING EFFORTS" of this Official Statement, the City is not and has not been in default on any bond issued since December 31, 1975 that would be considered material by a reasonable investor.

The City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the Series 2011 Bonds because the City would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the City would have been pledged or used to pay such securities or the interest thereon.

## TAX MATTERS

### Series 2011A Bonds

General. The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met subsequent to the issuance and delivery of the Series 2011A Bonds for interest thereon to be and remain excluded from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Series 2011A Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the Series 2011A Bonds. Pursuant to the Resolution the City has covenanted to comply with the applicable requirements of the Code in order to maintain the exclusion of the interest on the Series 2011A Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code. In addition, the City has made certain representations and certifications in the Resolution. Bond Counsel will not independently verify the accuracy of those representations and certifications.

In the opinion of GrayRobinson, P.A., Bond Counsel, under existing law and assuming compliance with the aforementioned covenant, and the accuracy of certain representations and certifications made by the City described above, interest on the Series 2011A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code. Bond Counsel is also of the opinion that such interest is not treated as a preference item in calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. Interest on the Series 2011A Bonds is, however, included in the adjusted current earnings of certain corporations for purposes of computing the alternative minimum tax imposed on such corporations.

Bond Counsel is also of the opinion, assuming the accuracy of certain representations and certifications of the City, that the Series 2011A Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Original Issue Discount. Bond Counsel is further of the opinion that the difference between the principal amount of the Series 2011A Bonds maturing \_\_\_\_\_, 20\_\_ through \_\_\_\_\_, 20\_\_, inclusive and on \_\_\_\_\_, 20\_\_ (collectively the “Discount Series 2011A Bonds”) and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Discount Series 2011A Bonds of the same maturity was sold constitutes original issue discount which is excluded from gross income for federal income tax purposes to the same extent as interest on the Discount Series 2011A Bonds. Further, such original issue discount accrues actuarially on a constant interest rate basis over the term of each Discount Bond and the basis of each Discount Bond acquired at such initial offering price by an initial purchaser thereof will be increased by the amount of such accrued original issue discount. The accrual of original issue discount may be taken into account as an increase in the amount of tax-exempt income for purposes of determining various other tax consequences of owning the Discount Series 2011A Bonds, even though there will not be a corresponding cash payment. Owners of the Discount Series 2011A Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Discount Series 2011A Bonds.

Original Issue Premium. The Series 2011A Bonds maturing on \_\_\_\_\_, 20\_\_ and on \_\_\_\_\_, 20\_\_ and \_\_\_\_\_, 20\_\_ (collectively, the “Premium Series 2011A Bonds”) are being offered at prices in excess of their principal amounts. An initial purchaser with an initial adjusted basis in a Premium Bond in excess of its principal amount will have amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each Premium Bond based on the purchaser’s yield to maturity (or, in the case of Premium Series 2011A Bonds callable prior to their maturity, over the period to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation with an amortizable bond premium is required to decrease such purchaser’s adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Series 2011A Bonds. Owners of the Premium Series 2011A Bonds are advised that they should consult with their own advisors with respect to the state and local tax consequences of owning such Premium Series 2011A Bonds.

Ancillary Tax Matters. Ownership of the Series 2011A Bonds may result in other federal tax consequences to certain taxpayers, including, without limitation, certain S corporations, foreign corporations with branches in the United States, property and casualty insurance companies, individuals receiving Social Security or Railroad Retirement benefits, and individuals seeking to claim the earned income credit. Ownership of the Series 2011A Bonds may also result in other federal tax consequences to taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Series 2011A Bonds. Prospective investors are advised to consult their own tax advisors regarding these rules.

Interest paid on tax-exempt obligations such as the Series 2011A Bonds is subject to information reporting to the Internal Revenue Service (the “IRS”) in a manner similar to interest paid on taxable obligations. In addition, interest on the Series 2011A Bonds may be subject to backup withholding if such interest is paid to a registered owner that (a) fails to provide certain identifying information (such as the registered owner’s taxpayer identification number) in the manner required by the IRS, or (b) has been identified by the IRS as being subject to backup withholding.

Bond Counsel is not rendering any opinion as to any federal tax matters other than those described in the opinions attached as Appendix F. Prospective investors, particularly those who may be subject to special rules described above, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2011A Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Changes in Law and Post Issuance Events. Legislative or administrative actions and court decisions, at either the federal or state level, could have an adverse impact on the potential benefits of the exclusion from gross income of the interest on the Series 2011A Bonds for federal or state income tax purposes, and thus on the value or marketability of the Series 2011A Bonds. This could result from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), repeal of the exclusion of the interest on the Series 2011A Bonds from gross income for federal or state income tax purposes, or otherwise. It is not possible to predict whether any legislative or administrative actions or court decisions having an adverse impact on the federal or state income tax treatment of holders of the Series 2011A Bonds may occur. Prospective purchasers of the Series 2011A Bonds should consult their own tax advisers regarding such matters.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance and delivery of the Series 2011A Bonds may affect the tax status of interest on the Series 2011A Bonds. Bond Counsel expresses no opinion as to any federal, state or local tax law consequences with respect to the Series 2011A Bonds, or the interest thereon, if any action is taken with respect to the Series 2011A Bonds or the proceeds thereof upon the advice or approval of other counsel.

### **Series 2011B Bonds**

The following is a summary of certain anticipated United States federal income tax consequences of the purchase, ownership and disposition of the Series 2011B Bonds. The summary is based upon the provisions of the Code, the regulations promulgated thereunder and the judicial and administrative rulings and decisions now in effect, all of which are subject to change. The summary generally addresses Series 2011B Bonds held as capital assets and does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances or certain types of investors subject to special treatment under the federal income tax laws, including but not limited to financial institutions, insurance companies, dealers in securities or currencies, persons holding such Bonds as a hedge against currency risks or as a position in a “straddle” for tax purposes, or persons whose functional currency is not the United States dollar. Potential purchasers of the Series 2011B Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Series 2011B Bonds.

The advice set forth in this section was not intended or written by Bond Counsel to be used and cannot be used by an owner of the Series 2011B Bonds for the purpose of avoiding penalties that may be imposed on the owner of the Series 2011B Bonds. The advice set forth herein is written to support the

promotion or marketing of the Series 2011B Bonds. Each owner of the Series 2011B Bonds should seek advice based on its particular circumstances from an independent tax advisor.

General. In the opinion of GrayRobinson, P.A., Bond Counsel, interest on the Series 2011B Bonds is not excluded from gross income for federal income tax purposes and so will be fully subject to federal income taxation. Purchasers other than those who purchase Series 2011B Bonds in the initial offering at their principal amounts will be subject to federal income tax accounting rules affecting the timing and/or characterization of payments received with respect to such bonds. In general, interest paid on the Series 2011B Bonds and recovery of accrued original issue and market discount, if any, will be treated as ordinary income to a bondholder and, after adjustment for the foregoing, principal payments will be treated as a return of capital.

Original Issue Discount. The following summary is a general discussion of certain federal income tax consequences of the purchase, ownership and disposition of Series 2011B Bonds issued with original issue discount ("Discount Series 2011B Bonds"). A Discount Series 2011B Bond will be treated as having been issued at an original issue discount if the excess of its "stated redemption price at maturity" (defined below) over its issue price (defined as the initial offering price to the public at which a substantial amount of the Discount Series 2011B Bonds of the same maturity have first been sold to the public, excluding bond houses and brokers) equals or exceeds one quarter of one percent of such Discount Series 2011B Bond's stated redemption price at maturity multiplied by the number of complete years to its maturity.

A Discount Series 2011B Bond's "stated redemption price at maturity" is the total of all payments provided by the Discount Series 2011B Bond that are not payments of "qualified stated interest." Generally, the term "qualified stated interest" includes stated interest that is unconditionally payable in cash or property (other than debt instruments of the issuer) at least annually at a single fixed rate.

In general, the amount of original issue discount includible in income by the initial holder of a Discount Series 2011B Bond is the sum of the "daily portions" of original issue discount with respect to such Discount Series 2011B Bond for each day during the taxable year in which such holder held such Discount Series 2011B Bond. The daily portion of original issue discount on any Discount Series 2011B Bond is determined by allocating to each day in any "accrual period" a ratable portion of the original issue discount allocable to that accrual period.

An accrual period may be of any length, and may vary in length over the term of a Discount Series 2011B Bond, provided that each accrual period is not longer than one year and each scheduled payment of principal or interest occurs at the end of an accrual period. The amount of original issue discount allocable to each accrual period is equal to the difference between (i) the product of the Discount Series 2011B Bond's adjusted issue price at the beginning of such accrual period and its yield to maturity (determined on the basis of compounding at the close of each accrual period and appropriately adjusted to take into account the length of the particular accrual period) and (ii) the amount of any qualified stated interest payments allocable to such accrual period. The "adjusted issue price" of a Discount Series 2011B Bond at the beginning of any accrual period is the sum of the issue price of the Discount Series 2011B Bond plus the amount of original issue discount allocable to all prior accrual periods minus the amount of any prior payments on the Discount Series 2011B Bond that were not qualified stated interest payments. Under these rules, holders will have to include in income increasingly greater amounts of original issue discount in successive accrual periods.

Holders utilizing the accrual method of accounting may generally, upon election, include all interest (including stated interest, acquisition discount, original issue discount, de minimis original issue discount, market discount, de minimis market discount, and unstated interest, as adjusted by any amortizable bond premium or acquisition premium) on the Discount Series 2011B Bond by using the constant yield method applicable to original issue discount, subject to certain limitations and exceptions.

Surtax on Unearned Income. For taxable years beginning after December 31, 2012, certain non-corporate U.S. Holders will be subject to a 3.8% tax, in addition to regular tax on income and gains, on some or all of their “net investment income,” which generally will include interest and original issue discount realized on a Discount Series 2011B Bond and any net gain recognized upon a disposition of a Discount Series 2011B Bond. U.S. Holders should consult their tax advisors regarding the applicability of this tax.

Market Discount. Any owner who purchases a Discount Series 2011B Bond at a price which includes market discount in excess of a prescribed de minimis amount (i.e., at a purchase price that is less than its adjusted issue price in the hands of an original owner) will be required to recharacterize all or a portion of the gain as ordinary income upon receipt of each scheduled or unscheduled principal payment or upon other disposition. In particular, such owner will generally be required either (a) to allocate each such principal payment to accrued market discount not previously included in income and to recognize ordinary income to that extent and to treat any gain upon sale or other disposition of such a Series 2011B Bond as ordinary income to the extent of any remaining accrued market discount (under this caption) or (b) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history of the Tax Reform Act of 1986 will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest.

An owner of a Series 2011B Bond who acquires such Bond at a market discount also may be required to defer, until the maturity date of such Series 2011B Bonds or the earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry a Series 2011B Bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner’s gross income for the taxable year with respect to such Series 2011B Bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Series 2011B Bond for the days during the taxable year on which the owner held the Series 2011B Bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Series 2011B Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the bondowner elects to include such market discount in income currently as described above.



Bond Premium. A purchaser of a Series 2011B Bond who purchases such Series 2011B Bond at a cost greater than its then principal amount (or, in the case of such Series 2011B Bond issued with original issue premium, at a price in excess of its adjusted issue price) will have amortizable bond premium. If the holder elects to amortize the premium under Section 171 of the Code (which election will apply to all bonds held by the holder on the first day of the taxable year to which the election applies, and to all bonds thereafter acquired by the holder), such a purchaser must amortize the premium using constant yield principles based on the purchaser's yield to maturity. Amortizable bond premium is generally treated as an offset to interest income, and a reduction in basis is required for amortizable bond premium that is applied to reduce interest payments. Different rules apply to tax-exempt bonds with original issue discount that are acquired with "acquisition premium" (that is, at a price generally in excess of the Bond's adjusted issue price). Purchasers of any such Series 2011B Bonds who acquire such Bonds at a premium (or with acquisition premium) should consult with their own tax advisors with respect to the determination and treatment of such premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2011B Bonds.

Sale or Redemption of Series 2011B Bonds. A bondowner's tax basis for a Series 2011B Bond is the price such owner pays for the Series 2011B Bond plus the amount of any original issue discount and market discount previously included in income, reduced on account of any payments received (other than "qualified periodic interest" payments) and any amortized bond premium. Gain or loss recognized on a sale, exchange or redemption of a Series 2011B Bond, measured by the difference between the amount realized and the Series 2011B Bond basis as so adjusted, will generally give rise to capital gain or loss if the Series 2011B Bond is held as a capital asset (except as discussed above under "Market Discount"). The defeasance of the Series 2011B Bonds may result in a deemed sale or exchange of such Bonds under certain circumstances; owners of such Bonds should consult their tax advisors as to the federal income tax consequences of such an event.

Backup Withholding. A bondowner may, under certain circumstances, be subject to "backup withholding" (currently the rate of this withholding tax is 30% (although the rate is scheduled to be reduced over the next few year) with respect to interest or original issue discount on the Series 2011B Bonds. This withholding generally applies if the owner of a Series 2011B Bond (a) fails to furnish the Paying Agent or other payor with its taxpayer identification number; (b) furnishes the Paying Agent or other payor an incorrect taxpayer identification number; (c) fails to report properly interest, dividends or other "reportable payments" as defined in the Code; or (d) under certain circumstances, fails to provide the Paying Agent or other payor with a certified statement, signed under penalty of perjury, that the taxpayer identification number provided is its correct number and that the holder is not subject to backup withholding. Backup withholding will not apply, however, with respect to certain payments made to bondowners, including payments to certain exempt recipients (such as certain exempt organizations) and to certain Nonresidents (as defined below). Owners of the Series 2011B Bonds should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining the exemption.

The amount of "reportable payments" for each calendar year and the amount of tax withheld, if any, with respect to payments on the Series 2011B Bonds will be reported to the bondowners and to the Internal Revenue Service.

Nonresident Bondowners. Under the Code, interest and original issue discount income with respect to Series 2011B Bonds held by nonresident alien individuals, foreign corporations or other non-United States persons ("Nonresidents") generally will not be subject to the United States withholding tax

(or backup withholding) if the City (or other person who would otherwise be required to withhold tax from such payments) is provided with an appropriate statement that the beneficial owner of the Series 2011B Bond is a Nonresident. Notwithstanding the foregoing, if any such payments are effectively connected with a United States trade or business conducted by a Nonresident bondowner, they will be subject to regular United States income tax, but will ordinarily be exempt from United States withholding tax.

ERISA. The Employees Retirement Income Security Act of 1974, as amended (“ERISA”), and the Code generally prohibit certain transactions between a qualified employee benefit plan under ERISA or tax-qualified retirement plans and individual retirement accounts under the Code (collectively, the “Plans”) and persons who, with respect to a Plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. All fiduciaries of Plans, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in any Series 2011B Bonds.

## **RATINGS**

Standard & Poor’s Ratings Services (“S&P”) and Moody’s Investors Services are expected to assign their municipal bond rating of “AA+” and “Aa3”, respectively, to the Series 2011 Bonds with the understanding that upon delivery of such Series 2011 Bonds, the Municipal Bond Insurance Policy guaranteeing the timely payment of the principal and interest on the Series 2011 Bonds will be issued by the Insurer. In addition, S&P has assigned the underlying rating of “A-” to the Series 2011 Bonds without giving any regard to the Insurer’s Municipal Bond Insurance Policy.

Generally, a rating agency bases its rating on information and materials and on investigations, studies and assumptions furnished to and obtained and made by the rating agency. The rating reflects only the view of said rating agency and an explanation of the rating may be obtained only from said rating agency. There can be no assurance that such rating will continue for any given period of time or will not be revised downward or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such downward revision or withdrawal of the ratings of the Series 2011 Bonds may have an adverse effect on the market price of the Series 2011 Bonds. The City undertakes no responsibility to oppose any such revision or withdrawal. An explanation of the significance of the ratings can be received from the following: Moody’s Investors Service, 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007, Standard & Poor’s, 55 Water Street, 38th Floor, New York, New York 10041 and Fitch Ratings, One State Street Plaza, New York, New York 10004.

## **EXPERTS**

The Consulting Engineer’s Report included as APPENDIX B to this Official Statement has been prepared by GAI Consultants, Orlando, Florida. APPENDIX B should be read in its entirety for complete information with respect to the subjects discussed therein.



## **INDEPENDENT ACCOUNTANTS**

The audited financial statements of the City as of September 30, 2010, and for the year then ended, have been audited by Brynjulfson CPA, P.A., Lakeland, Florida (the "Independent Certified Public Accountants") as stated in their report included in APPENDIX C attached hereto. The Independent Certified Public Accountants have consented to the inclusion of their report in this Official Statement.

## **UNDERWRITING**

The Series 2011 Bonds are being purchased by Fifth Third Securities, Inc. (the "Underwriter") at an aggregate purchase price of \$\_\_\_\_\_ (which includes an original issue discount of \$\_\_\_\_\_ and Underwriter's discount of \$\_\_\_\_\_). The Underwriter's obligations are subject to certain conditions precedent, and it will be obligated to purchase all of the Series 2011 Bonds if any Series 2011 Bonds are purchased. The Series 2011 Bonds may be offered and sold to certain dealers (including dealers depositing such Series 2011 Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriter.

## **CONTINGENT FEES**

The City has retained Bond Counsel and Disclosure Counsel, with respect to the authorization, sale, execution and delivery of the Series 2011 Bonds. Payment of the fees of such professionals and a discount to the Underwriter are each contingent upon the issuance of the Series 2011 Bonds.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Series 2011 Bonds upon an event of default under the Bond Resolution and the Municipal Bond Insurance Policy are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the Federal Bankruptcy Code, the remedies specified by the Bond Resolution, the Series 2011 Bonds and the Municipal Bond Insurance Policy may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2011 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See APPENDIX D -- FORM OF THE BOND RESOLUTION attached hereto for a description of events of default and remedies.

## **CONTINUING DISCLOSURE**

The City, in accordance with the provisions of Rule 15c2-12 in effect from time to time and applicable to the Series 2011 Bonds (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, as amended, will provide or cause to be provided, to the Municipal Securities Rulemaking Board's Electronic Municipal

Market Access System (“EMMA”) in accordance with the Rule, annual financial information as of September 30 of each year, not later than the following June 1, which financial information is consistent with the financial information included in this Official Statement, and, when available, audited financial statements prepared pursuant to generally accepted auditing standards applicable to municipalities. The specific nature of the financial information, operating data, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in APPENDIX G - FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT attached hereto. The Disclosure Dissemination Agent Agreement shall be executed by the City prior to the issuance of the Series 2011 Bonds. These covenants will be entered into by the City in order to assist the Underwriter in complying with the continuing disclosure requirements of the Rule.

The City shall give, or cause to be given, notice with EMMA of the occurrence in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events with respect to the Series 2011 Bonds, with the exception of the event described in number 15 below, which notice shall be given in a timely manner:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2011 Bonds, or other material events affecting the tax status of the Series 2011 Bonds;
7. Modifications to rights of the holders of the Series 2011 Bonds, if material;
8. Series 2011 Bond calls, if material (other than scheduled mandatory redemption), and tender offers;
9. Series 2011 Bond defeasance;
10. Release, substitution, or sale of property securing repayment of the 2011 Bonds, if material;
11. Ratings changes;
12. Bankruptcy, insolvency, receivership, or similar event of the City;
13. The consummation of a merger, consolidation, or acquisition involving the City or other obligated person with respect to the Series 2011 Bonds or the sale of all or substantially all of the assets of the City or other obligated person with respect to the Series 2011

Bonds, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

14. Appointment of a successor or additional trustee or paying agent or the change of name of a trustee or paying agent, if material; and
15. Notice of any failure on the part of the City provide the required annual financial information on or before the date specified in the Disclosure Dissemination Agent Agreement.

With respect to the Series 2011 Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. The City has not previously issued bonds subject to the Rule and thus has not previously provided continuing disclosure information pursuant to the Rule.

The City has engaged Digital Assurance Certification, L.L.C. to serve as its disclosure dissemination agent with regard to the Series 2011 Bonds. The Disclosure Dissemination Agent Agreement, the form of which is attached as APPENDIX G, will be executed by the City prior to the issuance of the Series 2011 Bonds.

#### **ACCURACY AND COMPLETENESS OF OFFICIAL STATEMENT**

The references, excerpts, and summaries of all documents, statutes, and information concerning the City and certain reports and statistical data referred to herein do not purport to be complete, comprehensive and definitive and each such summary and reference is qualified in its entirety by reference to each such document for full and complete statements of all matters of fact relating to the Series 2011 Bonds, the security for the payment of the Series 2011 Bonds and the rights and obligations of the owners thereof and to each such statute, report or instrument.

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the owners of the Series 2011 Bonds.

The appendices attached hereto are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

**AUTHORIZATION OF OFFICIAL STATEMENT**

The execution and delivery of this Official Statement has been duly authorized and approved by the City. At the time of delivery of the Series 2011 Bonds, the City will furnish a certificate to the effect that nothing has come to their attention which would lead them to believe that the Official Statement (other than information herein related to the Insurer, the Municipal Bond Insurance Policy, DTC, the book-entry only system of registration and the information contained under the caption "TAX MATTERS" as to which no opinion shall be expressed), as of its date and as of the date of delivery of the Series 2011 Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included therein for the purposes for which the Official Statement is intended to be used, or which is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading.

CITY OF POLK CITY, FLORIDA

By: \_\_\_\_\_  
Joe LaCascia, Mayor

By: \_\_\_\_\_  
Matthew Brock, City Manager

**APPENDIX A**

**GENERAL INFORMATION CONCERNING THE CITY**

**APPENDIX B**

**CONSULTING ENGINEER'S REPORT**

**APPENDIX C**

**AUDITED FINANCIAL STATEMENTS OF THE CITY FOR  
FISCAL YEAR ENDING SEPTEMBER 30, 2010**

**APPENDIX D**

**FORM OF THE BOND RESOLUTION**



**APPENDIX E**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

**APPENDIX F**

**FORM OF BOND COUNSEL OPINION**

**APPENDIX G**

**FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT**

**PAYING AGENT AND REGISTRAR AGREEMENT**

THIS PAYING AGENT AND REGISTRAR AGREEMENT dated as of this \_\_\_\_\_ day of August, 2011 (the "Agreement") is by and between City of Polk City, Florida (the "Issuer") and Wells Fargo Bank, National Association (the "Bank").

**RECITALS OF THE ISSUER**

The governing body on August 8, 2011 of the Issuer adopted Resolution No. \_\_\_\_\_ and Resolution No. \_\_\_\_\_ (collectively, the "Resolution") authorizing and providing for the issuance of its City of Polk City, Florida, Water and Sewer System Capital Improvement and Refunding Revenue Bonds, Series 2011A, dated August \_\_\_\_, 2011, in the aggregate principal amount of \$\_\_\_\_\_ and City of Polk City, Florida, Water and Sewer Refunding Revenue Bonds, Taxable Series 2011B, dated August \_\_\_\_, 2011, in the aggregate principal amount of \$\_\_\_\_\_ (collectively, the "Bonds"), such Bonds to be issued in fully registered form, without coupons.

The Issuer has delivered a true and correct copy of the Resolution to the Bank;

The Bonds are scheduled to be delivered to the initial purchasers of the Bonds on or about August \_\_\_\_, 2011;

All things necessary to make the Bonds the valid obligations of the Issuer, in accordance with their terms, will be taken upon the issuance and delivery thereof;

The Issuer has requested that the Bank serve as Paying Agent of the Issuer in paying the principal, premium (if any) and interest on the Bonds in accordance with the terms thereof and that the Bank act as Registrar for the Bonds; and

The Issuer has duly authorized the execution and delivery this Agreement; and all things necessary to make this Agreement the valid agreement of the Issuer, in accordance with its terms, have been done.

NOW, THEREFORE, it is mutually agreed as follows:

**ARTICLE ONE**

**APPOINTMENT OF BANK AS PAYING AGENT AND REGISTRAR**

**Section 1.01. Appointment.**

The Issuer hereby appoints the Bank to serve as Paying Agent with respect to the Bonds. As Paying Agent for the Bonds, the Bank shall be responsible for paying on behalf of

the Issuer the principal, premium (if any), and interest on the Bonds as the same become due and payable to the registered owners thereof, pursuant to the terms of this Agreement and the Resolution.

The Issuer hereby appoints the Bank as Registrar with respect to the Bonds. As Registrar, the Bank shall keep and maintain for and on behalf of the Issuer books and records as to the ownership of the Bonds and the transfer and exchange thereof pursuant to the terms of this Agreement and the Resolution.

The Bank hereby accepts such appointments and agrees to serve as the Paying Agent and Registrar for the Bonds.

Section 1.02. Compensation.

As compensation for the Bank's services as Paying Agent/Registrar, the Issuer agrees to pay the Bank the fees and amounts set forth in Schedule A attached hereto, or any subsequent fee schedule agreed to by the Issuer and the Bank. In addition, the Issuer agrees to reimburse the Bank for all reasonable expenses, disbursements and advances incurred or made by the Bank in connection with this Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel).

## ARTICLE TWO

### DEFINITIONS

Section 2.01. Definitions.

For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:

“Acceleration Date” on any Bond means the date on and after which the principal or any or all installments of interest, or both, are due and payable on any Bond which has become accelerated pursuant to the terms of the Bond.

“Bank Office” means the corporate trust office of the Bank as indicated on the signature page hereof. The Bank will notify the Issuer in writing of any change in location of the Bank Office.

“Bond Register” means a register maintained by the Bank on behalf of the Issuer providing for the registration and transfer of the Bonds.

“Holder” and Bondholder” each means the Person in whose name a Bond is registered in the Bond Register.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a government.

“Predecessor Bonds” of any particular Bond means every previous Bond evidencing all or a portion of the same obligation as that evidenced by such particular Bond (and, for the purposes of this definition, any mutilated, lost, destroyed, or stolen Bond for which a replacement Bond has been registered and delivered in lieu thereof pursuant to Section 4.06 hereof and the Resolution).

“Redemption Date” when used with respect to any Bond to be redeemed means the date fixed for such redemption pursuant to the terms of the Resolution.

“Stated Maturity” means the date specified in the Resolution the principal of a Bond is scheduled to be due and payable.

Section 2.02. Other Definitions.

The terms “Bank,” “Issuer,” and “Bonds (Bond)” have the meanings assigned to them in the recital paragraphs of this Agreement.

The term “Paying Agent/Registrar” refers to the Bank in the performance of the duties and functions of this Agreement.

ARTICLE THREE

PAYING AGENT

Section 3.01. Duties of Paying Agent.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the principal of and premium (if any), on each Bond at its Stated Maturity, Redemption Date, or Acceleration Date, to the Holder upon surrender of the Bond to the Bank at the Bank Office.

As Paying Agent, the Bank shall, provided adequate collected funds have been provided to it for such purpose by or on behalf of the Issuer, pay on behalf of the Issuer the interest on each Bond when due, by computing the amount of interest to be paid each Holder and preparing and sending checks by United States Mail, first class postage prepaid, on each payment date, to the Holders of the Bonds (or their Predecessor Bonds) on the respective Record Date, to the address appearing on the Bond Register or by such other method, acceptable to the Bank, requested in writing by the Holder at the Holder’s risk and expense; provided, however, that with respect to all Bonds which are registered and in the name of The Depository Trust Company or its nominee name (“DTC”), the Paying Agent will make such payments when due by wire transfer pursuant to the instructions of DTC.

Section 3.02. Payment Dates.

The Issuer hereby instructs the Bank to pay the principal of, premium (if any), and interest on the Bonds on the dates specified in the Resolution. The Issuer agrees to transfer or cause to be transferred to the Bank by no later than 12 p.m. Eastern Time on the business day immediately preceding the payment dates, immediately available funds in the amounts sufficient to pay principal, premium, and/or interest when due.

ARTICLE FOUR

REGISTRAR

Section 4.01. Bond Register – Transfers and Exchanges.

The Bank agrees to keep and maintain for and on behalf of the Issuer at the Bank Office books and records (herein sometimes referred to as the “Bond Register”) for recording the names and addresses of the Holders of the Bonds, the transfer, exchange, and replacement of the Bonds, and the payment of the principal of and interest on the Bonds to the Holders and containing such other information as may be reasonably required by the Issuer and subject to such reasonable regulations as the Issuer and the Bank may prescribe. All transfers, exchanges, and replacement of Bonds shall be noted in the Bond Register.

Every Bond surrendered to the Bank for transfer or exchange shall be duly endorsed or be accompanied by a written instrument of transfer, the signature on which has been guaranteed by an officer of a federal or state bank or a member of the National Association of Bonds Dealers, in form satisfactory to the Bank, duly executed by the Holder thereof or his agent duly authorized in writing. The Bank may request any supporting documentation it feels necessary to effect a registration, transfer or exchange of the Bonds. To the extent possible and under reasonable circumstances, the Bank agrees that, in connection with an exchange or transfer of Bonds, the exchange or transfer will be completed and new Bonds delivered to the Holder or the assignee of the Holder in not more than three business days after the receipt of the Bonds to be canceled in an exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Holder, or his duly authorized agent, in form and manner satisfactory to the Paying Agent/Registrar.

Section 4.02. Bonds.

At any time when the Bonds are not subject to a book-entry-only system of registration and transfer, the Issuer shall provide an adequate inventory of printed Bonds to facilitate transfer or exchanges thereof. The Bank covenants that the inventory of printed Bonds will be kept in safekeeping pending their use, and reasonable care will be exercised by the Bank in maintaining such Bonds in safekeeping.

Section 4.03. Form of Bond Register.

The Bank as Registrar will maintain the Bond Register in accordance with the Bank's general practices and procedures in effect from time to time. The Bank shall not be obligated to maintain the Bond Register in any form other than those currently available and used by the Bank at the time. The Bond Register may be maintained in written form or in any other form capable of being converted into written form within a reasonable time.

Section 4.04. List of Bondholders.

The Bank will provide a copy of the information contained in the Bond Register to the Issuer upon request and upon payment of any applicable fee. The Issuer may also inspect the information contained in the Bond Register at any time the Bank is customarily open for business, provided that reasonable time is allowed the Bank to provide an up-to-date listing or to convert the information into written form. The Bank will not release or disclose the contents of the Bond Register to any person other than to, or at the written request of, an authorized officer or employee of the Issuer, except upon receipt of a subpoena, court order or as otherwise required by law. Upon receipt of a subpoena or court order and prior to the release or disclosure of the contents of the Bond Register, the Bank will notify the Issuer so that the Issuer may contest the subpoena or court order or such release or disclosure of the contents of the Bond Register.

Section 4.05. Canceled Bonds.

The Bank will, at such intervals as it determines, cancel and destroy, pursuant to the Securities Exchange Act of 1934, all Bonds in lieu of which or in exchange for which other Bonds have been issued, or which have been paid. The Paying Agent shall retain and destroy canceled and matured Bonds upon expiration of the appropriate retention period.

Section 4.06. Mutilated, Destroyed, Lost or Stolen Bonds.

The Issuer hereby instructs the Bank, subject to the applicable provisions of the Resolution, to deliver and issue Bonds in exchange for or in lieu of mutilated, destroyed, lost or stolen Bonds as long as the same does not result in an over-issuance. In case any Bond shall be mutilated, destroyed, lost, or stolen, the Bank, in its discretion, may execute and deliver a replacement Bond of like form and tenor, and in the same denomination and bearing a number not contemporaneously outstanding, in exchange and in substitution for such mutilated Bond, or in lieu of and in substitution for such destroyed, lost or stolen Bond, only after (i) the filing by the Holder thereof with the Bank of evidence satisfactory to the Bank of the destruction, loss or theft of such Bond and of the authenticity of the ownership thereof and (ii) the furnishing to the Bank of indemnification in an amount satisfactory to hold the Issuer and the Bank harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond shall be borne by the Holder of the Bond mutilated, destroyed, lost or stolen.



Section 4.07. Transaction Information to Issuer.

The Bank will, within a reasonable time after receipt of written request from the Issuer, furnish the Issuer information as to the Bonds it has paid pursuant to Section 3.01, Bonds it has delivered upon the transfer or exchange of any Bonds pursuant to Section 4.01, and Bonds it has delivered in exchange for or in lieu of mutilated, destroyed, lost or stolen Bonds pursuant to Section 4.06.

ARTICLE FIVE

THE BANK

Section 5.01. Duties of Paying Agent.

The Bank undertakes to perform the duties set forth herein and agrees to use reasonable care in the performance thereof.

The Bank is also authorized to transfer funds relating to the closing and initial delivery of the securities in the manner disclosed in the closing memorandum approved by the Issuer as prepared by the Issuer's financial advisor or other agent. The Bank may act on a facsimile transmission of the closing memorandum to be followed by an original of the closing memorandum signed by the financial advisor or the Issuer. *(This paragraph is optional and provides authority for the Bank to facilitate the distribution of issuance costs at closing. Any such payments must be made on the closing date, with any remaining funds being returned to the Issuer on that date. A separate "Fiscal Agent Agreement" must be entered into with the Issuer if the Bank is to establish a Cost of Issuance account or to be involved in any other arrangement for the distribution of issuance expenses.)*

Notwithstanding any other provision contained herein, the Bank is acting solely as agent of the Issuer and does not assume any obligation or relationship with any Holder.

Section 5.02. Reliance on Documents, Etc.

(a) The Bank shall have no liability or responsibility for any statement made by the Issuer or any other person in connection with the issuance of the Bonds, or for the use or application of any money received by the Issuer in connection with the Bonds.

(b) The Bank may rely upon any instructions provided to it by the Issuer, or upon any advice or instructions provided to it by bond counsel or its own counsel (including its own in-house counsel), in connection with its duties and shall not be liable for any action taken or omitted to be taken by it in good faith in accordance with such instructions or advice. The Bank shall be entitled to rely upon and shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons.

(c) No provision of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may consult with counsel, and the written advice of such counsel or any opinion of counsel shall be full and complete authorization and protection with respect to any action taken, suffered, or omitted by it hereunder in good faith and in reliance thereon.

(e) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

(f) The Bank shall have no duties or responsibilities whatsoever except such duties and responsibilities as are specifically set forth in this Agreement, and no covenant or obligation shall be implied in this Agreement against the Bank.

(g) The Bank shall use its best efforts to perform its obligations hereunder, including the timely taking of action as required hereunder, provided, however, that the Bank shall not be liable for its failure to meet such deadlines, except such failure as shall result from its gross negligence or willful misconduct.

(h) The Bank shall not be liable for any loss or damage, including reasonable counsel fees and expenses, resulting from its actions or omissions to act hereunder, except for any loss or damage arising out of its own gross negligence or willful misconduct. IN NO EVENT SHALL THE BANK BE LIABLE FOR SPECIAL, INDIRECT OR CONSEQUENTIAL LOSS OR DAMAGE OF ANY KIND WHATSOEVER (INCLUDING BUT NOT LIMITED TO LOST PROFITS), EVEN IF THE BANK HAS BEEN ADVISED OF THE LIKELIHOOD OF SUCH LOSS OR DAMAGE AND REGARDLESS OF THE FORM OF ACTION.

#### Section 5.03. Recitals of Issuer.

The recitals contained herein with respect to the Issuer and the recitals in the Bonds shall be taken as the statements of the Issuer, and the Bank assumes no responsibility for their correctness. The Bank shall in no event be liable to the Issuer, any Holder or Holders of any Bond, or any other Person for any amount due on any Bond from its own funds.

#### Section 5.04. May Hold Bonds.

The Bank, in its individual or any other capacity, may become the owner or pledgee of Bonds and may otherwise deal with the Issuer with the same rights it would have if it were not the Paying Agent/Registrar, or any other agent.

Section 5.05. Moneys Held by Bank.

The Bank shall be under no duty or obligation to invest any funds deposited with it by the Issuer and will not be required to pay any interest on such funds. Any unclaimed funds held by the Bank will be escheated in accordance with applicable law.

Section 5.06. Indemnification.

The Issuer agrees to indemnify the Bank (including its directors, officers and employees) for, and hold it harmless against, any loss, liability or expense incurred without gross negligence or bad faith on its part arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. The foregoing indemnities in this paragraph shall survive the resignation or removal of the Paying Agent/Registrar and the termination of this Agreement.

Section 5.07. Interpleader.

The Issuer and the Bank agree that the Bank may seek adjudication of any adverse claim, demand or controversy over its person as well as funds on deposit, in either a Federal or State District Court located in the State and County where either the Bank Office or the administrative offices of the Issuer are located, and agree that service of process by certified or registered mail, return receipt requested, to the address referred to in Section 6.03 of this Agreement shall constitute adequate service. The Issuer and the Bank further agree that the Bank has the right to interplead all of the assets held hereunder into a court of competent jurisdiction to determine the rights of any Person claiming any interest herein.

Section 5.08. Depository Trust Company Services.

In the event the Bonds are otherwise qualified and accepted for “Depository Trust Company” services or equivalent depository trust services by other organizations, the Bank has the capability and, to the extent within its control, will comply with the “Operational Arrangements,” effective from time to time, which establish requirements for bonds to be eligible for such type depository trust services, including, but not limited to, requirements for the timeliness of payments and funds availability, transfer turnaround time, and notification of redemptions and calls.

Section 5.09. Tax Reporting.

To the extent required by the Internal Revenue Code of 1986, as amended, and the regulations promulgated and pertaining thereto, it shall be the duty of the Bank, on behalf of the Issuer, to report to the Holders and the Internal Revenue Service (i) the amount of “reportable payments,” if any, subject to backup withholding during each year and the amount of tax withheld, if any, with respect to payments of the Bonds and (ii) the amount of interest or

amount treated as interest on the Bonds and required to be included in gross income of the Holder.

## ARTICLE SIX

### MISCELLANEOUS PROVISIONS

#### Section 6.01. Amendment.

This Agreement may be amended only by an agreement in writing signed by both of the parties hereto.

#### Section 6.02. Assignment.

This Agreement may not be assigned by either party without the prior written consent of the other.

#### Section 6.03. Notices.

Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer or the Bank, respectively, at the addresses shown on the signature page of this Agreement.

#### Section 6.04. Headings.

The Article and Section headings herein are for convenience only and shall not affect the construction hereof.

#### Section 6.05. Successors and Assigns.

All covenants and agreements herein by the Issuer shall bind its successors and assigns. Any corporation or association into which the Bank may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its trust business and assets as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become successor Paying Agent/Registrar hereunder and vested with all of the powers; discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

Section 6.06. Severability.

In case any provision herein shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 6.07. Benefits of Agreement.

Nothing herein, express or implied, shall give to any Person, other than the parties hereto and their successors hereunder, any benefit or any legal or equitable right, remedy or claim hereunder.

Section 6.08. Entire Agreement.

This Agreement and the Resolution constitute the entire agreement between the parties hereto relative to the Bank acting as Paying Agent/Registrar and if any conflict exists between this Agreement and the Resolution, the Resolution shall govern.

Section 6.09. Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and all of which shall constitute one and the same Agreement.

Section 6.10. Termination.

This Agreement will terminate (i) on the date of final payment of the principal of and interest on the Bonds to the Holders thereof or (ii) may be earlier terminated by either party upon 60 days written notice; provided, however, an early termination of this Agreement by either party shall not be effective until (a) a successor Paying Agent/Registrar has been appointed by the Issuer and such appointment accepted and (b) notice has been given to the Holders of the Bonds of the appointment of a successor Paying Agent/Registrar. Furthermore, the Bank and Issuer agree that the effective date of an early termination of this Agreement shall not occur at any time which would disrupt, delay or otherwise adversely affect the payment of the Bonds.

Upon an early termination of this Agreement, the Bank agrees to promptly transfer and deliver the Bond Register (or a copy thereof) together with other pertinent books and records relating to the Bonds, to the successor Paying Agent/Registrar designated and appointed by the Issuer. The provisions of Section 1.02 and Article Five shall survive and remain in full force and effect following the termination of this Agreement.

Section 6.11. Governing Law.

This Agreement shall be construed in accordance with and governed by the laws of the State of Florida.

Section 6.12. Force Majeure.

In no event shall the Bank be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond the Bank's control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, strikes or work stoppages for any reason, embargo, government action, including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement, inability to obtain material, equipment, or communications or computer facilities, or the failure of equipment or interruption of communications or computer facilities, and other causes beyond the Bank's control whether or not of the same class or kind as specifically named above.

[The remainder of the page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

CITY OF POLK CITY, FLORIDA

By \_\_\_\_\_  
Printed Name \_\_\_\_\_  
Title \_\_\_\_\_

WELLS FARGO BANK,  
NATIONAL ASSOCIATION

Approved as to form and legality.

By \_\_\_\_\_  
Printed Name: Michael C. Jenkins  
Title: Assistant Vice President

\_\_\_\_\_  
City Attorney

## EXHIBIT D

### FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of August \_\_, 2011, is executed and delivered by City of Polk City, Florida (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

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

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

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

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

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

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice



Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Representative" means Office of Management and Budget, the senior member of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

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

"Failure to File Event" means the Issuer's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

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

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Appendix A.

"Trustee" means the institution, if any, identified as such in the document under which the Bonds were issued.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

## SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, together with a copy for the Trustee, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than June 1 after the end of each fiscal year of the Issuer, commencing with the fiscal year ending September 30, 2011. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

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

(e) The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
  1. "Principal and interest payment delinquencies;"
  2. "Non-Payment related defaults, if material;"
  3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
  4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
  5. "Substitution of credit or liquidity providers, or their failure to perform;"
  6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
  7. "Modifications to rights of securities holders, if material;"

8. "Bond calls, if material;"
  9. "Defeasances;"
  10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
  11. "Rating changes;"
  12. "Tender offers;"
  13. "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
  14. "Merger, consolidation, or acquisition of the obligated person, if material;" and
  15. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. "amendment to continuing disclosure undertaking;"
  2. "change in obligated person;"
  3. "notice to investors pursuant to bond documents;"
  4. "certain communications from the Internal Revenue Service;"
  5. "secondary market purchases;"
  6. "bid for auction rate or other securities;"
  7. "capital or other financing plan;"
  8. "litigation/enforcement action;"

9. "change of tender agent, remarketing agent, or other on-going party;"
  10. "derivative or other similar transaction;" and
  11. "other event-based disclosures;"
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. "quarterly/monthly financial information;"
  2. "change in fiscal year/timing of annual disclosure;"
  3. "change in accounting standard;"
  4. "interim/additional financial information/operating data;"
  5. "budget;"
  6. "investment/debt/financial policy;"
  7. "information provided to rating agency, credit/liquidity provider or other third party;"
  8. "consultant reports;" and
  9. "other financial/operating data."
- (viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

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

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business

day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

### SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in the Official Statement under the headings: "THE UTILITY SYSTEM – Historical System Operating Results."

(b) Audited Financial Statements prepared in accordance with generally accepted auditing standards applicable to municipalities as described in the Official Statement will be included in the Annual Report. If audited financial statements are not available, then, unaudited financial statements, prepared in accordance with generally accepted auditing standards applicable as described in the Official Statement will be included in the Annual Report. Audited Financial Statements (if any) will be provided pursuant to Section 2(d).

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

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

### SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

**Note to subsection (a)(12) of this Section 4:** For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

**SECTION 5. CUSIP Numbers.** Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

**SECTION 6. Additional Disclosure Obligations.** The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate



exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

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

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the 2011 Bonds, when the Issuer is no longer an obligated person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

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

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

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

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

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

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

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

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

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

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

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

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

[Balance of page intentionally left blank.]

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

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CITY OF POLK CITY, FLORIDA  
as Issuer

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT A**

**NAME AND CUSIP NUMBERS OF BONDS**

Name of Issuer City of Polk City, Florida  
Obligated Person(s) City of Polk City, Florida  
Name of Bond Issue: Water and Sewer System Capital Improvement and Refunding  
Revenue Bonds, Series 2011A and Water and Sewer System  
Refunding Revenues Bonds, Taxable Series 2011B  
Date of Issuance: August \_\_, 2011  
Date of Official Statement August \_\_, 2011

CUSIP Number: \_\_\_\_\_ CUSIP Number: \_\_\_\_\_  
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Name of Issuer \_\_\_\_\_  
Obligated Person(s) \_\_\_\_\_  
Name of Bond Issue: \_\_\_\_\_  
Date of Issuance: \_\_\_\_\_  
Date of Official Statement \_\_\_\_\_

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**EXHIBIT B**

**NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT**

Issuer: City of Polk City, Florida

Obligated Person: City of Polk City, Florida

Name(s) of Bond Issue(s): Water and Sewer System Capital Improvement and Refunding Revenue Bonds, Series 2011A and Water and Sewer System Refunding Revenues Bonds, Taxable Series 2011B

Date(s) of Issuance: August \_\_, 2011

Date(s) of Disclosure Agreement: August \_\_, 2011

CUSIP Number: \_\_\_\_\_

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

Dated: \_\_\_\_\_

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

cc: Issuer  
Obligated Person

**EXHIBIT C-1**  
**EVENT NOTICE COVER SHEET**

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

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

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Issuer's Six-Digit CUSIP Number:

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

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Number of pages attached: \_\_\_\_\_

\_\_\_\_\_ Description of Notice Events (Check One):

1. \_\_\_\_\_ "Principal and interest payment delinquencies;"
2. \_\_\_\_\_ "Non-Payment related defaults, if material;"
3. \_\_\_\_\_ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. \_\_\_\_\_ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. \_\_\_\_\_ "Substitution of credit or liquidity providers, or their failure to perform,"
6. \_\_\_\_\_ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. \_\_\_\_\_ "Modifications to rights of securities holders, if material;"
8. \_\_\_\_\_ "Bond calls, if material;"
9. \_\_\_\_\_ "Defeasances;"
10. \_\_\_\_\_ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. \_\_\_\_\_ "Rating changes;"
12. \_\_\_\_\_ "Tender offers;"
13. \_\_\_\_\_ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. \_\_\_\_\_ "Merger, consolidation, or acquisition of the obligated person, if material;" and
15. \_\_\_\_\_ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

\_\_\_\_\_ Failure to provide annual financial information as required.

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

Signature:

---

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

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date: \_\_\_\_\_

**EXHIBIT C-2**  
**VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of \_\_\_\_\_ between the Issuer and DAC.

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

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

\_\_\_\_\_ Description of Voluntary Event Disclosure (Check One):

1. \_\_\_\_\_ "amendment to continuing disclosure undertaking;"
2. \_\_\_\_\_ "change in obligated person;"
3. \_\_\_\_\_ "notice to investors pursuant to bond documents;"
4. \_\_\_\_\_ "certain communications from the Internal Revenue Service;"
5. \_\_\_\_\_ "secondary market purchases;"
6. \_\_\_\_\_ "bid for auction rate or other securities;"
7. \_\_\_\_\_ "capital or other financing plan;"
8. \_\_\_\_\_ "litigation/enforcement action;"
9. \_\_\_\_\_ "change of tender agent, remarketing agent, or other on-going party;"
10. \_\_\_\_\_ "derivative or other similar transaction;" and
11. \_\_\_\_\_ "other event-based disclosures."

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

Signature:

\_\_\_\_\_

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

Digital Assurance Certification, L.L.C.  
390 N. Orange Avenue  
Suite 1750  
Orlando, FL 32801  
407-515-1100

Date: \_\_\_\_\_



**EXHIBIT C-3**  
**VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of \_\_\_\_\_ between the Issuer and DAC.

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

\_\_\_\_\_

Issuer's Six-Digit CUSIP Number:

\_\_\_\_\_

\_\_\_\_\_

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

\_\_\_\_\_

Number of pages attached: \_\_\_\_\_

\_\_\_\_\_ Description of Voluntary Financial Disclosure (Check One):

1. \_\_\_\_\_ "quarterly/monthly financial information;"
2. \_\_\_\_\_ "change in fiscal year/timing of annual disclosure;"
3. \_\_\_\_\_ "change in accounting standard;"
4. \_\_\_\_\_ "interim/additional financial information/operating data;"
5. \_\_\_\_\_ "budget"
6. \_\_\_\_\_ "investment/debt/financial policy;"
7. \_\_\_\_\_ "information provided to rating agency, credit/liquidity provider or other third party;"
8. \_\_\_\_\_ "consultant reports;" and
9. \_\_\_\_\_ "other financial/operating data."

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

Signature:

\_\_\_\_\_

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

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Date: \_\_\_\_\_