

*In the opinion of Bond Counsel, assuming compliance with certain covenants under existing statutes, regulations, and judicial decisions, the interest on the Bonds will be excluded from gross income for federal income purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds shall be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. See "TAX MATTERS" herein for a description of other tax consequences to holders of the Bonds.*

**\$41,620,000**

**FLORIDA MUNICIPAL LOAN COUNCIL  
REFUNDING AND IMPROVEMENT REVENUE BONDS,  
SERIES 2012A  
(City of Hialeah Series)**

**Dated: Date of Delivery**

**Due: May 1, as shown on the inside cover**

The Refunding and Improvement Revenue Bonds, Series 2012A (the "Bonds") are being issued by the Florida Municipal Loan Council (the "Issuer"). The Issuer is a separate legal entity created pursuant to an Interlocal Agreement entered into initially by and among the City of Stuart, the City of Deland and the City of Rockledge, each of which is a Florida municipality.

The Bonds are being issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form only, in the denomination of \$5,000 or any integral multiple thereof. Purchasers of beneficial interests in the Bonds will not receive certificates representing their interests in the Bonds so purchased. So long as Cede & Co. is the registered owner of the Bonds, references herein to the registered owners shall mean Cede & Co., and shall not mean the Beneficial Owners (as defined herein) of the Bonds. See "THE BONDS – Book-Entry Only System" herein for further information.

Interest on the Bonds is payable semiannually on each May 1 and November 1, commencing May 1, 2013. The principal of, premium, if any, and interest on the Bonds will be paid through the Trustee described herein. So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants (as defined herein), as more fully described herein.

The Bonds are subject to optional, mandatory and extraordinary redemption prior to maturity. See "THE BONDS - Redemption Provisions" herein for further information.

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make a loan (the "Loan") to the City of Hialeah, Florida (the "Borrower") pursuant to a loan agreement between the Issuer and the Borrower (the "Loan Agreement") for the purposes of (i) refunding the Borrower's loan relating to the Issuer's Revenue Bonds, Series 2003A; (ii) financing the cost of certain road, parking lot, landscaping and drainage improvements and other capital projects in and for the Borrower, and (iii) paying costs and expenses related to the issuance of the Bonds.

Payments made by the Borrower in repayment of the Loan (the "Loan Repayments") will be assigned by the Issuer to the Trustee described herein, pursuant to a Trust Indenture, dated as of November 1, 2012, between the Issuer and Deutsche Bank Trust Company Americas, as Trustee (the "Indenture").

**The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from (i) the payments to be made by the Borrower pursuant to the Loan Agreement, (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligations of the Borrower pursuant to the Loan Agreement (as defined herein) are not a general debt, liability or obligation of the Borrower, but are a limited obligation of the Borrower payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.**

The scheduled payment of principal of and interest on the Bonds maturing on May 1st of the years 2018 through 2033, inclusive (the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp.



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

*The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval of legality and tax-exempt status by Bryant Miller Olive P.A., Miami, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by Kraig A. Conn, Esq., counsel to the Issuer, as deputy general counsel to the Florida League of Cities, Inc., for the Borrower by William M. Grodnick, Esq., Hialeah, Florida, City Attorney, and for the Underwriter by its counsel, Nabors, Giblin & Nickerson, P.A., Tampa, Florida. Public Resources Advisory Group, St. Petersburg, Florida, has served as financial advisor to the Issuer in connection with the Bonds. Florida League of Cities, Inc. is the administrator of the Issuer's Bond program. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about November 8, 2012.*

**WELLS FARGO SECURITIES**

**AMOUNTS, MATURITIES. INTEREST RATES AND PRICES**

**Series 2012A Bonds**

\$33,020,000 Serial Bonds

<u>Maturity (May 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.<sup>(1)</sup></u>	<u>Maturity (May 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.<sup>(1)</sup></u>
2013	\$130,000	2.00%	100.559	342815N45	*2022	\$1,885,000	5.00%	118.389	342815P50
2014	1,360,000	3.00	103.036	342815N52	*2023	1,980,000	5.00	117.116 <sup>(2)</sup>	342815P68
2015	1,405,000	4.00	106.873	342815N60	*2024	2,080,000	5.00	116.217 <sup>(2)</sup>	342815P76
2016	1,460,000	4.00	109.087	342815N78	*2025	2,180,000	5.00	115.503 <sup>(2)</sup>	342815P84
2017	1,520,000	4.00	110.885	342815N86	*2026	2,290,000	3.25	97.963	342815P92
*2018	1,580,000	4.00	112.433	342815N94	*2027	2,365,000	3.25	97.178	342815Q26
*2019	1,645,000	4.00	112.293	342815P27	*2028	2,445,000	3.50	98.937	342815Q34
*2020	1,710,000	5.00	118.533	342815P35	*2029	2,530,000	5.00	113.220 <sup>(2)</sup>	342815Q42
*2021	1,795,000	5.00	118.326	342815P43	*2030	2,660,000	3.75	99.238	342815Q59

\*\$8,600,000 4.00% Term Bonds due May 1, 2033 - Price 100% CUSIP No. 342815Q67

\* Insured by Assured Guaranty Municipal Corp.

<sup>(1)</sup> Neither the Issuer nor the Borrower is responsible for the use of the CUSIP numbers referenced in this Official Statement nor is any representation made by the Issuer or the Borrower as to their correctness; such CUSIP numbers are included solely for the convenience of readers of this Official Statement.

<sup>(2)</sup> Priced to the May 1, 2022 call date.

## **Florida Municipal Loan Council**

c/o Florida League of Cities, Inc. 301 South Bronough Street  
Suite 300 Tallahassee, Florida 32302 (850) 222-9684

### **Directors**

Chairman Isaac Salver, Mayor, Town of Bay Harbor Islands  
Vice-Chair Lawrence I. Ady, Council Vice-Chair, City of Belle Isle  
Frank C. Ortis, Mayor, City of Pembroke Pines  
Heyward Strong, Jr., Mayor Pro Tem, City of Valparaiso  
Bill Arrowsmith, Vice-Mayor, City of Apopka  
Susan Starkey, Councilwoman, City of Davie  
George Vallejo, Mayor, City of North Miami Beach

### **Attorney**

Kraig A. Conn, Esq.  
Tallahassee, Florida

### **Bond Counsel**

Bryant Miller Olive P.A.  
Miami, Florida

### **Financial Advisor**

Public Resources Advisory Group  
St. Petersburg, Florida

### **Program Administrator**

Florida League of Cities, Inc.  
Tallahassee, Florida

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NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ISSUER OR THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY OF THE BONDS AND THERE SHALL BE NO OFFER, SOLICITATION, OR SALE OF THE BONDS BY ANY PERSON IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION, OR SALE.

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CERTAIN OF THE INFORMATION HEREIN REGARDING THE BORROWER IS BEYOND THE KNOWLEDGE OF THE ISSUER. WHILE THE ISSUER HAS NO REASON TO BELIEVE THAT SUCH INFORMATION IS INCOMPLETE OR INACCURATE, THE ISSUER HAS NOT INDEPENDENTLY INVESTIGATED OR CONFIRMED THE ACCURACY OR COMPLETENESS THEREOF AND HAS INCLUDED SUCH INFORMATION IN THIS OFFICIAL STATEMENT IN RELIANCE UPON THE REPRESENTATION AND WARRANTY OF THE BORROWER THAT SUCH INFORMATION DOES NOT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT AND DOES NOT OMIT TO STATE ANY MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE HEREIN, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT MISLEADING.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE BONDS UNDER THE SECURITIES LAWS OF THE JURISDICTIONS IN WHICH THEY HAVE BEEN REGISTERED OR QUALIFIED, IF ANY, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT.

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND

AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTY THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

ASSURED GUARANTY MUNICIPAL CORP. ("AGM") MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE 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" AND APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY APPLICABLE ONLY TO THE INSURED BONDS.

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## **OFFICIAL STATEMENT**

Relating to

**\$41,620,000**

### **FLORIDA MUNICIPAL LOAN COUNCIL REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2012A (City of Hialeah Series)**

#### **INTRODUCTION**

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to furnish certain information with respect to the original issuance and sale of the Florida Municipal Loan Council's Refunding and Improvement Revenue Bonds, Series 2012A (the "Bonds") to be issued by the Florida Municipal Loan Council (the "Issuer").

This Introduction is only a brief description of the matters described in this Official Statement, and a full review of this Official Statement should be undertaken by potential investors in the Bonds. This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The Issuer is a separate legal entity under the laws of the State of Florida. The Issuer was created by an Interlocal Agreement (the "Interlocal Agreement"), dated as of December 1, 1998, initially among the City of Stuart, the City of Deland and the City of Rockledge, each of which is a Florida municipality. Subsequent to that date, other municipalities and counties have joined in the Interlocal Agreement, including Gadsden County, Florida, Jackson County, Florida and Leon County, Florida.

The Bonds are being issued pursuant to the Constitution of the State of Florida, Chapter 163, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), authorizing resolutions adopted by the Issuer on December 17, 1998, October 23, 2002, March 25, 2010, September 23, 2010 and September 20, 2012, and a Trust Indenture (the "Indenture"), dated as of November 1, 2012, between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the "Trustee").

The Bonds are being issued to provide funds to make a loan to the City of Hialeah, Florida (the "Borrower") as further described herein. The proceeds to be received by the Issuer from the sale of the Bonds will be loaned to the Borrower pursuant to a Loan Agreement, dated as of November 1, 2012, between the Issuer and the Borrower (the "Loan Agreement"). The Borrower will use proceeds of the loan made to it by the Issuer (the "Loan") to refund the Borrower's loan relating to the Issuer's Revenue Bonds, Series 2003A (the "Refunded Bonds"), and to finance the cost of certain road, parking lot, landscaping and drainage improvements and other capital projects in and for the Borrower (collectively, the "Projects").

Pursuant to the Loan Agreement, the Borrower agrees to make payments (the "Basic Payments") in such amounts and at such times as shall be sufficient to pay the principal of,

premium, if any, and interest on the Loan to the Borrower when due. The Basic Payments correlate to the debt service on the Bonds. The aggregate scheduled Basic Payments under the Loan Agreement equals the scheduled payments of principal and interest on the Bonds. The Basic Payments are set forth herein under the caption "DEBT SERVICE REQUIREMENTS."

Pursuant to the Loan Agreement, the Borrower also agrees to make certain other payments (the "Additional Payments"), including, but not limited to, the fees and expenses of the Issuer, the Program Administrator and the Trustee, and any fees, including any rebate obligation with respect to the Bonds, related to the Loan.

The Basic Payments and the Additional Payments are jointly referred to as the "Loan Repayments."

The Borrower in the Loan Agreement (see "SECURITY AND SOURCES OF PAYMENT," herein) has agreed to appropriate in its annual budget, by amendment, if required, and to pay when due under the Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues (hereinafter defined) of the Borrower sufficient to satisfy the Loan Repayment obligations of the Borrower.

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee all of the Issuer's right, title and interest (with certain exceptions specified therein) in and to the Loan Agreement, including the Issuer's right to receive Loan Repayments.

**The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from (i) the payments to be made by the Borrower pursuant to the Loan Agreement (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligation of the Borrower pursuant to the Loan Agreement is not a general debt, liability or obligation of the Borrower, but is a limited obligation of the Borrower payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.**

There follows in this Official Statement descriptions of the Bonds, the Issuer, the Borrower and certain other matters. The descriptions and information contained herein do not purport to be complete, comprehensive, or definitive, and all references herein to documents or reports are qualified in their entirety by reference to the complete text of such documents or reports. Copies of documents and reports referred to herein that are not included in their entirety herein may be obtained from the Underwriter at 2363 Gulf-to-Bay Boulevard, Suite 200, Clearwater, Florida 33765, prior to delivery of the Bonds and thereafter from the Trustee upon payment of any required fee. Unless otherwise defined herein, terms used in capitalized form in this Official Statement shall have the same meanings as in the Indenture. See Appendices C and D for definitions of certain terms used in this Official Statement.

## THE BONDS

### General Description

The Bonds are being issued as fully registered bonds without coupons in principal denominations of \$5,000 or any integral multiple thereof (the "Authorized Denominations"). The Bonds will be dated as of the date of their initial issuance and delivery, will bear interest from that date at the rates per annum and will mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Bonds will be subject to the redemption provisions set forth below. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months and will be payable semiannually on each May 1 and November 1 (each, an "Interest Payment Date,"), commencing May 1, 2013.

The principal and premium of the Bonds shall be payable when due by check or draft, upon presentation and surrender of the Bonds at the Designated Office of the Trustee, and interest will be payable by check or draft mailed by the Trustee on each Interest Payment Date to the holders of the Bonds registered as such as of the Record Date; provided, however, that at the expense of and upon the written request of a holder of \$1,000,000 or more (or of all Bonds if less than \$1,000,000 shall be outstanding) interest will be paid by wire transfer to an account in the United States. The Record Date with respect to any Interest Payment Date is the fifteenth day of the calendar month preceding such Interest Payment Date. For so long as the book-entry only system of ownership of the Bonds is in effect, payments of principal, premium, if any, and interest on the Bonds will be made as described below under the caption "Book-Entry Only System."

All payments of principal of, premium, if any, and interest on the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

### Redemption Provisions

Optional Redemption. The Bonds maturing on or before May 1, 2022 are not subject to optional redemption prior to maturity. The Bonds maturing after May 1, 2022 are subject to redemption at the option of the Issuer on or after May 1, 2022, as a whole or in part at any time, in any manner as determined by the Trustee in its discretion, at the redemption price equal to the principal amount of the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

Scheduled Mandatory Redemption. The Bonds maturing on May 1, 2033 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on May 1, 2031 and on each May 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2031	\$2,755,000
2032	2,865,000
2033*	2,980,000

\*Maturity, not a redemption.

Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption as a result of acceleration of the Loan pursuant to the Loan Agreement at any time, in whole or in part, at a redemption price of the principal amount thereof, plus accrued interest to the redemption date, without premium, from all Liquidation Proceeds received by the Trustee as a result of an acceleration of the Loan.

Selection of Bonds to be Redeemed. The Bonds may be redeemed only in Authorized Denominations. The Bonds or portions of the Bonds to be redeemed shall, except as otherwise described above or as specified in the Indenture, be selected by the Registrar by lot or in such other manner as the Trustee in its discretion may deem appropriate.

Notice of Redemption. In the case of every redemption, the Trustee shall cause notice of such redemption to be given to the registered Owner of Bonds designated for redemption in whole or in part, at such Owner's address as the same shall last appear on the Bond registration books, by mailing a copy of the redemption notice by first class mail at least thirty days prior to the redemption date. The failure of the Registrar to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds.

Each notice of redemption shall specify the date fixed for redemption, the redemption price to be paid, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all of the outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof, including CUSIP identification numbers to be redeemed.

Notice of redemption is also required to be sent by registered or certified mail or overnight delivery service to certain securities depositories, provided, however, that such mailing is not a condition precedent to any redemption and a failure to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar, Paying Agent or a fiduciary institution acting as escrow agent no later than the redemption date or (2) the Issuer retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this section. Any such notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the Program Administrator delivers a written direction to the Registrar directing the Registrar to rescind the redemption notice. The

Registrar shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the Issuer to make such funds available shall constitute an Event of Default under the Indenture. The Registrar shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the affected Bonds called for redemption and not so paid remain Outstanding.

Effect of Calling for Redemption. On the redemption date, the principal amount of the Bonds to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; and from and after such date, notice (if required) having been given and moneys available for such redemption being on deposit with the Trustee in accordance with the provisions of the Indenture, then notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds or portions thereof to be redeemed. From and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be Outstanding under the Indenture and the Issuer shall be under no further liability in respect thereof.

### **Book-Entry Only System**

*The information provided immediately below concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter, the Issuer, the Trustee or the Borrower.*

Unless the book-entry system described herein is terminated, DTC will act as securities depository for the Bonds. Each series of Bonds will be issued as fully-registered securities registered 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 or more fully-registered bond certificates will be issued for each series of Bonds, and will be deposited with the Trustee on behalf of DTC. Individual purchases of beneficial interests in the Bonds will be made in increments of \$5,000 or integral multiples thereof.

DTC and its Participants. DTC, the world's largest securities 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, as amended. 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 ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other 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 & Clearing

Corporation ("DTCC"). DTCC is the 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 ("Indirect Participants"). DTC has a Standard & Poor's Rating of AA+. The DTC Rules applicable to 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). The contents of such website do not constitute a part of this Official Statement.

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

Transfers. To facilitate subsequent transfers, all 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 the 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. 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 among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NONE OF THE ISSUER, THE BORROWER OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS. NEITHER THE ISSUER NOR THE BORROWER CAN PROVIDE ANY ASSURANCE THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Payments. Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on the relevant payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuance of Book-Entry-Only System. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificated Bonds are required to be printed and delivered to the holders of record.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Bonds. Under current industry practices, however, DTC would notify its Direct or Indirect Participants of the Issuer's decision but will only withdraw beneficial interests from a Bond at the request of any Direct or Indirect Participant. In that event, certificates for the Bonds will be printed and delivered.

## **No Assurance Regarding DTC Practices**

The foregoing information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer, the Borrower, the Underwriter, and the Trustee take no responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Bonds as nominee of DTC, references herein to the holders or registered owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

None of the Issuer, the Trustee or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Direct or Indirect Participant of any Beneficial Owner to receive payment in the event of a partial redemption of the Bonds or (iv) any other action taken by DTC or its partnership nominee as owner of the Bonds.

## **THE ISSUER**

The Issuer was created pursuant to the Florida Interlocal Cooperation Act of 1969, Section 163.01, Florida Statutes, as amended, through an Interlocal Agreement dated as of December 1, 1998 (as amended, the "Interlocal Agreement"), initially by and among the City of Stuart, Florida, the City of Deland, Florida and the City of Rockledge, Florida. Subsequent to that date, other municipalities and counties have joined in the Interlocal Agreement, including Gadsden County, Florida, Jackson County, Florida and Leon County, Florida.

The Issuer is a separate legal entity created for the purpose of enabling participating municipalities and counties or other participating governmental entities to finance or refinance (including reimbursement of prior expenditures) undertakings on a cooperative and cost effective basis and to benefit from the economies of scale associated with larger scale financings which might otherwise be unrealized if separate financings were undertaken. The Issuer is authorized to provide funding for capital improvements and facilities and other governmental undertakings, including, but not limited to, transportation projects and infrastructure.

Membership in the Issuer consists of those governmental entities which from time to time have been admitted to membership by the affirmative vote of two-thirds of the board of directors of the Issuer and which have joined in the Interlocal Agreement.

The Issuer is governed by a board of directors which consists of not less than one or more than seven elected public officials, each of which shall be appointed by the President of the Florida League of Cities, Inc. There is no limitation upon the term of office of a director, and directors serve until the expiration of their term in elected office, their resignation or their removal. A director may be removed upon the affirmative vote of at least two-thirds of the members of the Issuer.



The duration of the Issuer shall continue so long as any obligation of the Issuer or any obligation of any participating governmental entity issued under the Issuer's programs remains outstanding.

The Bonds constitute the twenty-third series of bonds to be issued by the Issuer.

The current Board of Directors of the Issuer consists of the following elected officials:

Chairman Isaac Salver, Mayor, Town of Bay Harbor Islands  
Vice-Chair Lawrence I. Ady, Council Vice-Chair, City of Belle Isle  
Frank C. Ortis, Mayor, City of Pembroke Pines  
Heyward Strong, Jr., Mayor Pro Tem, City of Valparaiso  
Bill Arrowsmith, Vice Mayor, City of Apopka  
Susan Starkey, Councilwoman, City of Davie  
George Vallejo, Mayor, City of North Miami Beach

## **THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT**

### **The Administrator**

The Administrator of the Issuer's Program is the Florida League of Cities, Inc., a Florida non-profit corporation established in 1922. The mission of the Administrator, as outlined in its charter, is primarily to provide assistance to Florida municipalities on matters of common interest. The Administrator will provide loan origination and administration services under the Indenture pursuant to the Program Administration Agreement (hereinafter described).

The Administrator is a Florida corporation not-for-profit. The Administrator is organized on a non-stock membership basis. The members of the Administrator consist of over 400 Florida cities and counties. The Administrator is governed by a Board of Directors consisting of 54 members. Directors are elected by the members of the Administrator.

In addition to the Issuer's twenty outstanding bond issues, the Administrator has also provided loan origination and administration services in connection with other prior loan pools established by entities other than the Issuer and, in that capacity, has participated in the origination of numerous loans to Florida municipalities and counties.

In addition to loan pool origination and administration services, the Administrator provides services to its members in the areas of pool insurance and advice on current and emerging constitutional, legislative, and regulatory issues. The Administrator has 180 full-time employees and an annual operating budget of approximately \$28.0 million.

The Bonds are not obligations of the Administrator. The Administrator is neither obligated nor expected to advance its own funds to pay principal of or interest on the Bonds or to perform the other obligations of the Issuer under the Indenture.

## **The Administration Agreement**

The Issuer and the Administrator have entered into an ongoing Administration Agreement (the "Administration Agreement"). Under the terms of the Administration Agreement, the Administrator agrees to receive and review applications of municipalities and counties to participate in the Program and to forward the same to any institutions as may be providing credit support for the Program. The Administrator agrees to meet with representatives of applicants and to aid applicants in determining whether to participate in the Program. The Administrator agrees to abide by the terms of the Indenture and to use its best efforts to ensure that the Loan complies with the terms of the Indenture. Under the terms of the Administration Agreement, the Administrator is to be paid a percentage of the Issuer's semi-annual fee that is based upon the principal balance of all Loans outstanding. The annual amount of the fee for the fixed rate bond program does not exceed 1/10 of one percent of the par amount of the Loans outstanding, and based upon the original par amount at issuance for each individual Loan, the fee decreases as a percentage as the par amount increases above certain levels.

## **THE BORROWER**

CERTAIN OF THE INFORMATION HEREIN REGARDING THE BORROWER IS BEYOND THE KNOWLEDGE OF THE ISSUER. WHILE THE ISSUER HAS NO REASON TO BELIEVE THAT SUCH INFORMATION IS INCOMPLETE OR INACCURATE, THE ISSUER HAS NOT INDEPENDENTLY INVESTIGATED OR CONFIRMED THE ACCURACY OR COMPLETENESS THEREOF AND HAS INCLUDED SUCH INFORMATION IN THIS OFFICIAL STATEMENT IN RELIANCE UPON THE REPRESENTATION AND WARRANTY OF THE BORROWER THAT SUCH INFORMATION DOES NOT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT AND DOES NOT OMIT TO STATE ANY MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE HEREIN, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT MISLEADING.

The Borrower is the City of Hialeah, located in Miami-Dade County, Florida. It has an estimated population of 227,962. General information with respect to the Borrower is contained in Appendix F. The audited financial statements for the City of Hialeah for the fiscal year ended September 30, 2011, are attached hereto as Appendix G.

## **PURPOSE OF THE BONDS**

### **General**

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make the Loan to the Borrower for the purpose of providing funds to (i) refund the Borrower's loan related to the Refunded Bonds, (ii) finance the cost of the Projects, and (iii) pay costs and expenses related to the issuance of the Bonds.

Under the terms of the Indenture, an amount sufficient to pay the costs of issuance of the Bonds will be deposited into a separate Costs of Issuance Fund applicable to the Bonds, an amount sufficient to retire the Refunded Bonds will be deposited into an escrow fund, and the

balance of the proceeds of the Bonds will be deposited into a project loan fund for the purpose of financing the Projects.

The annual debt service on the Loan is set forth herein under the caption "DEBT SERVICE REQUIREMENTS."

### ESTIMATED SOURCES AND USES

The following table sets forth the estimated sources and uses of funds in connection with the Bonds:

#### SOURCES OF FUNDS:

Par Amount .....	\$41,620,000.00
Net Original Issue Premium.....	<u>3,016,858.70</u>
TOTAL SOURCES .....	\$44,636,858.70

#### USES OF FUNDS:

Escrow Deposit .....	\$39,771,737.70
Deposit to Project Loan Fund .....	\$ 4,091,479.31
Costs of Issuance <sup>(1)</sup> .....	<u>\$ 773,641.69</u>
TOTAL USES.....	\$44,636,858.70

<sup>(1)</sup> This includes legal fees, underwriter's discount, costs of printing, municipal bond insurance premium, and other incidental expenses.

### SECURITY AND SOURCES OF PAYMENT

#### Limited Obligations; Trust Estate

The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from (i) the payments to be made by the Borrower pursuant to the Loan Agreement, (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, any and all other property, rights and interest of every kind and nature from time to time hereafter by delivery or by writing of any kind subjected to the Indenture, as and for additional security for the Bonds, by the Issuer or by any other person on its behalf or with its written consent (collectively, the "Trust Estate"), as more fully described herein. The obligation of the Borrower pursuant to the Loan Agreement is not a general debt, liability or obligation of the Borrower, but is a limited obligation of the Borrower payable from the sources described herein. The Bonds are not a debt, liability or obligation of the State of Florida or any political subdivision or entity thereof other than the Issuer.

The proceeds to be received by the Issuer from the sale of the Bonds will be loaned by the Issuer to the Borrower pursuant to the Loan Agreement. The Loan Agreement provides that

the Borrower will make payments to the Trustee (the "Basic Payments") in such amounts and at such times so as to provide sufficient funds to pay the principal of, premium, if any, and interest on the Loan to the Borrower. **The Loan Agreement represents the obligation of the Borrower.** The aggregate principal and interest payments included in the Basic Payments scheduled to be made by the Borrower equal the scheduled debt service on the Bonds.

The Borrower has in the Loan Agreement agreed to appropriate in its annual budget, by amendment, if required, and to pay when due under the Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues (hereinafter defined) of the Borrower sufficient to satisfy the Loan Repayment obligations of the Borrower with respect thereto. "Non-Ad Valorem Revenues" means all revenues and taxes of the Borrower derived from any source whatever, other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

Pursuant to the Indenture, the Issuer has assigned and pledged to the Trustee all of the Issuer's right, title and interest (with certain exceptions specified therein) in and to the Loan Agreement, including the Issuer's right to receive Loan Repayments, as the source of payment of and security for the Bonds.

#### **Additional Bonds: Permitted Parity Indebtedness**

No additional bonds or debt of the Issuer may be issued pursuant to the Indenture. However, the Issuer may issue additional indebtedness, including future series of bonds, for any other purposes of the Issuer (including in order to make loans to the Borrower), provided that such indebtedness may not be payable from the Trust Estate pledged to the repayment of the Bonds. There is no limitation on the issuance of additional debt by the Borrower except the anti-dilution test contained in the Loan Agreement and described below.

#### **Security for the Loan**

The Covenant to Budget and Appropriate. In the Loan Agreement, the Borrower covenants and agrees to appropriate (such covenant being referred to as the "Covenant to Budget and Appropriate") in its annual budget, by amendment if required, and to pay when due under its Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues of the Borrower sufficient to satisfy its Loan Repayment obligations. Such covenant is subject in all respects to the payment of obligations secured by a pledge of Non-Ad Valorem Revenues heretofore or hereinafter entered into. The Borrower does not covenant to maintain any services or programs which generate Non-Ad Valorem Revenues or to maintain the charges it collects as of the date of this Official Statement for any such services or programs.

In Florida, the revenues received by municipalities may be classified based upon whether such revenues are derived from ad valorem taxation. Ad valorem taxes are taxes levied by municipalities upon taxable real and tangible personal property located within the geographic jurisdiction of the municipality. Ad valorem taxes are levied based upon the assessed value of taxable property, and are imposed at a uniform rate per thousand dollars of assessed value. This rate is referred to as the "millage rate," with one mill representing one dollar of ad valorem taxes per thousand dollars of assessed valuation. Exclusive of millage levied pursuant to the approval

of the qualified electors of a municipality, municipalities may not levy ad valorem taxes at a rate in excess of ten mills annually.

Revenues received by a municipality other than from ad valorem taxation are referred to as "Non-Ad Valorem Revenues." Florida municipalities collect Non-Ad Valorem Revenues from a variety of sources. Certain Non-Ad Valorem Revenues are not lawfully available to be used by municipalities to satisfy their Loan Repayments. The primary sources of Non-Ad Valorem Revenues generally consist of half-cent sales tax revenues distributed to the municipality from the State, state revenue sharing monies, utility and communication tax revenues, franchise fees, license and permit fees.

Brief descriptions of certain of such Non-Ad Valorem Revenue sources are set forth below:

"Half-Cent Sales Tax Revenues" constitute proceeds of the state sales tax that are distributed annually to the Borrower pursuant to Chapter 218, Part IV, Florida Statutes. Currently, 8.714% of the entire state sales tax is deposited into the Local Government Half-Cent Sales Tax Clearing Trust Fund and earmarked for distribution to Florida counties and cities. The Sales Tax Trust Fund also receives a portion of certain taxes imposed by the State on communications services. Half-cent sales tax revenues may be pledged by Florida local governments to secure indebtedness issued for capital projects.

"State Revenue Sharing" consists of amounts collected by the State from portions of two revenue sources: 1.3409% of net state sales tax collections and 12.5% of the state alternative fuel user decal fee collections, which are paid into the Revenue Sharing Trust Fund for Municipalities and made available to Florida cities. Certain portions of state revenue sharing may by law be pledged to secure indebtedness.

"Public Service Tax Revenues" are derived from a local option tax on utilities that Florida municipalities may levy in the incorporated area. The tax may be levied at a rate of up to 10% on purchases of electricity, metered natural gas, liquefied petroleum gas, manufactured gas and water. Fuel oil may also be taxed at a rate up to four cents per gallon.

"Franchise Fees" are impositions imposed, primarily on private utility companies, for use of city right-of-way in providing services within the municipality. Terms and amount of the fees are subject to negotiation with the private provider.

Under the terms of the Loan Agreement, the Borrower may pledge its Non-Ad Valorem Revenues to obligations that it issues in the future. In the event of any such pledge, such Non-Ad Valorem Revenues would be required to be applied to said obligations prior to being used to repay the Loan.

The amount and availability of Non-Ad Valorem Revenues of the Borrower is subject to change, including reduction or elimination by change of state law or changes in the facts and circumstances according to which certain of the Non-Ad Valorem Revenues are collected. The amount of Non-Ad Valorem Revenues collected by the Borrower is, in certain circumstances, beyond the control of the Borrower.

Anti-Dilution Covenant. The Borrower has covenanted in the Loan Agreement (such covenant being referred to as the "Anti-Dilution Covenant") that as soon as practicable upon the issuance of debt which is secured by its Non-Ad Valorem Revenues, it will deliver to the Issuer a certificate setting forth the calculations of the financial ratios described below and certifying that it is in compliance with such covenants:

(i) Non-Ad Valorem Revenues (average of actual receipts over the prior two years) must cover projected maximum annual debt service on debt secured by and/or payable solely from such Non-Ad Valorem Revenues by at least 150%; and

(ii) projected maximum annual debt service requirements for all debt secured by and/or payable solely from such Non-Ad Valorem Revenues will not exceed 20% of Governmental Fund Revenues (defined as General Fund, Special Fund, Debt Service Fund and Capital Projects Fund), exclusive of (x) ad valorem revenues restricted to payment of debt service on any debt and (y) any debt proceeds, based on the particular Borrower's audited financial statements (average of actual receipts over the prior two years).

For purposes of the foregoing, "maximum annual debt service" means the lesser of the actual maximum annual debt service on all debt or 15% of the original par amount of the debt, in each case, secured by the Borrower's Non-Ad Valorem Revenues.

#### **OTHER FINANCIAL INFORMATION**

##### **Outstanding Borrower Covenant-to-Budget Indebtedness; Calculations of Anti-Dilution Test Compliance; Historical Pro Forma Debt Service Coverage**

Set forth below is a brief description of other covenant to budget-secured indebtedness of the Borrower, a calculation of the Borrower's compliance with the anti-dilution test described above as of September 30, 2011, and historical pro forma debt service coverage for fiscal years 2007-2011.

After issuance of the Bonds, the Borrower will also have outstanding its Series 2007 Capital Improvement Revenue Refunding Bonds, its Series 2011 Promissory Note, a loan related to the Issuer's Series 2005A Bonds and the Borrower's Series 2011 Affordable Housing Note, all secured by a covenant to budget and appropriate Non-Ad Valorem Revenues on the same basis as that relating to the Loan Agreement and the Bonds; provided that the Series 2007 Bonds are payable primarily from rescue transport service fees, and the Series 2011 Affordable Housing Note is payable primarily from net rental income from the housing project financed thereby, and to date such revenue sources have been sufficient to pay debt service associated with such respective indebtedness.

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Set forth below is the City of Hialeah covenant-to-budget debt service schedule after the issuance of the Bonds:

**City of Hialeah Covenant to Budget Debt Service**

FY	FMLC 2003A	FMLC 2005A	2007 Bonds <sup>(1)</sup>	2011 Note	2011 Housing Note <sup>(1)</sup>	FMLC 2012A	Total
2013	\$1,168,275	\$1,821,658	\$270,570	\$2,444,904	\$956,579	\$964,443	\$7,626,428
2014		1,821,420	270,570	2,444,904	956,579	3,093,813	8,587,286
2015		1,822,276	270,570	2,444,904	956,579	3,098,013	8,592,342
2016		1,820,649	270,570	2,444,904	956,579	3,096,813	8,589,514
2017		1,821,814	270,570	2,444,904	956,579	3,098,413	8,592,279
2018		1,817,725	270,570	2,444,904	956,579	3,097,613	8,587,390
2019		1,817,975	67,643	2,446,514	956,579	3,099,413	8,388,123
2020		1,816,225			956,579	3,098,613	5,871,416
2021		1,817,350			956,579	3,098,113	5,872,041
2022		1,816,225			956,579	3,098,363	5,871,166
2023		1,812,850			956,579	3,099,113	5,868,541
2024		1,816,975			956,579	3,100,113	5,873,666
2025		1,813,475			956,579	3,096,113	5,866,166
2026		1,815,225			956,579	3,097,113	5,868,916
2027		1,817,238			956,579	3,097,688	5,871,504
2028		1,816,775			956,579	3,100,825	5,874,179
2029		1,813,838			956,579	3,100,250	5,870,666
2030		1,809,875			956,579	3,103,750	5,870,204
2031		1,809,375			956,579	3,099,000	5,864,954
2032		1,810,250			956,579	3,098,800	5,865,629
2033		1,812,250			956,579	3,099,200	5,868,029
2034		1,810,250			956,579		2,766,829
2035		1,809,125			956,579		2,765,704
2036					374,655		374,655

<sup>(1)</sup> The Series 2007 Bonds are secured primarily by a pledge of the City's rescue transport service fees, and the 2011 Housing Note is secured primarily by a pledge of housing revenues.

Set forth below is the calculation of anti-dilution test compliance with respect to the Borrower as of September 30, 2011 (but taking into account the issuance of the Bonds):

**City of Hialeah Non-Ad Valorem Revenue  
Anti-Dilution Test**

<b>Revenues</b>	FY 2010	FY 2011	Prior Two-Year Average
Total Governmental Funds	\$180,141,424	\$168,138,613	\$174,140,019
Less: Ad Valorem Revenues	(58,548,370)	(48,550,595)	(53,549,483)
Total Governmental Non-Ad Valorem Revenues	121,593,054	119,588,018	120,590,536
Less: Restricted Funds			
Other Governmental Funds	(53,966,501)	(47,847,712)	(50,907,107)
Plus: Debt Service Fund <sup>(1)</sup>	<u>5,252,228</u>	<u>5,704,274</u>	<u>5,478,251</u>
Adjusted Non-Ad Valorem Revenues	<u>\$72,878,781</u>	<u>\$77,444,580</u>	<u>\$75,161,681</u>

<b>Expenditures</b>	FY 2010	FY 2011	Prior Two-Year Average
Essential Expenditures			
Public Safety	\$74,544,141	\$76,302,357	\$75,423,249
General Government	24,805,086	22,998,342	23,901,714
Total Essential Expenditures	99,349,227	99,300,699	99,324,963
Less: Ad-Valorem Revenues Available to pay			
Essential Expenditures	(58,548,370)	(48,550,595)	(53,549,483)
Adjusted Essential Expenditures	<u>40,800,857</u>	<u>50,750,104</u>	<u>45,775,481</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$32,077,924</u>	<u>\$26,694,476</u>	<u>\$29,386,200</u>

<b>Adjustments</b>	FY 2010	FY 2011	Prior Two-Year Average
Ad Valorem Revenues Restricted for Debt Service	-	-	-
Debt Proceeds	-	-	-

<b>Test 1 – Prior Two Year Avg of Non-Ad Valorem Revenues covers projected MADS by 150%</b>			
	2010-2011		
Net Non-Ad Valorem Revenues available for Debt Service	\$29,386,200		
Maximum Annual Non-Ad Valorem Debt Service Coverage	8,592,342		
	342.0%		

<b>Test 2 – Projected MADS does not exceed 20% of the prior two-year average of Governmental Fund Revenues, less ad valorem revenues restricted for debt service and debt proceeds</b>			
	2010-2011		
Two-Year Average Net Total Governmental Funds	\$174,140,019		
Maximum Annual Non-Ad Valorem Debt Service Percentage	8,592,342		
	4.93%		

Source: City of Hialeah Finance Department.

<sup>(1)</sup> The Debt Service Fund is part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax. Amounts in the Debt Service Fund are available to pay and have been used to pay debt service on the City's non-ad valorem bonds.



Set forth below is a table showing historical pro forma debt service coverage of the Borrower's other covenant-to-budget indebtedness and the Bonds:

**City of Hialeah – Historical Non-Ad Valorem Revenues  
FY 2007 through FY 2011**

<b>Revenues</b>					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Total Governmental Funds	\$185,246,249	\$182,577,148	\$178,954,749	\$180,141,424	\$168,138,613
Less Ad Valorem Revenues	(61,549,502)	(68,833,515)	(65,666,056)	(58,548,370)	(48,550,595)
Total Governmental Non-Ad Valorem Revenues	123,696,747	113,743,633	113,288,693	121,593,054	119,588,018
Less: Restricted Funds					
Other Governmental Funds	(49,407,891)	(41,368,893)	(44,456,147)	(53,966,501)	(47,847,712)
Plus: Debt Service Fund <sup>(1)</sup>	=	<u>5,888,587</u>	<u>5,435,317</u>	<u>5,252,228</u>	<u>5,704,274</u>
Adjusted Non-Ad Valorem Revenues	<u>\$74,288,856</u>	<u>\$78,263,327</u>	<u>\$74,267,863</u>	<u>\$72,878,781</u>	<u>\$77,444,580</u>
<b>Expenditures</b>					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Essential Expenditures	\$69,332,735	\$71,721,769	\$73,772,283	\$74,544,141	\$76,302,357
Public Safety	28,805,443	29,429,549	26,154,810	24,805,086	22,998,342
General Government	98,138,178	101,151,318	99,927,093	99,349,227	99,300,699
Total Essential Expenditures					
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(61,549,502)	(68,833,515)	(65,666,056)	(58,548,370)	(48,550,595)
Adjusted Essential Expenditures	<u>36,588,676</u>	<u>32,317,803</u>	<u>34,261,037</u>	<u>40,800,857</u>	<u>50,750,104</u>
Net Non-Ad Valorem Revenues Available for Debt Service	<u>\$37,700,180</u>	<u>\$45,945,524</u>	<u>\$40,006,826</u>	<u>\$32,077,924</u>	<u>\$26,694,476</u>
<b>Existing Coverage</b>					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Maximum Annual Debt Service on Projected Government Fund Debt	\$8,592,342	\$8,592,342	\$8,592,342	\$8,592,342	\$8,592,342
Legally Available Non-Ad Valorem Revenues after MADS	29,107,838	37,353,182	31,414,484	23,485,582	18,102,134
Existing Coverage	4.39%	5.35%	4.66%	3.73%	3.11%

Source: City of Hialeah Finance Department, derived from audited financial statements for fiscal years 2007 through 2011.

<sup>(1)</sup> The Debt Service Fund is part of the City's Other Governmental Funds and consists of the City's share of the Miami-Dade County Half-Cent Sales Tax. Amounts in the Debt Service Fund are available to pay and have been used to pay debt service on the City's non-ad valorem bonds.

**Non-Ad Valorem Revenues**  
**(For Fiscal Years Ended September 30, 2008 through September 30, 2013**  
**and Budgeted Fiscal Year 2013)**  
(in 000's)

<u>Revenues:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Projected 2012</u>	<u>Projected 2013</u>
Taxes						
Utility taxes	21,696,763	22,580,807	22,275,529	22,212,359	22,932,047	23,686,249
Franchise taxes	<u>11,865,713</u>	<u>11,602,898</u>	<u>10,365,647</u>	<u>10,500,154</u>	<u>11,068,353</u>	<u>11,669,166</u>
Total	<u>33,562,476</u>	<u>34,183,705</u>	<u>32,641,176</u>	<u>32,712,513</u>	<u>34,000,400</u>	<u>35,355,415</u>
Licenses and Permits						
Building and Zoning	2,626,762	2,433,601	2,136,998	3,626,762	3,170,659	3,390,668
Occupational Licenses	4,002,761	4,333,611	4,321,979	4,424,879	4,347,618	4,550,700
Total	<u>6,958,549</u>	<u>6,767,212</u>	<u>6,458,977</u>	<u>7,051,641</u>	<u>7,518,277</u>	<u>7,941,368</u>
Intergovernmental Revenues						
Half Cent Sales Tax	14,312,513	13,024,548	12,530,978	14,057,818	14,507,366	15,413,107
State Revenue Sharing	7,738,231	6,953,695	6,962,763	7,295,957	7,576,983	7,679,091
Local Option Gas Tax <sup>(1)</sup>	4,055,956	3,902,902	3,692,522	3,819,928	3,694,604	3,783,103
Miami-Dade County Half Cent	5,888,587	5,435,317	5,252,228	5,704,274	6,200,102	6,213,189
Transit – Half Cent <sup>(1)</sup>	1,897,338	1,347,062	1,313,057	1,424,818	1,864,508	1,860,173
Alcoholic beverages license	72,222	79,037	83,313	72,292	83,109	92,292
Mobile home licenses	9,707	57,196	58,339	14,210	12,615	51,446
Other	<u>125,629</u>	<u>127,987</u>	<u>137,848</u>	<u>81,625</u>	<u>118,340</u>	<u>120,000</u>
Total	<u>34,100,183</u>	<u>30,927,744</u>	<u>30,031,048</u>	<u>32,470,922</u>	<u>34,057,627</u>	<u>35,212,401</u>
Fines and forfeitures	1,446,391	1,305,696	1,106,294	1,300,881	1,045,827	838,322
Interest	712,949	114,506	32,019	17,159	4,776	44,850
Government Grant and Other Revenues	7,436,073	6,218,964	7,614,846	9,136,210	8,373,775	8,619,617
Affordable Housing <sup>(1)</sup>	888,098	1,623,688	1,708,049	1,706,065	2,073,110	2,081,126
<b>Total Revenues</b>	<b><u>85,104,719</u></b>	<b><u>81,141,515</u></b>	<b><u>79,592,409</u></b>	<b><u>84,395,391</u></b>	<b><u>87,073,792</u></b>	<b><u>90,093,099</u></b>

*Source: City of Hialeah Finance Department.*

<sup>(1)</sup> These revenue sources are excluded from the calculation of Adjusted Non-Ad Valorem Revenues in the previous tables, as they are required by law to be utilized for specific purposes.

## Other Information Regarding the Borrower

Appendix F includes general information about the Borrower. Attached as Appendix G are the Borrower's audited financial statements for the fiscal year ended September 30, 2011.

Set forth in Appendix F under the subheading "Employees' Pension Trust" is certain information regarding the Borrower's defined benefit pension systems. Based in part on the recent economic downturn, the unfunded actuarial accrued liability of the employees' retirement system for the fiscal year ended September 30, 2010 (the most recent valuation) was approximately \$163 million. (The preliminary 2012 valuation indicates an unfunded actuarial accrued liability of the employees' retirement system of approximately \$196 million.) Although the Borrower expects an improving economic and investment climate to diminish such shortfall, in the event the Borrower should be forced to dramatically increase its required contributions to address a continued shortfall, its available resources to do so would include increasing the ad valorem tax rate or utilizing the same Non-Ad Valorem Revenues which it has covenanted to budget and appropriate for use to pay loan payments on the Loan and thus the Bonds.

## BOND INSURANCE

### Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its municipal bond insurance policy (the "Policy") for the Bonds maturing in the years 2018 through 2033, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement. **The Bonds maturing prior to 2018 are not secured by the Policy.**

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" (on review for possible downgrade) 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. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity 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 March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at [www.moody.com](http://www.moody.com), for the complete text of Moody's comments.

On November 30, 2011, S&P published a Research Update in which it downgraded AGM's financial strength rating from "AA+" to "AA-". At the same time, S&P removed the financial strength rating from CreditWatch negative and changed the outlook to stable. AGM can give no assurance as to any further ratings action that S&P may take. Reference is made to the Research Update, a copy of which is available at [www.standardandpoors.com](http://www.standardandpoors.com), for the complete text of S&P's comments.

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, 2011, its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, and its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012.

*Capitalization of Assured Guaranty.* At June 30, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,169,404,271 and its total net unearned premium reserve was approximately \$2,204,572,593, in each case, in accordance with statutory accounting principles.

AGM's statutory financial statements for the fiscal year ended December 31, 2011 and for the quarterly period ended March 31, 2012, and for the quarterly period ended June 30, 2012, which have been filed with the New York State Department of Financial Services and posted on AGL's website at <http://www.assuredguaranty.com>, are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

*Incorporation of Certain Documents by Reference.* Portions of the following documents filed by AGL with the Securities and Exchange Commission (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, 2011 (filed by AGL with the SEC on February 29, 2012);

- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 (filed by AGL with the SEC on August 9, 2012).

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 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.

*Miscellaneous Matters.* AGM or one of its affiliates may purchase a portion of the Insured Bonds or any uninsured bonds offered under this Official Statement and may hold such Insured Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Insured Bonds or uninsured bonds at any time or from time to time.

AGM makes no representation regarding the Insured Bonds or the advisability of investing in the Insured 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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## DEBT SERVICE REQUIREMENTS

The following table sets forth the total annual scheduled debt service requirements for the Bonds.

<u>Year Ending</u> <u>May 1 (Inclusive)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Annual</u> <u>Debt Service</u>
2013	\$130,000	\$834,442.68	\$964,422.68
2014	1,360,000	1,733,812.50	3,093,812.50
2015	1,405,000	1,693,012.50	3,098,012.50
2016	1,460,000	1,636,812.50	3,096,812.50
2017	1,520,000	1,578,412.50	3,098,412.50
2018	1,580,000	1,517,612.50	3,097,612.50
2019	1,645,000	1,454,412.50	3,099,412.50
2020	1,710,000	1,388,612.50	3,098,612.50
2021	1,795,000	1,303,112.50	3,098,112.50
2022	1,885,000	1,213,362.50	3,098,362.50
2023	1,980,000	1,119,112.50	3,099,112.50
2024	2,080,000	1,020,112.50	3,100,112.50
2025	2,180,000	916,112.50	3,096,112.50
2026	2,290,000	807,112.50	3,097,112.50
2027	2,365,000	732,687.50	3,097,687.50
2028	2,445,000	655,825.00	3,100,825.00
2029	2,530,000	570,250.00	3,100,250.00
2030	2,660,000	443,750.00	3,103,750.00
2031	2,755,000	344,000.00	3,099,000.00
2032	2,865,000	233,800.00	3,098,800.00
2033	2,980,000	119,200.00	3,099,200.00

## VERIFICATION OF MATHEMATICAL ACCURACY

The arithmetical accuracy of (i) the mathematical computations supporting the adequacy of the maturing principal amounts of, and interest accrued on the Federal Securities, together with moneys, if any, deposited with the Escrow Holder to pay when due, pursuant to stated maturity or call for redemption, the principal, redemption premium and interest on the Refunded Bonds, to be defeased as described herein, and (ii) the computation of the actuarial yield, used by Bond Counsel to support the opinion that interest on the Refunded Bonds is excluded from gross income for federal income tax purposes, have been verified by Causey Demgen & Moore, independent certified public accountants, as a condition of the delivery of the Bonds.

## TAX MATTERS

### General

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of Federal income taxation.

Non-compliance may cause interest on the Bonds to be included in Federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such non-compliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The Issuer has covenanted in the Indenture and the Borrower has covenanted in the Loan Agreement to comply with such requirements in order to maintain the exclusion from Federal gross income of the interest on the Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is excluded from gross income for purposes of Federal income taxation. Interest on the Bonds is not an item of tax preference for purposes of the Federal alternative minimum tax imposed on individuals or corporations; however, interest on the Bonds may be subject to the Federal alternative minimum tax when any Bond is held by a corporation. The Federal alternative minimum taxable income of a corporation must be increased by 75% of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Bonds.

Except as described above, Bond Counsel will express no opinion regarding other Federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Bonds. Prospective purchasers of Bonds should be aware that the ownership of Bonds may result in collateral Federal income tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Bonds, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the Bonds, (iii) the inclusion of interest on the Bonds in earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax, (iv) the inclusion of interest on the Bonds in passive income subject to Federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year, and (v) the inclusion of interest on the Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the purposes of determining whether such benefits are included in gross income for Federal income tax purposes.

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Issuer and the Borrower, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

**PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES**

DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Other Tax Matters. During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Bonds and their market value. No assurance can be given that legislative proposals will not be enacted that would apply to, or have an adverse effect upon, the Bonds. For example, in connection with federal deficit reduction, job creation and tax law reform efforts, proposals have been and others are likely to be made that could significantly reduce the benefit of, or otherwise affect, the exclusion from gross income of interest on obligations like the Bonds. There can be no assurance that any such legislation or proposal will be enacted, and if enacted, what form it may take. The introduction or enactment of any such legislative proposals may affect, perhaps significantly, the market price for, or marketability of, the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of owning the Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Tax Treatment of Original Issue Discount. Under the Code, the difference between the maturity amount of the Bonds maturing in the years 2026 through 2028, inclusive, and in 2030 (collectively, the "Discount 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 the Discount Bonds of the same maturity and, if applicable, interest rate, was sold is "original issue discount." Original issue discount will accrue over the term of the Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires the Discount Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he or she holds the Discount Bonds, and will increase his or her adjusted basis in the Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or disposition of the Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Bondholders of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

Tax Treatment of Bond Premium. The difference between the principal amount of the Bonds maturing in the years 2013 through 2025, inclusive, and in 2029 (collectively, the



"Premium 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 Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser 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 of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering 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 Bonds. Bondholders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

Information Reporting and Backup Withholding. Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at (i) the fourth lowest rate of tax applicable under Section 1(c) of the Code (i.e., a rate applicable to unmarried individuals) for taxable years beginning on or before December 31, 2012; and (ii) the rate of 31% for taxable years beginning after December 31, 2012, with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

## LITIGATION

On the date of delivery of the Bonds, the Borrower will certify that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending, or to the best of the Borrower's knowledge, threatened, against or affecting the Borrower wherein an unfavorable decision, ruling or finding would materially and adversely affect the Borrower, its financial condition or its ability to comply with its obligations under the Loan Agreement or the validity or enforceability of the Loan Agreement.

On the date of delivery of the Bonds, the Issuer will certify that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending, or to the best knowledge of the Issuer, threatened, against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would materially and adversely affect the validity of the Bonds, the Indenture or the Loan Agreement.

### **VALIDATION**

On February 13, 2003, the Circuit Court of the Second Judicial Circuit of Florida in and for Leon County, Florida, entered an order validating the Bonds. The time for filing an appeal from such judgment expired with no appeal having been filed.

### **SEC ORDER; VOLUNTARY CLOSING AGREEMENT**

On July 19, 2010, the Issuer and the City of South Miami ("South Miami") initiated with the Internal Revenue Service the process for requesting a voluntary closing agreement to resolve several issues which came to the attention of the Issuer and could affect the tax-exempt status of certain prior bonds issued by the Issuer. Specifically, South Miami was a borrower of a portion of the proceeds of the Issuer's Series 2002A and Series 2006 Bonds. South Miami made the Issuer aware of an issue with regard to the use of the proceeds of such bonds and a long-term lease of a parking facility. On July 19, 2010, the United States Securities and Exchange Commission issued an Order Directing Private Investigation and Designating Officers to Take Testimony, alleging that in the underwriting, offering, sale and purchase of such bonds that there may have been made false statements of a material fact or a failure to disclose material facts concerning, among other things, the tax-exempt status of such bonds. The Issuer has and intends to cooperate fully with the SEC in evaluating the matter. On August 17, 2011, the Issuer, South Miami and the Commissioner of Internal Revenue entered into a closing agreement on final determination covering specific matters. No action in connection with such issues is expected to have any impact on the Bonds or the tax-exempt status thereof.

### **LEGAL MATTERS**

Certain legal matters incident to the authorization, issuance and sale by the Issuer of the Bonds are subject to the approving opinion of Bryant Miller Olive P.A., bond counsel. Bond Counsel has not undertaken to independently verify, and therefore expresses no opinion as to the accuracy, completeness or fairness of any of the statements in this Official Statement or in the Appendices hereto, except as to the correctness of the information in the sections hereof captioned "THE BONDS" (except for the information contained in the subheading thereunder captioned "BOOK-ENTRY ONLY SYSTEM" as to which no opinion will be expressed), "SECURITY AND SOURCES OF PAYMENT" and "TAX MATTERS." A form of the approving opinion of bond counsel is included herein as Appendix E. Certain legal matters will be passed upon for the Issuer by Kraig A. Conn, Esquire, counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc. and for the Underwriter by its counsel, Nabors, Giblin & Nickerson, P.A. Certain legal matters will be passed upon for the Borrower by William M. Grodnick, Esq., City Attorney.

Bond Counsel and counsel to the Underwriter will receive fees for services rendered in connection with the issuance of the Bonds, which fees are contingent upon the issuance and sale of the Bonds.

## **RATINGS**

Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies ("S&P") and Fitch, Inc. ("Fitch") have assigned ratings to the Bonds of "A-" (stable outlook) and "A" (negative outlook), respectively. In addition, S&P is expected to assign a rating of AA- (stable outlook) to the Insured Bonds, on the understanding that the standard municipal bond insurance policy of AGM insuring the timely payment of the principal of and interest on the Insured Bonds will be issued by AGM upon issuance of the Insured Bonds. The ratings reflect only the views of the rating agencies and an explanation of the significance of the ratings may be obtained only from the rating agencies. The ratings are not a recommendation to buy, sell or hold the Bonds and there is no assurance that such ratings will remain in effect for any given period of time or that they will not be revised downward or withdrawn entirely if, in the judgment of either or both of the rating agencies, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the Underwriter nor the Issuer have undertaken responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the ratings of the Bonds, or to oppose any proposed revision or withdrawal.

## **UNDERWRITING**

Wells Fargo Bank, N.A., the Underwriter, has agreed, subject to certain customary conditions precedent, to purchase the Bonds at a price of \$44,369,912.90 (which includes net original issue premium of \$3,016,858.70 and underwriter's discount of \$266,945.80), and to reoffer the Bonds at the prices shown on the inside cover hereof. If obligated to purchase any of the Bonds, the Underwriter will be obligated to purchase all of the Bonds. The initial public offering prices may be changed from time to time by the Underwriter.

There can be no assurance that there will be a secondary market for purchase or sale of the Bonds. Depending upon prevailing market conditions, including the financial condition or market positions of firms which may make the secondary market, evaluation of the Borrower's capabilities and the financial condition and results of its operation, there may not be a secondary market for the Bonds from time to time, and investors in the Bonds may be unable to divest themselves of their interests therein.

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, the senior underwriter of the Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for the retail distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

## **FINANCIAL ADVISOR TO THE ISSUER**

The Issuer has retained Public Resources Advisory Group, St. Petersburg, Florida, as Financial Advisor in connection with the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

## **CONTINUING DISCLOSURE**

In compliance with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, 240.15c2-12) (the "Rule"), the Issuer and the Borrower have entered into a covenant (a "Continuing Disclosure Covenant") that constitutes the written undertaking for the benefit of the holder of the Bonds required by Section (b)(5)(i) of the Rule. The form of the Continuing Disclosure Covenants for the Issuer and the Borrower are contained in Appendices A and B hereof.

As noted elsewhere in this Official Statement, the Bonds constitute the twenty-third series of bonds issued by the Issuer. The majority of the Issuer's prior bond issues funded loans to borrowers (the "Prior Borrowers") in a fashion similar to that described herein with respect to the Bonds. In connection with its prior bond issues which funded loans, the Issuer and each of the Prior Borrowers entered into continuing disclosure agreements (the "Prior Undertakings") pursuant to the Rule. Pursuant to the Prior Undertakings, the Issuer and the Prior Borrowers agreed to provide certain annual financial information on or before the date 270 days after the end of each fiscal year of the Issuer and the Prior Borrowers. The Issuer has complied with its Prior Undertakings. Likewise, the Borrower has complied with prior undertakings applicable to the Borrower.

## **CONTINGENT FEES**

The Issuer has retained Bond Counsel with respect to the authorization, sale, execution and delivery of the Bonds. Payment of all or a portion of the fees of Bond Counsel relating to the issuance of the Bonds, a discount to the Underwriters and the fees of Underwriters' Counsel, the fees of the Trustee and the Issuer and the fees of the Financial Advisor, are each contingent upon the issuance of the Bonds.

## **ENFORCEABILITY OF REMEDIES**

The remedies available to the owners of the Bonds upon an event of default under the Indenture and any policy of insurance referred to herein 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, the remedies specified by the federal bankruptcy code, the Indenture, the Bonds and any policy of insurance referred to herein may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 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.

## **MISCELLANEOUS**

The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument. So far as any statements made in this Official Statement involve matters of opinion or are estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

## **FLORIDA MUNICIPAL LOAN COUNCIL**

By /s/ Isaac Salver

Its: Chairman

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## APPENDIX A

### FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BORROWER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of November 1, 2012 (the "Continuing Disclosure Agreement") is executed and delivered by the City of Hialeah, Florida, a Florida municipal corporation ("Borrower"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof

**SECTION 1. Nature of Undertaking.** This Continuing Disclosure Agreement constitutes an undertaking by the Borrower under paragraph (b)(5) of the Rule to provide Financial Information and notice of the occurrence of certain events with respect to the Bonds, as provided in paragraph (b)(5)(i)(C) of the Rule, and otherwise to assist the Participating Underwriter in complying with paragraph (b)(5) of the Rule with respect to the Offering of the Bonds. Among other things, the Borrower is hereby undertaking (i) to disseminate an Annual Report not later than 270 days after the end of each Fiscal Year of the Borrower in accordance with Section 4 hereof, which contains Financial Information with respect to the Borrower, (ii) if an Annual Report does not contain the Audited Financial Statements, to disseminate the Audited Financial Statements in accordance with Section 4 hereof as soon as practicable after they shall have been approved by the Governing Body, (iii) to provide notice in a timely manner, in accordance with Section 6 hereof, of the occurrence of any of the Listed Events related to the Borrower and (iv) to provide notice in a timely manner, in accordance with Section 4(e) hereof, of any failure to disseminate an Annual Report in accordance with the preceding clause (i) of this sentence.

**SECTION 2. Definitions.** In addition to the definitions set forth above and in the herein-defined Indenture, which shall apply to any capitalized terms used herein, the following capitalized terms shall have the following meanings, unless otherwise defined therein:

**"Annual Report"** means a document or set of documents which (a) identifies the Borrower; (b) contains (or includes by reference to documents which were filed with the SEC or EMMA prior to the date that the Annual Report containing such reference is provided to the Dissemination Agent in accordance with Section 4 hereof): (i) Financial Information and Operating Data for the Borrower; (ii) Audited Financial Statements if such Audited Financial Statements shall have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; and (iii) Unaudited Financial Statements if the Audited Financial Statements shall not have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; (c) in the event that the Borrower delivers a Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(b) hereof, contains (in the case of the Annual Report disseminated on or immediately after the date such Continuing Disclosure Certificate is so delivered) a narrative explanation of the reasons for the changes in Financial Information and/or Operating Data set forth in such Continuing

Disclosure Certificate and the effect of the changes on the types of Financial Information and/or Operating Data being provided in such Annual Report; and (d) in the event that the Borrower authorizes a change in the accounting principles by which its Audited Financial Statements are prepared, contains (in the case of the Annual Report disseminated on or immediately after the date of such change) (1) a comparison between the Financial Information prepared on the basis of the new accounting principles which is contained in such Annual Report and the Financial Information prepared on the basis of the former accounting principles which was contained in the previous Annual Report disseminated immediately prior to such Annual Report and (2) a discussion of the differences between such accounting principles and the effect of such change on the presentation of the Financial Information being provided in such Annual Report.

**"Annual Report Certificate"** means an Annual Report Certificate in the form attached hereto as Exhibit A.

**"Annual Report Date"** means the date which is 270 days after the end of a Fiscal Year.

**"Audited Financial Statements"** means the financial statements of the Borrower which have been examined by independent certified public accountants in accordance with generally accepted auditing standards.

**"Bondholder"** means (i) the registered owner of a Bond and (ii) the beneficial owner of a Bond, as the term "beneficial owner" is used in any agreement with a securities depository for the Bonds and as the term may be modified by an interpretation by the SEC of paragraph (b)(5) of the Rule.

**"Bonds"** means the \$41,620,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series).

**"Continuing Disclosure Agreement"** means this Continuing Disclosure Agreement, as the same may be supplemented and amended pursuant to Section 8 hereof.

**"Continuing Disclosure Certificate"** means a Continuing Disclosure Certificate in the form attached hereto as Exhibit B delivered by the Borrower to the Dissemination Agent pursuant to Section 5 hereof.

**"Dissemination Agent"** means Florida League of Cities, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent which is appointed pursuant to Section 3 hereof or to which the responsibilities of Dissemination Agent under this Continuing Disclosure Agreement shall have been assigned in accordance with Section 9 hereof.

**"EMMA"** means the Electronic Municipal Market Access System as described in Securities and Exchange Commission Release No. 34-59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule as further described in Sections 4 and 6 hereof.

**"Event Notice"** means notice of the occurrence of a Listed Event.



**"Final Official Statement"** means the Final Official Statement prepared in connection with the Offering of the Bonds.

**"Financial Information"** means financial information related to the Borrower of the types identified in the Continuing Disclosure Certificate most recently delivered by the Borrower to the Dissemination Agent in accordance with Section 5 hereof. The Financial Information (i) shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Financial Information, and (ii) shall be prepared on the basis of the Audited Financial Statements to be provided to the Dissemination Agent concurrently with the Annual Report, provided that, if the Audited Financial Statements are to be provided to the Dissemination Agent subsequent to the date that the Annual Report is provided to the Dissemination Agent, such Financial Information may be prepared on the basis of the Unaudited Financial Statements.

**"Governing Body"** shall mean the governing body of the Borrower which shall approve the Audited Financial Statements.

**"Indenture"** means the Trust Indenture dated of even date herewith by and between Florida Municipal Loan Council, as Issuer, and Deutsche Bank Trust Company Americas, as Trustee.

**"Insurer"** means Assured Guaranty Municipal Corp., a New York stock insurance company, its successors and assigns.

**"Loan Agreement"** means the Loan Agreement dated of even date herewith, between the Issuer and the Borrower.

**"Listed Events"** means any of the events which are set forth in Section 6 hereof

**"MSRB"** means the Municipal Securities Rulemaking Board.

**"Offering"** means the primary offering of the Bonds for sale by the Participating Underwriter.

**"Operating Data"** means operating data of the types identified in the Continuing Disclosure Certificate most recently delivered by the Borrower to the Dissemination Agent in accordance with Section 5 hereof. The Operating Data shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Operating Data.

**"Participating Underwriter"** means Wells Fargo Bank, National Association.

**"Rating Agencies"** means Fitch, Inc. and Standard & Poor's Ratings Services.

**"Rule"** means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended, as the Rule may be amended from time to time, or any successor provision thereto.

"SEC" means the Securities and Exchange Commission.

"SID" means any state information depository that is established within the State of Florida and with which the Borrower is legally required to file the information set forth herein.

"Trustee" means Deutsche Bank Trust Company Americas, as trustee under the Indenture.

"Unaudited Financial Statements" means unaudited financial statements of the Borrower for any Fiscal Year which have been prepared on a basis substantially consistent with the Audited Financial Statements to be subsequently prepared for such Fiscal Year. The Unaudited Financial Statements for any Fiscal Year shall be prepared on a comparative basis with the Audited Financial Statements prepared for the preceding Fiscal Year.

**SECTION 3. Appointment of Dissemination Agent: Obligations of Borrower Respecting Undertaking.** (a) The Borrower hereby appoints Florida League of Cities, Inc. to act as the initial Dissemination Agent hereunder. Florida League of Cities, Inc. hereby accepts such appointment. The Borrower may, from time to time, appoint a successor Dissemination Agent or discharge any then acting Dissemination Agent, with or without cause. If at any time there shall be no Dissemination Agent appointed and acting hereunder or the then appointed and acting Dissemination Agent shall fail to perform its obligations hereunder, the Borrower shall discharge such obligations until such time as the Borrower shall appoint a successor Dissemination Agent or the then appointed and acting Dissemination Agent shall resume the performance of such obligations.

(b) The Borrower hereby acknowledges that the Borrower is obligated to comply with this Continuing Disclosure Agreement and that the appointment of the Dissemination Agent as agent of the Borrower for the purposes herein provided does not relieve the Borrower of its obligations with respect to this Continuing Disclosure Agreement.

**SECTION 4. Annual Financial Information.** (a) The Financial Information shall be contained in the Annual Reports and, if provided separately in accordance with Section 5(b) hereof, the Audited Financial Statements which the Borrower is required to deliver to the Dissemination Agent for dissemination in accordance with this Section 4.

(b) The Dissemination Agent shall notify the Borrower of each Annual Report Date and of the Borrower's obligation hereunder not more than 60 and not less than 30 days prior to each Annual Report Date. The Borrower shall provide an Annual Report to the Dissemination Agent, together with an Annual Report Certificate, not later than each Annual Report Date, provided that, if the Annual Report does not include the Audited Financial Statements, the Borrower shall provide the Audited Financial Statements to the Dissemination Agent as soon as practicable after they shall have been approved by the Governing Body.

(c) The Dissemination Agent shall provide the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, to EMMA,

the Trustee, the Issuer, the Rating Agencies and the Insurer within five (5) Business Days after receipt thereof from the Borrower.

(d) The Dissemination Agent shall provide the Issuer, the Borrower and the Trustee written confirmation that the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, were provided to EMMA in accordance with Section 4(c) hereof

(e) If the Dissemination Agent shall not have filed the Annual Report by the Annual Report Date, the Dissemination Agent shall so notify the Borrower, EMMA, the Trustee and the Insurer within five (5) Business Days of the Annual Report Date.

**SECTION 5. Continuing Disclosure Certificates.** (a) The Borrower shall prepare a Continuing Disclosure Certificate in the form attached hereto as Exhibit B in connection with the Offering of the Bonds and shall deliver the same to the Dissemination Agent for dissemination to the Participating Underwriter, Issuer and Trustee.

(b) Prior to the deletion or substitution of any Financial Information and Operating Data from the information listed in Exhibit B hereto, the Borrower will obtain an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Borrower) addressed to the Issuer, the Participating Underwriter, the Trustee and the Dissemination Agent, to the effect that the Financial and Operating Data to be provided will comply with the Rule, as in effect on the date of the Offering of the Bonds and taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent is entitled to rely on such opinion without further investigation.

(c) Notwithstanding Section 5(b) hereof, the Borrower shall not be required to comply with Section 5(b) hereof if such Section shall no longer be deemed to be required in order for this Continuing Disclosure Agreement to comply with the Rule as a result of the adoption, rendering or delivery of (i) an amendment or interpretation of the Rule by the SEC, (ii) an adjudication of the Rule by a final decision of a court of competent jurisdiction or (iii) an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Borrower), in each case, to that effect.

(d) Any delivery of a Continuing Disclosure Certificate pursuant to Section 5(b) hereof shall not be deemed to be an amendment to this Continuing Disclosure Agreement and shall not be subject to the provisions of Section 8 hereof

**SECTION 6. Reporting of Listed Events.** (a) This Section 6 governs the provision of Event Notices relating to Listed Events with respect to the Bonds. The Borrower shall provide to the MSRB and to the SID, if any, on a timely basis not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events, if such event is material with respect to the Bonds or the Borrower's ability to satisfy its payment obligations with respect to the Loan. The following events are "Listed Events":

- (i) principal and interest payment deficiencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue 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;
- (vii) modifications to the rights of the holders of the Bonds;
- (viii) optional, contingent or unscheduled redemption calls;
- (ix) tender offers with respect to the Bonds;
- (x) defeasances;
- (xi) release, satisfaction or sale of property securing repayment of the Bonds;
- (xii) rating changes;
- (xiii) bankruptcy, insolvency, receivership or similar event of the Borrower (this event is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent or similar officer for the Borrower 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 Borrower, 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 Borrower);

- (xiv) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower 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; and
- (xv) appointment of a successor or additional trustee or the change of name of a trustee.

provided that each of the Listed Events shall be interpreted in accordance with any interpretation of the Rule by the SEC or adjudication of the Rule by a final decision of a court of competent jurisdiction which may occur subsequent to the date of the original execution and delivery hereof.

(b) Whenever the Borrower obtains actual knowledge of the occurrence of any of the Listed Events with respect to or caused by the Borrower, the Borrower shall, on a timely basis and in any event within ten (10) Business Days, determine whether the occurrence of such event is material to any of the Bondholders, provided, that any event under Sections 6(i), (iii), (iv), (v), (vi), (ix), (x), (xii) and (xiii) above will always be deemed to be material.

(c) If the Borrower determines that the occurrence of any of the Listed Events is material to any of the Bondholders, the Borrower shall promptly notify the Dissemination Agent of such determination in writing and instruct the Dissemination Agent to provide an Event Notice in accordance with Section 6(e) hereof.

(d) If the Borrower determines that the occurrence of the Listed Event described in such notice is not material, the Borrower shall notify the Dissemination Agent of such determination, and no Event Notice shall be provided pursuant to Section 6(e) hereof. The determination of the Borrower under this paragraph (d) shall be conclusive and binding on all parties hereto.

(e) If the Borrower instructs the Dissemination Agent to provide an Event Notice pursuant to Section 6(c) hereof, the Dissemination Agent shall, within three (3) Business Days thereafter, file an Event Notice with EMMA, the Trustee, the Rating Agencies, the Issuer and the Insurer. The Dissemination Agent shall provide the Borrower, the Issuer and the Trustee written confirmation that such Event Notice was provided to EMMA in accordance with this Section 6(e).

(f) Notwithstanding the foregoing, an Event Notice with respect to a Listed Event described in Section 6(a)(viii) or (ix) shall not be given under this Section 6 any earlier than the notice (if any) of such event is given to the affected Bondholders pursuant to the Indenture, as confirmed to the Dissemination Agent by the Trustee. The Dissemination Agent shall have no liability for failure of notice given to Bondholders if it does not receive the necessary confirmation from the Trustee after written request.

(g) Notwithstanding the foregoing, whenever the Borrower authorizes a change in either its Fiscal Year or the accounting principles by which its Audited Financial Statements are prepared, the Borrower shall provide the Dissemination Agent with written notice of such change and instruct the Dissemination Agent to file a copy of such notice with EMMA, the Issuer, the Insurer, the Rating Agencies and the Trustee, and the Dissemination Agent shall, within three (3) Business Days thereafter, file a copy of such notice with EMMA, the Issuer, the Insurer, the Rating Agencies and the Trustee. The Dissemination Agent shall provide the Borrower written confirmation that such notice was provided to EMMA in accordance with this Section 6(g).

**SECTION 7. Additional Information.** Nothing in this Continuing Disclosure Agreement shall be deemed to prevent (i) the Borrower from disseminating any information or notice of the occurrence of any event using the means of dissemination specified in this Continuing Disclosure Agreement or other means or (ii) the Borrower from including in an Annual Report any information which shall be in addition to the Financial Information, Operating Data and Audited or Unaudited Financial Statements required by Section 4 hereof to be included in such Annual Report, provided that this Continuing Disclosure Agreement shall not be deemed to require the Borrower to include or update any such additional information in any subsequently prepared Annual Report.

**SECTION 8. Amendments: Waivers.** This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if prior to the effective date of any such amendment or waiver, the Borrower delivers to the Dissemination Agent, the Issuer and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Borrower), to the effect that this Continuing Disclosure Agreement (taking into account such amendment or waiver) complies with the Rule, as in effect on the date of the Offering of Bonds or after the execution and delivery of this Continuing Disclosure Agreement, taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent shall notify EMMA of any such amendment and shall provide EMMA with a copy of any such amendment.

**SECTION 9. Assignment.** The Borrower may not assign its obligations under this Continuing Disclosure Agreement. The Dissemination Agent may assign its rights and responsibilities hereunder to a third party with the consent of the Borrower, which shall not be unreasonably withheld.

**SECTION 10. Compensation of the Dissemination Agent.** As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the Borrower agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder,

except with respect to its (or their) willful misconduct or gross negligence. Nothing contained herein is intended to be nor shall it be construed as a waiver of any immunity from or limitation of liability that the Borrower may be entitled to pursuant to the Doctrine of Sovereign Immunity or Section 768.28, Florida Statutes. Notwithstanding anything to the contrary contained herein, the obligations of the Borrower hereunder shall be limited obligations payable solely from the sources provided under Section 2.02(a) of the Loan Agreement.

**SECTION 11. Concerning the Dissemination Agent and the Borrower.** (a) The Dissemination Agent is not answerable for the exercise of any discretion or power under this Continuing Disclosure Agreement or for anything whatever in connection herewith, except only its own willful misconduct or gross negligence. The Dissemination Agent shall have no liability to the Bondholders or any other person with respect to the undertakings described in Section 1 hereof except as expressly set forth in this Continuing Disclosure Agreement regarding its own willful misconduct or gross negligence.

(b) The Dissemination Agent has no responsibility or liability hereunder for determining compliance for any information submitted hereunder with any law, rule or regulation or the terms of this agreement. The Dissemination Agent shall have no responsibility for disseminating information not delivered to it or giving notice of non-delivery except as specifically required hereunder.

(c) The parties to this Continuing Disclosure Agreement acknowledge and agree that the Borrower assumes no obligations hereunder other than those specifically assumed by the Borrower herein.

**SECTION 12. Termination of this Continuing Disclosure Agreement.** This Continuing Disclosure Agreement shall terminate at such time as the Loan Agreement terminates.

**SECTION 13. Beneficiaries.** This Continuing Disclosure Agreement shall inure solely to the benefit of the Borrower, the Dissemination Agent, the Trustee, the Issuer, the Insurer, the Participating Underwriter and the Bondholders. This Continuing Disclosure Agreement shall not be deemed to inure to the benefit of or grant any rights to any party other than the parties specified in the preceding sentence.

**SECTION 14. Counterparts.** This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

**SECTION 15. Governing Law.** This Continuing Disclosure Agreement shall be governed by the laws of the State of Florida.

**IN WITNESS WHEREOF**, the Borrower and the Dissemination Agent have caused this Continuing Disclosure Agreement to be executed and delivered as of the date first written above.

CITY OF HIALEAH, FLORIDA, as Borrower

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

FLORIDA LEAGUE OF CITIES, INC.,  
as Dissemination Agent

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



## EXHIBIT A

### **Form of Annual Report Certificate**

The undersigned duly appointed and acting \_\_\_\_\_ of the City of Hialeah, Florida, a Florida municipal corporation, as Borrower under the Continuing Disclosure Agreement (hereinafter described) (the "Borrower"), hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of November 1, 2012 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.

2. Annual Report. Accompanying this Annual Report Certificate is the Annual Report for the Fiscal Year ended \_\_\_\_\_.

3. Compliance with Continuing Disclosure Agreement. The Annual Report is being delivered to the Dissemination Agent herewith not later than 270 days after the end of the Fiscal Year to which the Annual Report relates. The Annual Report contains, or includes by reference, Financial Information and Operating Data of the types identified in the Continuing Disclosure Certificate most recently delivered to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement. To the extent any such Financial Information or Operating Data is included in the Annual Report by reference, any document so referred to has been previously provided to EMMA or filed with the SEC.

Such Financial Information and Operating Data have been prepared on the basis of the [Audited/Unaudited] Financial Statements. [Such Audited Financial Statements are included as part of the Annual Report.] [Because the Audited Financial Statements have not been approved by the Governing Body as of the date hereof, the Unaudited Financial Statements have been included as part of the Annual Report. The Unaudited Financial Statements have been prepared on a basis substantially consistent with such Audited Financial Statements. The Borrower shall deliver such Audited Financial Statements to the Dissemination Agent as soon as practicable after they have been approved by the Governing Body.]

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Annual Report Certificate to the Dissemination Agent, which has received such certificate and the Annual Report, all as of the day of the \_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

City of Hialeah, Florida, Borrower

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

Its: \_\_\_\_\_

Acknowledgment of Receipt:

Florida League of Cities, Inc.,  
as Dissemination Agent

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

Its: \_\_\_\_\_

## EXHIBIT B

### Form of Section 5(a) Continuing Disclosure Certificate

Florida League of Cities, Inc.  
301 Bronough Street  
Tallahassee, Florida 33401

The undersigned duly authorized signatory of the City of Hialeah, Florida (the "Borrower") hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of November 1, 2012 (the "Continuing Disclosure Agreement") executed and delivered by the Borrower and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.

2. Purpose. The Borrower is delivering this Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(a) of the Continuing Disclosure Agreement.

3. Financial Information and Operating Data Included in Final Official Statement. The following types of Financial Information and Operating Data were included in the Final Official Statement for the Bonds and are to be included in the Annual Report:

- (a) Financial Information: Anti-Dilution Test, Historical Non-Ad Valorem Revenues, Breakdown of Non-Ad Valorem Revenues
- (b) Operating Data: None

4. Annual Report. Until such time as the Borrower delivers a revised Continuing Disclosure Certificate and an opinion of disclosure counsel to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement, the Financial Information and Operating Data of the types identified in paragraph 3 of this certificate shall be included in the Annual Reports delivered by the Dissemination Agent pursuant to Section 4 of the Continuing Disclosure Agreement.

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Continuing Disclosure Certificate to the Dissemination Agent, which has received the same, all as of the 1<sup>st</sup> day of November, 2012.

City of Hialeah, Florida, as  
Borrower

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

Acknowledgment of Receipt:

Florida League of Cities, Inc., as  
Dissemination Agent

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

## APPENDIX B

### FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE ISSUER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of November 1, 2012 (the "Continuing Disclosure Agreement") is executed and delivered by Florida Municipal Loan Council ("Issuer"), and by Florida League of Cities, Inc., a Florida corporation not-for-profit, as Dissemination Agent (the "Dissemination Agent") hereunder. Additional capitalized terms used herein shall have the meanings ascribed thereto in Section 2 hereof.

**SECTION 1. Nature of Undertaking.** This Continuing Disclosure Agreement constitutes an undertaking by the Issuer under paragraph (b)(5) of the Rule to provide Annual Financial Information and notice of the occurrence of certain events with respect to the Bonds, as provided in paragraph (b)(5)(i)(C) of the Rule, and otherwise to assist the Participating Underwriter in complying with paragraph (b)(5) of the Rule with respect to the Offering of the Bonds. Among other things, the Issuer is hereby undertaking (i) to disseminate an Annual Report not later than 270 days after the end of each Fiscal Year of the Issuer in accordance with paragraph (b)(5)(i)(A) of the Rule and Section 4 hereof, which contains Annual Financial Information with respect to the Issuer, (ii) if an Annual Report does not contain the Audited Financial Statements, to disseminate the Audited Financial Statements in accordance with paragraph (b)(5)(i)(B) of the Rule and Section 4 hereof as soon as practicable after they shall have been approved by the Governing Body, (iii) to provide notice in a timely manner, in accordance with paragraph (b)(5)(i)(C) of the Rule and Section 6 hereof, of the occurrence of any of the Listed Events related to the Issuer and (iv) to provide notice in a timely manner, in accordance with paragraph (b)(5)(i)(D) of the Rule and Section 4(e) hereof, of any failure to disseminate an Annual Report in accordance with the preceding clause (i) of this sentence.

**SECTION 2. Definitions.** In addition to the definitions set forth above and in the herein-defined Indenture, which shall apply to any capitalized terms used herein, the following capitalized terms shall have the following meanings, unless otherwise defined therein:

**"Annual Financial Information"** shall have the meaning ascribed thereto in paragraph (f)(9) of the Rule.

**"Annual Report"** means a document or set of documents which (a) identifies the Issuer; (b) contains (or includes by reference to documents which were filed with the SEC or with EMMA prior to the date that the Annual Report containing such reference is provided to the Dissemination Agent in accordance with Section 4 hereof): (i) Financial Information and Operating Data for the Issuer; (ii) Audited Financial Statements if such Audited Financial Statements shall have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; and (iii) Unaudited Financial Statements if the Audited Financial Statements shall not have been approved by the Governing Body at the time the Annual Report is required to be provided to the Dissemination Agent in accordance with Section 4 hereof; (c) in the event that the Issuer delivers a Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(b) hereof, contains (in the case of the Annual Report disseminated on or immediately after the date such

Continuing Disclosure Certificate is so delivered) a narrative explanation of the reasons for the changes in Financial Information and/or Operating Data set forth in such Continuing Disclosure Certificate and the effect of the changes on the types of Financial Information and/or Operating Data being provided in such Annual Report; and (d) in the event that the Issuer authorizes a change in the accounting principles by which its Audited Financial Statements are prepared, contains (in the case of the Annual Report disseminated on or immediately after the date of such change) (1) a comparison between the Financial Information prepared on the basis of the new accounting principles which is contained in such Annual Report and the Financial Information prepared on the basis of the former accounting principles which was contained in the previous Annual Report disseminated immediately prior to such Annual Report and (2) a discussion of the differences between such accounting principles and the effect of such change on the presentation of the Financial Information being provided in such Annual Report.

**"Annual Report Certificate"** means an Annual Report Certificate in the form attached hereto as Exhibit A.

**"Annual Report Date"** means the date which is 270 days after the end of a Fiscal Year.

**"Audited Financial Statements"** means the financial statements of the Issuer which have been examined by independent certified public accountants in accordance with generally accepted auditing standards.

**"Bondholder"** means (i) the registered owner of a Bond and (ii) the beneficial owner of a Bond, as the term "beneficial owner" is used in any agreement with a securities depository for the Bonds and as the term may be modified by an interpretation by the SEC of paragraph (b)(5) of the Rule.

**"Bonds"** means the \$41,620,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series).

**"Continuing Disclosure Agreement"** means this Continuing Disclosure Agreement, as the same may be supplemented and amended pursuant to Section 8 hereof.

**"Continuing Disclosure Certificate"** means a Continuing Disclosure Certificate in the form attached hereto as Exhibit B delivered by the Issuer to the Dissemination Agent pursuant to Section 5 hereof.

**"Dissemination Agent"** means Florida League of Cities, Inc., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent which is appointed pursuant to Section 3 hereof or to which the responsibilities of Dissemination Agent under this Continuing Disclosure Agreement shall have been assigned in accordance with Section 9 hereof.

**"EMMA"** means the Electronic Municipal Market Access System as described in Securities and Exchange Commission Release No. 34-59062 and maintained by the Municipal Securities Rulemaking Board for purposes of the Rule as further described in Sections 4 and 6 hereof.

**"Event Notice"** means notice of the occurrence of a Listed Event.

**"Final Official Statement"** means the Final Official Statement (as defined in paragraph (f)(3) of the Rule) prepared in connection with the Offering of the Bonds.

**"Financial Information"** means financial information related to the Issuer of the types identified in the Continuing Disclosure Certificate most recently delivered by the Issuer to the Dissemination Agent in accordance with Section 5 hereof. The Financial Information (i) shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Financial Information, and (ii) shall be prepared on the basis of the Audited Financial Statements to be provided to the Dissemination Agent concurrently with the Annual Report, provided that, if the Audited Financial Statements are to be provided to the Dissemination Agent subsequent to the date that the Annual Report is provided to the Dissemination Agent, such Financial Information may be prepared on the basis of the Unaudited Financial Statements.

**"Governing Body"** shall mean the governing body of the Issuer which shall approve the Audited Financial Statements.

**"Indenture"** means the Trust Indenture dated as of November 1, 2012, by and between the Issuer and Deutsche Bank Trust Company Americas, as Trustee.

**"Insurer"** means Assured Guaranty Municipal Corp., a New York stock insurance company, its successors and assigns.

**"Issuer"** means Florida Municipal Loan Council.

**"Listed Events"** means any of the events which are listed in paragraph (b)(5)(i)(C) of the Rule as in effect on the date hereof and which are set forth in Section 6 hereof.

**"MSRB"** means the Municipal Securities Rulemaking Board.

**"Offering"** shall have the meaning ascribed thereto in paragraph (a) of the Rule.

**"Operating Data"** means operating data of the types identified in the Continuing Disclosure Certificate most recently delivered by the Issuer to the Dissemination Agent in accordance with Section 5 hereof. The Operating Data shall be prepared for the Fiscal Year immediately preceding the date of the Annual Report containing such Operating Data.

**"Participating Underwriter"** means Wells Fargo Bank, National Association.

**"Rating Agencies"** means Fitch, Inc. and Standard & Poor's Ratings Services.

**"Rule"** means Rule 15c2-12 adopted by the SEC under the Securities Exchange Act of 1934, as amended, as the Rule may be amended from time to time, or any successor provision thereto.

"SEC" means the Securities and Exchange Commission.

"SID" means any state information depository that is established within the State of Florida and with which the Borrower is legally required to file the information set forth herein.

"Trustee" means Deutsche Bank Trust Company Americas, as trustee under the Indenture.

"Unaudited Financial Statements" means unaudited financial statements of the Issuer for any Fiscal Year which have been prepared on a basis substantially consistent with the Audited Financial Statements to be subsequently prepared for such Fiscal Year. The Unaudited Financial Statements for any Fiscal Year shall be prepared on a comparative basis with the Audited Financial Statements prepared for the preceding Fiscal Year.

**SECTION 3. Appointment of Dissemination Agent: Obligations of Issuer Respecting Undertaking.** (a) The Issuer hereby appoints Florida League of Cities, Inc. to act as the initial Dissemination Agent hereunder. Florida League of Cities, Inc. hereby accepts such appointment. The Issuer may, from time to time, appoint a successor Dissemination Agent or discharge any then acting Dissemination Agent, with or without cause. If at any time there shall be no Dissemination Agent appointed and acting hereunder or the then appointed and acting Dissemination Agent shall fail to perform its obligations hereunder, the Issuer shall discharge such obligations until such time as the Issuer shall appoint a successor Dissemination Agent or the then appointed and acting Dissemination Agent shall resume the performance of such obligations.

(b) The Issuer hereby acknowledges that the Issuer is obligated to comply with paragraph (5)(i) of the Rule in connection with the issuance of the Bonds and that the appointment of the Dissemination Agent as agent of the Issuer for the purposes herein provided does not relieve the Issuer of its obligations with respect to paragraph (5)(i) of the Rule.

**SECTION 4. Annual Financial Information.** (a) The Annual Financial Information shall be contained in the Annual Reports and, if provided separately in accordance with Section 5(b) hereof, the Audited Financial Statements which the Issuer is required to deliver to the Dissemination Agent for dissemination in accordance with this Section 4.

(b) The Dissemination Agent shall notify the Issuer of each Annual Report Date and of the Issuer's obligation hereunder not more than 60 and not less than 30 days prior to each Annual Report Date. The Issuer shall provide an Annual Report to the Dissemination Agent, together with an Annual Report Certificate, not later than each Annual Report Date, provided that, if the Annual Report does not include the Audited Financial Statements, the Issuer shall provide the Audited Financial Statements to the Dissemination Agent as soon as practicable after they shall have been approved by the Governing Body.

(c) The Dissemination Agent shall provide the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, to



EMMA, the Trustee, the Rating Agencies and the Insurer within five (5) Business Days after receipt thereof from the Issuer.

(d) The Dissemination Agent shall provide the Issuer and the Trustee written confirmation that the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, were provided to EMMA in accordance with Section 4(c) hereof.

(e) If the Dissemination Agent shall not have filed the Annual Report by the Annual Report Date, the Dissemination Agent shall so notify EMMA, the Trustee and the Insurer within five (5) Business Days of the Annual Report Date.

**SECTION 5. Continuing Disclosure Certificates.** (a) The Issuer shall prepare a Continuing Disclosure Certificate in the form attached hereto as Exhibit B in connection with the Offering of the Bonds and shall deliver the same to the Dissemination Agent for dissemination to the Participating Underwriter and Trustee.

(b) Prior to the deletion or substitution of any Financial Information and Operating Data from the information listed in Exhibit B hereto, the Issuer will obtain an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Issuer) addressed to the Issuer, the Participating Underwriter, the Trustee and the Dissemination Agent, to the effect that the Financial Information and Operating Data to be provided will comply with the Rule, as in effect on the date of the Offering of the Bonds and taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent is entitled to rely on such opinion without further investigation.

(c) Notwithstanding Section 5(b) hereof, the Issuer shall not be required to comply with Section 5(b) hereof if such Section shall no longer be deemed to be required in order for this Continuing Disclosure Agreement to comply with the Rule as a result of the adoption, rendering or delivery of (i) an amendment or interpretation of the Rule by the SEC, (ii) an adjudication of the Rule by a final decision of a court of competent jurisdiction or (iii) an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to the Issuer), in each case, to that effect.

(d) Any delivery of a Continuing Disclosure Certificate pursuant to Section 5(b) hereof shall not be deemed to be an amendment to this Continuing Disclosure Agreement and shall not be subject to the provisions of Section 8 hereof.

**SECTION 6. Reporting of Listed Events.** (a) This Section 6 governs the provision of Event Notices relating to Listed Events with respect to the Bonds. The Issuer shall provide to the MSRB and to the SID, if any, on a timely basis not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events, if such event is material with respect to the Bonds or the Issuer's ability to satisfy its payment obligations with respect to the Bonds. The following events are "Listed Events":

- (i) principal and interest payment deficiencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue 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;
- (vii) modifications to the rights of the holders of the Bonds;
- (viii) optional, contingent or unscheduled redemption calls;
- (ix) tender offers with respect to the Bonds;
- (x) defeasances;
- (xi) release, satisfaction or sale of property securing repayment of the Bonds;
- (xii) rating changes;
- (xiii) bankruptcy, insolvency, receivership or similar event of the Issuer (this event is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent or similar officer for the Issuer 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 Issuer, 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 Issuer);

- (xiv) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer 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; and
- (xv) appointment of a successor or additional trustee or the change of name of a trustee.

Appointment of a successor or additional trustee or the change of name of a trustee; and;

provided that each of the Listed Events shall be interpreted in accordance with any interpretation of the Rule by the SEC or adjudication of the Rule by a final decision of a court of competent jurisdiction which may occur subsequent to the date of the original execution and delivery hereof.

(b) Whenever the Issuer obtains actual knowledge of the occurrence of any of the Listed Events, the Issuer shall, on a timely basis and in any event within ten (10) Business Days, determine whether the occurrence of such event is material to any of the Bondholders, provided, that any event under Sections 6(i), (iii), (iv), (v), (vi), (ix), (x), (xii) and (xiii) above will always be deemed to be material.

(c) If the Issuer determines that the occurrence of any of the Listed Events is material to any of the Bondholders, the Issuer shall promptly notify the Dissemination Agent of such determination in writing and instruct the Dissemination Agent to provide Event Notice in accordance with Section 6(e) hereof.

(d) If the Issuer determines that the occurrence of the Listed Event described in such notice is not material, the Issuer shall notify the Dissemination Agent of such determination, and no Event Notice shall be provided pursuant to Section 6(e) hereof. The determination of the Issuer under this paragraph (d) shall be conclusive and binding on all parties hereto.

(e) If the Issuer instructs the Dissemination Agent to provide an Event Notice pursuant to Section 6(c) hereof, the Dissemination Agent shall, within three (3) Business Days thereafter, file an Event Notice with EMMA, the Trustee, the Rating Agencies and the Insurer. The Dissemination Agent shall provide the Issuer and the Trustee written confirmation that such Event Notice was provided to EMMA in accordance with this Section 6(e).

(f) Notwithstanding the foregoing, an Event Notice with respect to a Listed Event described in Section 6(a)(viii) or (ix) shall not be given under this Section 6 any earlier than the notice (if any) of such event is given to the affected Bondholders pursuant to the Indenture, as confirmed to the Dissemination Agent by the Trustee. The Dissemination Agent shall have no liability for failure of notice given to Bondholders if it does not receive the necessary confirmation from the Trustee after written request.

(g) Notwithstanding the foregoing, whenever the Issuer authorizes a change in either its Fiscal Year or the accounting principles by which its Audited Financial Statements are prepared, the Issuer shall provide the Dissemination Agent with written notice of such change and instruct the Dissemination Agent to file a copy of such notice with EMMA, the Insurer, the Rating Agencies and the Trustee, and the Dissemination Agent shall, within three (3) Business Days thereafter, file a copy of such notice with EMMA, the Insurer, the Rating Agencies and the Trustee. The Dissemination Agent shall provide the Issuer written confirmation that such notice was provided to EMMA in accordance with this Section 6(g).

**SECTION 7. Additional Information.** Nothing in this Continuing Disclosure Agreement shall be deemed to prevent (i) the Issuer from disseminating any information or notice of the occurrence of any event using the means of dissemination specified in this Continuing Disclosure Agreement or other means or (ii) the Issuer from including in an Annual Report any information which shall be in addition to the Financial Information, Operating Data and Audited or Unaudited Financial Statements required by Section 4 hereof to be included in such Annual Report, provided that this Continuing Disclosure Agreement shall not be deemed to require the Issuer to include or update any such additional information in any subsequently prepared Annual Report.

**SECTION 8. Amendments: Waivers.** This Continuing Disclosure Agreement may be amended, and any provision hereof may be waived, by the parties hereto if prior to the effective date of any such amendment or waiver, the Issuer delivers to the Dissemination Agent and the Trustee an opinion of nationally recognized disclosure counsel (which may also act as outside counsel to one or more members of the Issuer), to the effect that this Continuing Disclosure Agreement (taking into account such amendment or waiver) complies with the Rule, as in effect on the date of the Offering of Bonds or after the execution and delivery of this Continuing Disclosure Agreement, taking into account any amendment or interpretation of the Rule by the SEC or any adjudication of the Rule by a final decision of a court of competent jurisdiction which may have occurred subsequent to the execution and delivery of this Continuing Disclosure Agreement. The Dissemination Agent shall notify EMMA of any such amendment and shall provide EMMA with a copy of any such amendment.

**SECTION 9. Assignment.** The Issuer may not assign its obligations under this Continuing Disclosure Agreement. The Dissemination Agent may assign its rights and responsibilities hereunder to a third party with the consent of the Issuer, which shall not be unreasonably withheld.

**SECTION 10. Compensation of the Dissemination Agent.** As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the Issuer agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence.

**SECTION 11. Concerning the Dissemination Agent and the Issuer.** (a) The Dissemination Agent is not answerable for the exercise of any discretion or power under this Continuing Disclosure Agreement or for anything whatever in connection herewith, except only its own willful misconduct or gross negligence. The Dissemination Agent shall have no liability to the Bondholders or any other person with respect to the undertakings described in Section 1 hereof except as expressly set forth in this Continuing Disclosure Agreement regarding its own willful misconduct or gross negligence.

(b) The Dissemination Agent has no responsibility or liability hereunder for determining compliance for any information submitted hereunder with any law, rule or regulation or the terms of this agreement. The Dissemination Agent shall have no responsibility for disseminating information not delivered to it or giving notice of non-delivery except as specifically required hereunder; and

(c) The parties to this Continuing Disclosure Agreement acknowledge and agree that the Issuer assumes no obligations hereunder other than those specifically assumed by the Issuer herein.

**SECTION 12. Termination of this Continuing Disclosure Agreement.** This Continuing Disclosure Agreement shall terminate at such time as the Bonds are no longer outstanding.

**SECTION 13. Beneficiaries.** This Continuing Disclosure Agreement shall inure solely to the benefit of the Dissemination Agent, the Trustee, the Issuer, the Insurer, the Participating Underwriter and the Bondholders. This Continuing Disclosure Agreement shall not be deemed to inure to the benefit of or grant any rights to any party other than the parties specified in the preceding sentence.

**SECTION 14. Counterparts.** This Continuing Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

**SECTION 15. Governing Law.** This Continuing Disclosure Agreement shall be governed by the laws of the State of Florida.

**IN WITNESS WHEREOF**, the Issuer and the Dissemination Agent have caused this Continuing Disclosure Agreement to be executed and delivered as of the date first written above.

FLORIDA MUNICIPAL LOAN COUNCIL,  
as Issuer

By: \_\_\_\_\_  
Its: Chairman

FLORIDA LEAGUE OF CITIES, INC., as  
Dissemination Agent

By: \_\_\_\_\_  
Its: Executive Director

## EXHIBIT A

### **Form of Annual Report Certificate**

The undersigned duly appointed and acting \_\_\_\_\_ of Florida Municipal Loan Council, as Issuer under the Continuing Disclosure Agreement (hereinafter described) (the "Issuer"), hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of November 1, 2012 (the "Continuing Disclosure Agreement") executed and delivered by the Issuer and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.

2. Annual Report. Accompanying this Annual Report Certificate is the Annual Report for the Fiscal Year ended.

3. Compliance with Continuing Disclosure Agreement. The Annual Report is being delivered to the Dissemination Agent herewith not later than 270 days after the end of the Fiscal Year to which the Annual Report relates. The Annual Report contains, or includes by reference, Financial Information and Operating Data of the types identified in the Continuing Disclosure Certificate most recently delivered to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement. To the extent any such Financial Information or Operating Data is included in the Annual Report by reference, any document so referred to has been previously provided to EMMA or filed with the SEC.

Such Financial Information and Operating Data have been prepared on the basis of the [Audited/Unaudited] Financial Statements. [Such Audited Financial Statements are included as part of the Annual Report.] [Because the Audited Financial Statements have not been approved by the Issuer as of the date hereof the Unaudited Financial Statements have been included as part of the Annual Report. The Unaudited Financial Statements have been prepared on a basis substantially consistent with such Audited Financial Statements. The Issuer shall deliver such Audited Financial Statements to the Dissemination Agent as soon as practicable after they have been approved by the Governing Body.]

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Annual Report Certificate to the Dissemination Agent, which has received such certificate and the Annual Report, all as of the day of the 1<sup>st</sup> day of November, 2012.

FLORIDA MUNICIPAL LOAN COUNCIL, as  
Issuer

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

Acknowledgment of Receipt:

\_\_\_\_\_  
as Dissemination Agent

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



## EXHIBIT B

### Form of Section 5(a) Continuing Disclosure Certificate

Florida League of Cities, Inc.  
Tallahassee, Florida  
Wells Fargo Bank, National Association  
Clearwater, Florida

The undersigned duly appointed and acting Chairman of Florida Municipal Loan Council (the "Issuer") hereby certifies on behalf of the Issuer pursuant to the Continuing Disclosure Agreement dated as of November 1, 2012 (the "Continuing Disclosure Agreement") executed and delivered by the Issuer and accepted by Florida League of Cities, Inc., as Dissemination Agent (the "Dissemination Agent"), as follows:

1. Definitions. Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Continuing Disclosure Agreement.

2. Purpose. The Issuer is delivering this Continuing Disclosure Certificate to the Dissemination Agent pursuant to Section 5(a) of the Continuing Disclosure Agreement.

3. Written Undertaking. On behalf of the Issuer, the Issuer hereby designates the Continuing Disclosure Agreement to be the written undertaking under paragraph (b)(5) of the Rule with respect to the \$41,620,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series).

4. Financial Information and Operating Data Included in Final Official Statement. The following types of Financial Information and Operating Data were included in the Final Official Statement for the Bonds and are to be included in the Annual Report:

(a) Financial Information None

(b) Operating Data None

5. Annual Report. Until such time as the Issuer delivers a revised Continuing Disclosure Certificate and an opinion of disclosure counsel to the Dissemination Agent pursuant to Section 5 of the Continuing Disclosure Agreement, the Financial Information and Operating Data of the types identified in paragraph 4 of this certificate shall be included in the Annual Reports delivered by the Dissemination Agent pursuant to Section 4 of the Continuing Disclosure Agreement.

**IN WITNESS WHEREOF**, the undersigned has executed and delivered this Continuing Disclosure Certificate to the Dissemination Agent, which has received the same, all as of the 1<sup>st</sup> day of November, 2012.

FLORIDA MUNICIPAL LOAN COUNCIL,  
as Issuer

By: \_\_\_\_\_  
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,  
as Dissemination Agent

By: \_\_\_\_\_  
Its: Executive Director

**APPENDIX C**  
**FORM OF THE INDENTURE**

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Issuer

and

DEUTSCHE BANK TRUST COMPANY AMERICAS,

Trustee

TRUST INDENTURE

\$41,620,000

Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A  
(City of Hialeah Series)

Dated as of November 1, 2012

This instrument also constitutes a security agreement under the laws of the State of Florida.

This Instrument Prepared by:

JoLinda Herring, Esq.  
Bryant Miller Olive P.A.  
SunTrust International Center  
1 SE 3rd Avenue  
Suite 2200  
Miami, FL 33131

and

Grace E. Dunlap, Esq.  
Bryant Miller Olive P.A.  
One Tampa City Center, Suite 2700  
Tampa, Florida 33602

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TRUST INDENTURE

THIS TRUST INDENTURE is made and entered into as of November 1, 2012, by and between FLORIDA MUNICIPAL LOAN COUNCIL, a legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida (the "Council"), and DEUTSCHE BANK TRUST COMPANY AMERICAS, a New York State banking corporation, duly organized, existing and authorized to accept and execute trusts of the character herein set out, as Trustee (the "Trustee").

WITNESSETH:

WHEREAS, all capitalized undefined terms used herein shall have the meanings set forth in Article I hereof; and

WHEREAS, the Council is duly created and existing pursuant to the Constitution and laws of the State, including particularly the Interlocal Act, and initially certain resolutions of the City of Stuart, Florida, the City of Deland, Florida and the City of Rockledge, Florida; and

WHEREAS, the Council, pursuant to the authority of the Interlocal Act and other applicable provisions of law, is authorized, among other things, to issue revenue bonds on behalf of and for the benefit of the Borrower in the State in order to finance, refinance or reimburse the cost of qualified Projects of the Borrower, such bonds to be secured by instruments evidencing and securing loans to the Borrower and to be payable solely out of the payments made by the Borrower pursuant to the Loan Agreement entered into between the Borrower and the Council or from other moneys designated as available therefor and not otherwise pledged or used as security, and to enter into a trust indenture providing for the issuance of such bonds and for their payment and security; and

WHEREAS, the Council has determined that the public interest will be best served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to provide funds to loan to the Borrower to finance, refinance or reimburse the cost of qualifying Projects pursuant to the Loan Agreement between the Borrower and the Council; and

WHEREAS, the Council has previously by a resolution adopted on October 23, 2002 (the "Resolution"), authorized the issuance of its Florida Municipal Loan Council Revenue Bonds, in various series in an additional aggregate principal amount of not exceeding \$750,000,000, pursuant to certain trust indentures, to provide funds to finance, refinance or reimburse the cost of qualified Projects of the Borrower; and

WHEREAS, the Council has now determined to issue its \$41,620,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah

GRANTING CLAUSE SECOND

All moneys and securities from time to time held by the Trustee under the terms of this Indenture (except for moneys and securities held in the Rebate Fund); and

GRANTING CLAUSE THIRD

All Revenues, any proceeds of the Bond Insurance Policy, any and all other property, rights and interests of every kind and nature from time to time hereafter by delivery or by writing of any kind granted, bargained, sold, alienated, demised, released, conveyed, assigned, transferred, pledged, hypothecated or otherwise subjected hereto, as and for additional security herewith, by the Council or any other person on its behalf or with its written consent, and the Trustee is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof;

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, to the Trustee and its respective successors in trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the Bonds issued under and secured by this Indenture and the Bond Insurer without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that the holders of the Bonds shall be entitled to payment only from the Loan Agreement more fully described in Granting Clause First hereof pledged for the payment of such Bonds, the Funds and Accounts set forth in Granting Clause Second hereof established for such Bonds and the Revenues, proceeds of the Bond Insurance Policy and other property, rights and interests described in Granting Clause Third pledged for the payment of such Bonds;

AND FURTHER PROVIDED, that if the Council, its successors or assigns, shall well and truly pay, or cause to be paid, the principal of, premium, if any, and interest on the Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds and as provided in Article II hereof according to the true intent and meaning thereof, and shall cause the payments to be made as required under Article II hereof, or shall provide, as permitted hereby, for the payment thereof in accordance with Article VIII hereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee and any Paying Agent all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as provided in Article VIII hereof, this Indenture and the rights hereby granted shall cease, terminate and be void and the Trustee shall thereupon cancel and discharge this Indenture and execute and deliver to the Council such instruments in writing as shall be requisite to evidence the discharge hereof.

Series) at this time pursuant to this Trust Indenture for the purposes more fully described herein; and

WHEREAS, in order to secure the payment when due of the principal of, premium, if any, and interest on the Bonds, the Borrower has covenanted or pledged in its Loan Agreement to budget and appropriate legally available non-ad valorem revenues sufficient for that purpose; and

WHEREAS, the Council has obtained a commitment from the Bond Insurer to issue a Bond Insurance Policy in connection with the issuance of the Bonds.

NOW, THEREFORE, THIS TRUST INDENTURE

WITNESSETH:

GRANTING CLAUSES

The Council, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Council of all the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, sell, convey, mortgage, assign, pledge and grant, without recourse, a security interest in the Trust Estate to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Council hereinafter set forth:

GRANTING CLAUSE FIRST

All right, title and interest of the Council under the Loan Agreement (excluding fees and expenses payable to the Council and rights of the Council to indemnity and notices thereunder and excluding any payments made by the Borrower to comply with the rebate provisions of Section 148(f) of the Code) if, as and when entered into by the Borrower and any documents securing payment thereunder, including all extensions and renewals of any of the terms of the Loan Agreement and any documents securing payment thereunder, if any, and without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any income, issues and profits and other sums of money payable to or receivable by the Council to bring actions or proceedings under the Loan Agreement, any documents securing payment thereunder or for the enforcement thereof, and to do any and all things which the Council is or may become entitled to do under or due to its ownership of the interests hereby granted in the Loan Agreement; and

THIS TRUST INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all of the Trust Estate is to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Council has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective owners, from time to time, of the Bonds, or any part thereof, as follows:

ARTICLE I

DEFINITIONS AND RULES OF INTERPRETATION

SECTION 1.01. Definitions.

Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Indenture and of any Supplemental Indenture, have the meanings herein specified.

"2003A Bonds" means the pro rata portion of the Issuer's Revenue Bonds, Series 2003A, relating to the Borrower's loan therefrom.

"2003A Loan" means the loan from the Issuer to the Borrower funded from the proceeds of the 2003A Bonds secured by the Loan Agreement dated as of May 1, 2003, between the Issuer and the Borrower.

"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants.

"Accounts" means the accounts created pursuant to Section 4.02 hereof.

"Act" means collectively, Chapter 163, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes, and Chapter 125, Part I, Florida Statutes, each as amended, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 of the Loan Agreement.

"Amortization Installment" with respect to any Term Bonds, shall mean an amount so designated for mandatory principal installments (for mandatory call or otherwise) payable on any Terms Bonds issued under the provisions of this Indenture.

"Arbitrage Regulations" means the income tax regulations promulgated, proposed or applicable pursuant to Section 148 of the Code, as the same may be amended or supplemented or proposed to be amended or supplemented from time to time.

"Authorized Denominations" means \$5,000 and integral multiples thereof.

"Authorized Representative" means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents or representatives as may hereafter be selected by Council resolution and, when used with reference to the Borrower means the person performing the functions of the Mayor or Deputy or Vice Mayor thereof and, and, when used with reference to an act or document, also means any other person authorized by resolution to perform such act or sign such document.

"Average Debt Service Requirement" means the total amount of Debt Service Requirement on the series of Bonds to become due on all Bonds of such series divided by the total number of years for which such series of Bonds are deemed to be Outstanding.

"Basic Payments" means the payments denominated as such in Section 5.01 of the Loan Agreement.

"Board" means the governing body of the Borrower.

"Bond Counsel" means Bryant Miller Olive P.A., Miami, Florida, or any other nationally recognized bond counsel which is selected by the Council and acceptable to the Trustee.

"Bondholder" or "Holder" or "holder of Bonds" or "Owner" or "owner of Bonds", whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

"Bond Insurance Policy" means the municipal bond insurance policy of the Bond Insurer guaranteeing the scheduled payment when due of the principal of and interest on the Insured Bonds, as provided therein.

"Bond Insurance Premium" with respect to the Insured Bonds, means the premium payable to the Bond Insurer for the Bond Insurance Policy.

"Bond Insurer" means Assured Guaranty Municipal Corp. and any successor thereto.

"Bond Year" means a 12-month period beginning on October 2, ending on and including the following October 1, except for the first period which begins on November 8, 2012 and ends on October 1, 2013.

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"Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the Council or the Borrower.

"Debt Service Requirement" means for any Bond year, at any time, the amount required to be deposited in such Bond Year into the Revenue Fund, as provided herein.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Depository" means the securities depository acting as Depository under this Indenture, which may be the Council.

"Designated Member" means any designated person selected by the Council.

"Designated Office" means, with respect to the Trustee, the office set forth in or pursuant to Section 14.05 hereof.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Escrow Account" means the account held by the escrow agent pursuant to the terms of the Escrow Deposit Agreement.

"Escrow Deposit Agreement" means the Escrow Deposit Agreement, dated as of November 8, 2012, between the Council and Deutsche Bank Trust Company Americas, as escrow agent.

"Event of Default" means any occurrence or event specified in Section 9.01 hereof.

"Executive Director" means the Executive Director of the Program Administrator and his successor.

"Financial Newspaper" or "Journal" means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each Business Day and circulated in New York, New York, and selected by the Trustee, whose decision shall be final and conclusive.

"Fiscal Year" means the fiscal year of the Borrower.

"Fitch" means Fitch, Inc. d/b/a Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and if such corporation shall be

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"Bonds" means the \$41,620,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series) issued hereunder.

"Borrower" means the City of Hialeah, Florida, a governmental unit which has entered into a Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance and/or be reimbursed for, all or a portion of the costs of one or more Projects.

"Business Day" means a day of the year which is not a Saturday or Sunday or a day on which the Trustee is lawfully closed or on which the New York Stock Exchange is closed.

"Certificate," "Statement," "Request," "Requisition" and "Order" of the Council mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Council by its Chairman, Executive Director or such other person as may be designated and authorized to sign for the Council. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing" means the closing of a Loan pursuant to this Indenture and a Loan Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated, proposed, or applicable thereunder.

"Commencement Date" means the date when the term of a Loan Agreement begins and the obligation of the Borrower thereunder to make Loan Repayments accrues.

"Council" means the Florida Municipal Loan Council.

"Cost" means the purchase price of any project acquired; the cost of improvements; the cost of construction, extension or enlargement; the cost of all lands, properties, rights, easements and franchises acquired; the cost of all machinery and equipment, financing charges, interest during construction; and, if deemed advisable, for one year after completion of construction, cost of investigations, audits, and engineering and legal services; and all other expenses necessary or incident to determining the feasibility or practicability of such acquisition or construction, administrative expense and such other expenses as may be necessary or incident to the financing herein authorized and to the acquisition or construction of a project and the placing of the same in operation. Any obligation or expense incurred by the Borrower prior to the issuance of bonds for engineering studies and for estimates of cost and of revenues, and for other technical, financial, or legal services in connection with the acquisition or construction of any project, may be regarded as a part of the cost of such project.

"Cost of Issuance Fund" means the fund by that name created by Section 4.02 hereof.

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dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with approval of the Bond Insurer, by notice to the Trustee.

"Funds" means the funds created pursuant to Section 4.02 hereof.

"Governmental Obligations" means (a) direct and general obligations of the United States of America, or those which are unconditionally guaranteed as to principal and interest by the same, and (b) pre-refunded municipal obligations meeting the following criteria:

- (i) the municipal obligations must be rated AAA by S&P and AAA by Fitch and may not be callable prior to maturity or, alternatively, the trustee has received irrevocable instructions concerning their calling and redemption;
- (ii) the municipal obligations are secured by cash or securities described in clause (a) above (the "Defeasance Obligations"), which cash or Defeasance Obligations may be applied only to interest, principal, and premium payments of such municipal obligations;
- (iii) the principal and interest of the Defeasance Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the municipal obligations;
- (iv) the Defeasance Obligations serving as security for the municipal obligations must be held by an escrow agent or a trustee; and
- (v) the Defeasance Obligations are not available to satisfy any other claims, including those against the Trustee or escrow agent.

Additionally, evidences of ownership of proportionate interests in future interest and principal payments of Defeasance Obligations are permissible. Investments in these proportionate interests are limited to circumstances wherein (a) a bank or trust company acts as custodian and holds the underlying obligations; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying obligations; and (c) the underlying obligations are held in a special account separate and apart from the custodian's general assets, and are not available to satisfy any claim of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Indenture" means this Trust Indenture dated as of November 1, 2012, between the Council and the Trustee, including any indentures supplemental thereto, pursuant to which (i) the Bonds are authorized to be issued and (ii) the Council's interest in the Trust Estate is pledged as security for the payment of principal of, premium, if any, and interest on the Bonds.

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"Insured Bonds" means the Bonds maturing in the years 2018, through and including, 2033.

"Insurance Proceeds" means amounts which are deposited by the Bond Insurer with the Trustee pursuant to Article IX hereof as a condition of the direction of acceleration of all or a portion of the Bonds by the Bond Insurer.

"Interest Payment Date" means May 1 and November 1 of each year, beginning May 1, 2013.

"Interest Period" means the period commencing on an Interest Payment Date and ending on the day preceding the next Interest Payment Date, provided that the initial Interest Period shall commence on the dated date of the Bonds.

"Interlocal Act" means Chapter 163, Part I, Florida Statutes.

"Interlocal Agreement" means that certain Interlocal Agreement originally dated as of December 1, 1998, among the various governmental entities executing it from time to time, (until the withdrawal of such members) the original parties to which are the City of Stuart, the City of Deland and the City of Rockledge.

"Investment Securities" means any securities lawful for investment under the laws of the State.

"Liquidation Proceeds" means amounts received by the Trustee or the Council in connection with the enforcement of any of the remedies under the Loan Agreement after the occurrence of an "event of default" under the Loan Agreement which has not been waived or cured.

"Loan" means the loan to the Borrower from proceeds of the Bonds to finance, refinance or reimburse the Project or Projects pursuant to the Loan Agreement in the amount specified in Section 3.01 of the Loan Agreement.

"Loan Agreement" means the Loan Agreement between the Council and the Borrower with respect to the Bonds, and any amendments and supplements thereto which are executed for the purpose of securing repayment of the Loan made by the Council to the Borrower from proceeds of the Bonds and establishing the terms and conditions upon which such Loan is to be made.

"Loan Repayment Date" means April 20, 2013 and thereafter each October 20th and April 20th or if such day is not a Business Day, the next preceding Business Day.

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"Program Administrator" means the Florida League of Cities, Inc., a non-profit Florida corporation.

"Project" or "Projects" means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness and shall specifically be the Project as described in the Borrower's Loan Agreement.

"Project Loan Fund" means the fund by that name created by Section 4.02 hereof.

"Purchase Price" means the purchase price of one or more items of a Project negotiated by a Borrower with the seller of such items.

"Rating Category" means one of the generic rating categories of either Fitch or S&P, without regard of any refinement or graduation of such rating category by a numerical modifier or otherwise.

"Rebate Fund" means the fund by that name created by Section 4.02 hereof.

"Record Date" means, with respect to any Interest Payment Date, the 15th day of the calendar month preceding such Interest Payment Date.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption pursuant to the provisions of such Bond and this Indenture.

"Refunded Bonds" means the pro rata portion of the Issuer's Revenue Bonds, Series 2003A, maturing on and after May 1, 2014, and relating to the Borrower's loan therefrom.

"Registrar" means the Trustee.

"Representation Letter" shall mean the Representation Letter from the Council to DTC.

"Revenue Fund" means the fund by that name created by Section 4.02 hereof and all accounts therein.

"Revenues" means all Loan Repayments paid to the Trustee for the Account of the Borrower for deposit in the Revenue Fund and the Principal Fund to pay principal of, premium, if any, and interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of the Loan Agreement.

"S&P" means Standard & Poor's Ratings Services, a business of Standard & Poor's Financial Services LLC, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of the Loan Agreement.

"Loan Term" means the term provided for in Article IV of the Loan Agreement.

"Non-Ad Valorem Revenues" means, with respect to the Borrower, all revenues and taxes of such Borrower derived from any source whatsoever other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

"Opinion of Bond Counsel" means an opinion by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income of interest payable on obligations of states and their instrumentalities and political subdivisions, and which is selected by the Council and acceptable to the Trustee and the Bond Insurer.

"Opinion of Counsel" means an opinion in writing of a legal counsel, who may, but need not be, counsel to the Council, a Borrower or the Trustee.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at maturity or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII hereof; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07 or 2.09 hereof.

"Paying Agent" means the Trustee.

"Person" means any individual, corporation, partnership, association, trust or any other entity or organization including a government or political subdivision or an agency or instrumentality thereof.

"Principal Fund" means the fund by that name created by Section 4.02 hereof.

"Principal Payment Date" means the maturity date or mandatory redemption date of any Bond.

"Program" means the Council's program of making Loans under the Act and pursuant to this Indenture.

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shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, by notice to the Trustee.

"Special Record Date" means the date established pursuant to Section 9.05 as a record date for the payment of defaulted interest on the Bonds.

"State" means the State of Florida.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Council and the Trustee, supplementing, modifying or amending this Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

"Taxable Bonds" means any Bond that the interest income thereof is includable in the gross income of the Bondholder thereof for federal income tax purposes or that such interest is subject to federal income taxation.

"Term Bonds" mean the Bonds which are subject to Amortization Installments, and are designated as Term Bonds.

"Trustee" means Deutsche Bank Trust Company Americas, as Trustee, or any successor thereto under this Indenture.

"Trust Estate" means the property, rights, Revenues and other assets pledged and assigned to the Trustee pursuant to the Granting Clauses hereof.

**SECTION 1.02. Rules of Interpretation.** For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) "This Indenture" means this instrument as originally executed and as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

(b) All reference in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein", "hereof", "hereunder" and "herewith", and other words of similar import, refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(c) The terms defined in this Article have the meanings assigned to them in this Article and include the plural as well as the singular.

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(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.

(e) The terms defined elsewhere in this Indenture shall have the meanings therein prescribed for them.

(f) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(g) The headings or captions used in this Indenture are for convenience of reference only and shall not define or limit or describe any of the provisions hereof or the scope or intent hereof.

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ARTICLE II

THE BONDS

SECTION 2.01. Authorization; Book-Entry System.

(a) Authorization, Issuance and Execution of Bonds. A single series of Bonds may be issued hereunder in order to obtain moneys to carry out the purposes of the Program for the benefit of the Council and the Borrower. The Bonds shall be designated as "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series)." At any time after the execution of this Indenture, the Council may execute and the Trustee shall authenticate and, upon request of the Council, deliver the Bonds in the aggregate principal amounts set forth in the definition of "Bonds." This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds appertaining thereto to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

The Bonds shall be issuable as fully registered bonds without coupons and shall be executed in the name and on behalf of the Council with the manual or facsimile signature of its Chairman, under its seal attested by the manual or facsimile signature of its Executive Director or Designated Member. Such seal may be in the form of a facsimile of the Council's seal and may be reproduced, imprinted or impressed on the Bonds. The Bonds shall then be delivered to the Registrar, as hereinafter defined, for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Council before the Bonds so signed and attested shall have been authenticated or delivered by the Registrar or issued by the Council, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Council as though those who signed and attested the same had continued to be such officers of the Council, and also any Bond may be signed and attested on behalf of the Council by such persons as at the actual date of execution of such Bond shall be the proper officers of the Council although at the nominal date of such Bond any such person shall not have been such officer of the Council.

Only such of the Bonds as shall bear thereon a certificate of authentication substantially in the form hereinafter recited, manually executed by the Registrar as hereinafter defined, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Registrar shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

(b) The Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each of the maturities. Upon initial issuance, the ownership of each such Bond shall be registered in the registration books kept by the Registrar in the name of

Cede & Co., as nominee of DTC. Except as provided in this Section, all of the outstanding Bonds shall be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC.

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

Upon receipt by the Council of written notice from DTC (i) to the effect that DTC has received written notice from the Council to the effect that a continuation of the requirement that all of the outstanding Bonds be registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, is not in the best interest of the beneficial owners of the Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever

name or names Holders transferring or exchanging Bonds shall designate, in accordance with the provision hereof.

SECTION 2.02. Maturity and Interest Rate Provisions. The Bonds shall be dated November 8, 2012. They shall be numbered consecutively from R-1 upward. They shall be in the denomination of \$5,000 each, or integral multiples thereof. Each 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 payment date, in which case it shall bear interest from its date.

The Bonds shall bear interest and shall mature at the rates, in the amounts and on the dates set forth below:

\$33,020,000 Serial Bonds

Maturity Date	Amount	Interest Rate
(May 1*)		
2013	\$ 130,000	2.000%
2014	1,360,000	3.000
2015	1,405,000	4.000
2016	1,460,000	4.000
2017	1,520,000	4.000
2018	1,580,000	4.000
2019	1,645,000	4.000
2020	1,710,000	5.000
2021	1,795,000	5.000
2022	1,885,000	5.000
2023	1,980,000	5.000
2024	2,080,000	5.000
2025	2,180,000	5.000
2026	2,290,000	3.250
2027	2,365,000	3.250
2028	2,445,000	3.500
2029	2,530,000	5.000
2030	2,660,000	3.750

\$8,600,000 4.000% Term Bonds due May 1, 2033\*

\*The Bonds maturing in the years 2018 through 2033 are insured by a municipal bond insurance policy issued by Assured Guaranty Municipal Corp.

**SECTION 2.03. Payment Provisions.** The principal of, premium, if any, and interest on the 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. Principal of and premium, if any, on the Bonds shall be payable at the designated corporate trust office of the Trustee, or any successor paying agent and registrar appointed pursuant to the provisions of Sections 10.12 and 10.13 hereof (the "Paying Agent" or "Registrar"), and payment of the interest on each Bond shall be made by the Paying Agent on each Interest Payment Date to the person appearing as the registered owner thereof on the bond registration books maintained by the Registrar as of the close of business on the Record Date preceding the Interest Payment Date (or, if interest on the Bonds is in default and the Bond Insurer is in default under the Bond Insurance Policy, a Special Record Date established pursuant to Section 9.05), by check mailed on the Interest Payment Date to such registered owner at his address as it appears on such registration books or at the prior written request and expense of an owner of \$1,000,000 in aggregate principal amount of Bonds, by bank wire transfer to a domestic bank account, notwithstanding the cancellation of any such Bonds upon any exchange or transfer thereof subsequent to the Record Date or Special Record Date and prior to such Interest Payment Date. Payment of the principal (or redemption price), of the Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable.

**SECTION 2.04. Matters Concerning Bond Insurance Policy.** Notwithstanding anything to the contrary in the Indenture, so long as (i) any Insured Bonds are Outstanding and (ii) the Bond Insurance Policy relating to the Insured Bonds is in full force and effect and the Insurer has not defaulted in its payment obligations thereunder, the Council agrees to comply with the following provisions:

- (a) Prior notice of the advance refunding or redemption of any of the Insured Bonds, including the principal amount, maturities and CUSIP numbers of such Insured Bonds;
- (b) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;
- (c) Notice of the commencement of any proceeding by or against the Council commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
- (d) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of the principal of, or interest on, the Insured Bonds;
- (e) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Indenture or the Loan Agreement;

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Indenture, to be kept by the Registrar. Upon surrender for transfer of any Bond at the Designated Office of the Registrar, accompanied by an assignment duly executed by the registered Owner or his attorney-in-fact duly authorized in writing, the Council shall execute and the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds for a like aggregate principal amount.

Bonds of the same type may be exchanged at the Designated Office of the Registrar for a like aggregate principal amount of Bonds of other Authorized Denominations. The Council shall execute and the Registrar shall authenticate and deliver Bonds which the Bondholder making the exchange is entitled to receive, bearing numbers not contemporaneously outstanding.

The Registrar shall not be required to (i) transfer or exchange any Bonds during the ten (10) days next preceding any day upon which notice of redemption of Bonds is to be mailed or (ii) transfer or exchange any Bonds selected, called or being called for redemption in whole or in part.

The person in whose name any Bond shall be registered shall be deemed and regarded by the Trustee, the Registrar, the Paying Agent and the Council as the absolute Owner thereof for all purposes, and payment of or on account of the principal of, premium, if any, or interest on any Bond shall be made only to or upon the written order of the registered Owner thereof or his legal representative, subject to Section 2.03 hereof, and neither the Council nor the Trustee, the Paying Agent nor the Registrar shall be affected by any notice to the contrary, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums paid.

A reasonable transfer charge may be made for any exchange or transfer of any Bond and the Registrar shall require the payment by any Bondholder requesting exchange or transfer of a sum sufficient to cover any tax or other governmental charge required to be paid with respect to such exchange or transfer and a sum sufficient to pay the cost of preparing each new Bond issued upon such exchange or transfer.

**SECTION 2.08. Cancellation of Bonds.** Whenever any Outstanding Bond shall be delivered to the Registrar for cancellation pursuant to this Indenture, upon payment of the principal amount, or for replacement pursuant to Section 2.06 hereof or for transfer or exchange pursuant to Sections 2.07 or 2.09 hereof, such Bond shall be canceled by the Registrar.

**SECTION 2.09. Temporary Bonds.** Pending the preparation of definitive Bonds, the Council may execute and the Registrar shall authenticate and deliver temporary Bonds. Temporary Bonds shall be issuable as fully registered Bonds, of any Authorized Denomination, and substantially in the form of the definitive Bonds but with such omissions, insertions and variations as may be appropriate for temporary Bonds, all as may be determined by the

(f) All reports, notices and correspondence to be delivered to the holders of the Insured Bonds under the terms of the Indenture or the Loan Agreement;

(g) In addition, with respect to the Continuing Disclosure Agreement executed in connection with the Insured Bonds, all information furnished pursuant to such agreement shall also be provided to the Bond Insurer, simultaneously with the furnishing of such information thereunder;

(h) The Bond Insurer shall have the right to receive such addition information as it may reasonably request;

(i) The Council also permits the Bond Insurer to discuss the affairs, finances and accounts of the Council or any information the Bond Insurer may reasonably request regarding the security for the Insured Bonds with appropriate officers of the Council or the Program Administrator and will use commercially reasonable efforts to enable the Bond Insurer to have access to the facilities, books and records of the Council on any business day upon reasonable prior notice; and

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

**SECTION 2.05. Payments in Advance of Scheduled Maturity Dates by the Bond Insurer.** In the event that the Bond Insurer shall make any payments of principal of and/or interest on any of the Insured Bonds pursuant to the terms of the Bond Insurance Policy and the Insured Bonds are accelerated or are redeemed pursuant to Section 3.02 hereof, the Bond Insurer may at any time and at its sole option pay all or a portion of amounts due under the Bonds to the Insured Bondholders of Insured Bonds prior to the stated maturity dates thereof.

**SECTION 2.06. Mutilated, Lost, Stolen or Destroyed Bonds; Bonds Not Delivered for Redemption.** If any Bond is mutilated, lost, stolen or destroyed, the Council shall execute and the Registrar shall authenticate a new Bond of the same date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Registrar, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Council and the Registrar evidence of such loss, theft or destruction satisfactory to the Council and the Registrar, together with an indemnity satisfactory to them. In the event any such Bond shall have matured or been called for redemption, instead of issuing a duplicate Bond, the Paying Agent may pay the same. The Council and the Registrar may charge the Owner of such Bond with their reasonable fees and expenses in connection with replacing any Bond mutilated, lost, stolen or destroyed.

**SECTION 2.07. Transfer and Exchange of Bonds; Persons Treated as Owners.** The Council shall cause books for the registration and transfer of the Bonds, as provided in this

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Council. Temporary Bonds may be issued without specific terms and may contain such reference to any provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Council and authenticated by the Registrar upon the same conditions and in substantially the same manner, and with like effect, as the definitive Bonds. As promptly as practicable, the Council shall execute and shall furnish definitive Bonds and thereupon temporary Bonds may be surrendered in exchange therefor without charge at the principal corporate trust office of the Registrar, and the Registrar shall authenticate and deliver in exchange for such temporary Bonds a like aggregate principal amount of definitive Bonds. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds.

**SECTION 2.10. Nonpresentment of Bonds.** In the event any Bond shall not be presented for payment when the principal thereof becomes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, or if any interest check shall not be cashed, if funds sufficient to pay such Bond or interest shall have been made available by the Council to the Trustee or Paying Agent for the benefit of the Owner thereof, all liability of the Council to the Owner thereof for the payment of such Bond or interest, as the case may be, shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee or Paying Agent to hold such funds, uninvested and without liability for interest thereon, for the benefit of the Owner of such Bond or interest, as the case may be, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond or interest, as the case may be, provided that any money deposited with the Trustee or Paying Agent for the payment of the principal of (and premium, if any) or interest on any Bond and remaining unclaimed for six years after such principal (and premium, if any) or interest has become due and payable shall be paid to the Council, and the Owner of such Bond or interest, as the case may be, shall thereafter, as an unsecured general creditor, look only to the Council for payment thereof, and all liability of the Trustee or Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Trustee, before making any such payment to the Council, shall, at the expense of the Council, cause to be published once, in a Financial Newspaper or Journal, notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such publication, any unclaimed balance of such money then remaining will be paid to the Council.

**SECTION 2.11. Form of Bonds.** The Bonds to be issued hereunder, and the certificate of authentication by the Registrar to be endorsed on all such Bonds, shall be substantially in the form set forth as Exhibit A hereto, with such variations, omissions and insertions as are permitted by this Indenture or are required to conform to the form of Bond to the other provisions of this Indenture (any portion of such form of Bond may be printed on the back of the Bonds).

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ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Optional Redemption of the Bonds.

The Bonds maturing on or before May 1, 2022 are not subject to optional redemption prior to their maturities. The Bonds maturing after May 1, 2022 are subject to redemption at the option of the Council on or after May 1, 2022 as a whole or in part at any time, in any manner as determined by the Trustee in its discretion taking into consideration the maturity of the Loan being prepaid by the Borrower, at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date.

SECTION 3.02. Mandatory Redemption of Bonds.

The Bonds maturing on May 1, 2033 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on May 1, 2031 and on each May 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2031	\$2,755,000
2032	2,865,000
2033*	2,980,000

\*Maturity, not a redemption.

The Bonds are subject to extraordinary mandatory redemption as a result of acceleration of the Loan pursuant to the Loan Agreement which secures the Bonds at any time, in whole or in part, at a redemption price of the principal amount thereof, plus accrued interest to the redemption date, without premium, from all Liquidation Proceeds received by the Trustee as a result of an acceleration of the Loan securing the Bonds.

SECTION 3.03. Notice of Redemption. In the case of every redemption, the Registrar, at the direction of the Trustee, shall cause notice of such redemption to be given to the registered Owner of the Bonds designated for redemption in whole or in part, at his address as the same shall last appear upon the bond registration books by mailing a copy of the redemption notice by first-class mail at least thirty (30) days prior to the redemption date. The failure of the Registrar to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds. A copy of any such notice shall also be sent by the Registrar to the Bond Insurer and to any person necessary to ensure compliance by the Council with applicable rules and regulations regarding such notices.

thereof to be redeemed shall not be deemed to be Outstanding hereunder, and the Council shall be under no further liability in respect thereof.

SECTION 3.05. Cancellation. All Bonds which have been redeemed shall be canceled by the Registrar as provided in Section 2.08 hereof.

SECTION 3.06. Partial Redemption of Bonds. Upon surrender of any Bond in a denomination greater than \$5,000 called for redemption in part only, the Council shall execute and the Registrar shall authenticate and deliver to the registered Owner thereof a new Bond or Bonds of Authorized Denominations in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered.

SECTION 3.07. Selection of Bonds to be Redeemed. The Bonds shall be redeemed pursuant to Sections 3.01 and 3.02 only in the principal amount of an Authorized Denomination. The Bonds or portions of the Bonds to be redeemed shall, except as otherwise provided in Section 3.02 hereof, be selected by the Registrar by lot or in such other manner as the Council in its discretion may deem appropriate.

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Each notice of redemption shall specify the date fixed for redemption, the redemption price to be paid, the place or places of payment, that payment will be made upon presentation and surrender of the Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue. If less than all the Outstanding Bonds are to be redeemed, the notice of redemption shall specify the numbers of the Bonds or portions thereof, including CUSIP identification numbers to be redeemed.

The Registrar also shall mail a copy of such notice by registered or certified mail or overnight delivery service (or by telecopy where permitted) for receipt not less than thirty (30) days before such redemption date to the following: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530; provided, however, that such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

In the case of an optional redemption, any notice of redemption may state that (1) it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Registrar, Paying Agent or a fiduciary institution acting as escrow agent no later than the redemption date or (2) the Council retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described in this section. Any such notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the Program Administrator delivers a written direction to the Registrar directing the Registrar to rescind the redemption notice. The Registrar shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the Council to make such funds available shall constitute an Event of Default under the Indenture. The Registrar shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the affected Bonds called for redemption and not so paid remain Outstanding.

SECTION 3.04. Bonds Due and Payable on Redemption Date; Interest Ceases To Accrue. On the redemption date, the principal amount of each Bond to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; and from and after such date, notice (if required) having been given and moneys available solely for such redemption being on deposit with the Trustee in accordance with the provisions of this Article III, then, notwithstanding that any Bonds called for redemption shall not have been surrendered, no further interest shall accrue on any of such Bonds or portions thereof to be redeemed. From and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions

ARTICLE IV

REVENUES AND FUNDS

SECTION 4.01. Source of Payment of Bonds. The Bonds and all payments by the Council hereunder are limited and special obligations of the Council and are payable solely out of Revenues and certain proceeds of the Bonds as authorized by the Constitution and laws of the State, including particularly the Act, as and to the extent provided herein. The Bonds and the Council's other obligations hereunder are solely and exclusively obligations of the Council to the extent set forth herein and do not constitute or create an obligation, general or special, or debt, liability or moral obligation of the State or any political subdivision or any municipal corporation of the State. The Bonds shall not be or constitute a general obligation of the Council, the State or any political subdivision or any municipal corporation thereof or a lien upon any property owned or situated within the territorial limits of the Council, the State or any political subdivision or any municipal corporation thereof except the Trust Estate, in the manner provided herein and in the Loan Agreement.

SECTION 4.02. Creation of Funds and Accounts. There are hereby established by the Council the following Funds and Accounts to be held by the Trustee:

- (1) The Series 2012A Project Loan Fund;
- (2) The Series 2012A Principal Fund;
- (3) The Series 2012A Revenue Fund;
- (4) The Series 2012A Cost of Issuance Fund; and
- (5) The Series 2012A Rebate Fund.

SECTION 4.03. Project Loan Fund; Escrow Deposit. Interest earnings on investments in the Project Loan Fund shall be held in and credited to the Project Loan Fund. Upon the occurrence of an event of default under a Loan Agreement and the exercise by the Trustee of the remedy of acceleration as specified in such Loan Agreement, any moneys in the Project Loan Fund, if any, shall be transferred by the Trustee to the corresponding Principal Fund and applied in accordance with the second paragraph of Section 4.04 hereof. Bond proceeds remaining in the Project Loan Fund after the Completion of the Borrower's Project shall be retained for a new Project in accordance with the procedures in the Loan Agreement, or if not, then transferred to the Principal Fund and used to pay the next scheduled principal payment for the Bonds.

From the proceeds of the Bonds \$39,771,737.70 shall be deposited into the Escrow Account.

**SECTION 4.04. Principal Fund.** Upon the receipt of Loan Repayments, Liquidation Proceeds, or Insurance Proceeds, the Trustee shall deposit in the Principal Fund all payments or recoveries of principal of Loans or payments to be applied to the payment of any premium due upon optional redemption of the Bonds.

Amounts in the Principal Fund shall be used as follows: (1) to pay scheduled principal payments of the Bonds and (2) to pay the principal of and premium, if any, on the Bonds redeemed pursuant to Section 3.01 or Section 3.02 when required by such Sections. Upon acceleration of maturity of the Bonds pursuant to Section 9.02, all amounts in the Principal Fund shall be used to pay maturing principal of and interest on the Bonds.

**SECTION 4.05. Revenue Fund.** Upon the receipt of Loan Repayments, Liquidation Proceeds, Insurance Proceeds, or proceeds earmarked for capitalized interest, the Trustee shall deposit in the Revenue Fund all moneys remaining after the deposits required by Section 4.04 hereof. All investment earnings on amounts in the Funds and Accounts (except the Rebate Fund and the Project Loan Fund) shall be deposited in the Revenue Fund as received. Any amounts received by the Trustee hereunder in connection with the Bonds which are not required to be deposited elsewhere shall also be deposited in the Revenue Fund.

Amounts in the Revenue Fund shall be used to make the following payments or transfers in the following order of priority:

- (1) On each Interest Payment Date, to pay interest due on the Bonds;
- (2) At such times as are necessary, to pay accrued interest due on the Bonds redeemed pursuant to Sections 3.01 or 3.02 hereof;
- (3) At such times as are necessary, to pay the fees and expenses of the Trustee, DTC, the Program Administrator, the Registrar and the Paying Agent (including the cost of printing additional Bonds) and the fees and expenses of the Council (including costs of issuing the Bonds if insufficient amounts are on hand in the Cost of Issuance Fund), any counsel consulted by the Council with respect to any Loan, or of Accountants employed pursuant to Section 4.12 hereof; provided, further, that the Bond Insurer may authorize the payment of any such fees or expenses prior to the payment of interest on the Insured Bonds.
- (4) On each Interest Payment Date of each year, all amounts remaining within the Revenue Fund, other than fees being collected in installments pursuant to the Loan Agreement and amounts which will be credited against the Borrower's next Loan Repayment shall be deposited in the Principal Fund, as provided in Section 5.04 of the Loan Agreement.

**SECTION 4.06. Cost of Issuance Fund.** Moneys in the Cost of Issuance Fund shall be used to pay costs of issuing the Bonds to the extent not paid from other sources, which costs

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by telephone of the amount of the deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent, if any, by 12:00 noon, New York City time, on such second Business Day by filing in the form of "Notice of Claim and Certificate" delivered with the Bond Insurance Policy.

B. The Trustee shall designate any portion of payment of principal on the Insured Bonds paid by the Bond Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its records as a reduction in the principal amount of Insured Bonds registered to the then current holders of such Insured Bonds, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Bond to the Bond Insurer, registered in the name of the Bond Insurer, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided, however, that that Trustee'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 Bond Insurer on any Insured Bond or the subrogation rights of the Bond Insurer.

C. The Trustee shall keep a complete and accurate record of all funds deposited by the Bond 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 Bond Insurer shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

D. Upon payment of a claim under the Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of the Holders of the Insured Bonds (referred to as the "Policy Payments Account") and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Bond Insurance Policy in trust on behalf of the Holders of the Insured Bonds 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 Trustee to the Holders of the Insured Bonds in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under Sections 4.04 or 4.05 regarding payment of the 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 to the contrary set forth in this Indenture, the Council agrees to pay to the Bond Insurer but only from funds provided by the Borrower under the Loan Agreement (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy (the "Insurer Advances"); and (ii) to the extent permitted by law, interest on such Insurer Advances from the date paid by the Bond Insurer until the date such Insurer Advances are paid in full, payable to the Bond 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

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may include, all printing expenses in connection with this Indenture, the Loan Agreement, the preliminary and final Official Statements for the Bonds and the Bonds; the underwriter's discount for the initial purchase of the Bonds; the initial Bond Insurance Policy premiums; and legal fees and expenses of counsel to the Council, bond counsel and counsel to the Bond Insurer, and fees of the financial advisor to the Council; fees of the Program Administrator, any accounting expenses incurred in connection with determining that the Bonds are not arbitrage bonds, the Trustee's and the Paying Agent and Registrar's initial fees and expenses (including attorney's fees), upon the submission of requisitions by the Council signed by an officer of the Council stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of issuing such Bonds. Any monies remaining in the Cost of Issuance Fund on May 8, 2013 shall be transferred to the Revenue Fund and be credited toward the Borrower's obligation to pay Loan interest, taking into consideration the discount at which such Loan was made as specified in Section 3.01 of the Loan Agreement.

**SECTION 4.07. Application of Bond Proceeds.** The proceeds of the Bonds in the sum of \$44,042,886.73 shall be deposited with the Trustee as follows (which amount is the par amount of the Bonds, less the underwriters discount and Bond Insurance Premium, plus the net original issue premium of the Bonds):

- (i) \$39,771,737.70 shall be deposited in the Escrow Account;
- (ii) \$179,669.72 shall be deposited in the Cost of Issuance Fund; and
- (iii) \$4,091,479.31 shall be deposited in the Project Loan Fund.

The Council understands that \$327,026.17 is being transmitted directly to the Bond Insurer.

**SECTION 4.08. Claims Upon the Policy and Payments by the Bond Insurer.** Unless otherwise provided in the Bond Insurance Policy, the following shall govern claims made upon and payments made under Bond Insurance Policy:

A. 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 Trustee, after making all transfers and deposits required under this Indenture, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to any designated agent for which the Bond Insurer has provided written notice to the Trustee designating such agent ("Bond Insurer's Fiscal Agency"), 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 Trustee shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent, if any,

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date such change is announced by JPMorgan Chase Bank, or its successor) plus three percent (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. Notwithstanding anything to the contrary set forth in this Indenture, the Insurer Reimbursement Amounts shall be payable solely from and secured by a lien on and pledge of Revenues and payable from such Revenues, to the extent permitted by law, on a parity with debt service on the Insured Bonds.

E. Funds held in the Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee. Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the Bond Insurer.

F. Amount paid by the Bond Insurer under the Bond Insurance Policy shall not be deemed paid for purposes of this Indenture and the Insured Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Council in accordance with this Indenture (and the Bond Insurer shall be subrogated to the rights of the Holders of the Insured Bonds paid by the Bond Insurer). This Indenture shall not be discharged unless all amounts due or to become due to the Bond Insurer have been paid in full or duly provided for.

**SECTION 4.09. Rebate Fund.** In order to insure compliance with the rebate provisions of Section 148(f) of the Code, the Council shall create the Rebate Fund. The Rebate Fund shall be held by the Trustee. The Rebate Fund need not be maintained if the Council shall have received an Opinion of Bond Counsel acceptable to the Council to the effect that failure to maintain the Rebate Fund shall not adversely affect the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation. Moneys in the Rebate Fund shall not be considered moneys held under the Indenture and shall not constitute a part of the Trust Estate held for the benefit of the Bondholders or the Council. Moneys in the Rebate Fund (including earnings and deposits therein) shall be held for future payment to the United States Government as required by the regulations and as set forth in instructions delivered to the Council upon issuance of the Bonds.

**SECTION 4.10. Moneys to be Held in Trust.** With the exception of moneys deposited in the Rebate Fund, all moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account established under any provision of this Indenture shall be held by the Trustee, in trust, and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and except as otherwise provided in Section 2.10 hereof, shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the security interest created hereby.

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**SECTION 4.11. Reports from Trustee.** Unless otherwise advised in writing, the Trustee shall furnish monthly to the Council, the Bond Insurer and to the Borrower, upon request, on the twentieth (20th) day of the month following the month in which the Bonds are delivered, and on the twentieth (20th) day of each month thereafter, a report on the status of each of the Funds and Accounts established under this Article IV which are held by the Trustee, showing at least the balance in each such Fund or Account as of the first day of the preceding month, the total of deposits to and the total of disbursements from each such Fund or Account, the dates of such deposits and disbursements, and the balance in each such Fund or Account on the last day of the preceding month.

**SECTION 4.12. Certain Verifications.** The Council, the Trustee and/or the Bond Insurer from time to time may, but shall have no obligation to, cause a firm of Accountants to supply the Council, the Trustee and the Bond Insurer with such information as the Council, the Trustee or the Bond Insurer may request in order to determine in a manner reasonably satisfactory to the Council, the Trustee and the Bond Insurer all matters relating to (a) the sufficiency of projected cash flow receipts and disbursements on the Loans and Funds described herein to pay the principal of and interest on the Bonds; (b) the actuarial yields on the Loans and on the Bonds as the same may relate to any data or conclusions necessary to verify that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Code; and (c) calculations related to rebate liability. Payment for costs and expenses incurred in connection with supplying the foregoing information shall be paid from moneys in the Revenue Fund pursuant to Section 4.05(3) hereof.

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therein and shall be retained in the possession of the Trustee, subject at all times to the inspection by the Council, the Borrower and their agents and representatives thereof.

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**ARTICLE V  
PROJECT LOANS**

**SECTION 5.01. Terms and Conditions of Loans.** The Council will make the Loan to the Borrower in order to (i) finance the acquisition, installation and construction of the Project by the Borrower and (ii) refund or refinance the Borrower's a portion of the 2003A Loan maturing on and after May 1, 2014, or reimburse funds previously expended by the Borrower, to acquire, install and construct Projects, all in accordance with provisions more fully set forth in the Loan Agreement.

**SECTION 5.02. Loan Closing Submission.** No Loan shall be made by the Council unless and until the documents required by Section 4.03 of the Loan Agreement are submitted to the Council.

**SECTION 5.03. Disbursement to Borrower from Project Loan Fund.** The moneys in the Project Loan Fund shall be applied in accordance with written requisitions provided to the Trustee by the Borrower in the form attached to the Loan Agreement. After initial disbursements for payment of eligible Costs (whether from the Project Loan Fund or other Bond proceeds), disbursement to or at the direction of the Borrower will be made only if (i) such Borrower is not then in default under this Indenture or the Loan Agreement or the other Bond documents, and (ii) only in accordance with such requisitions.

Except for an initial draw on the date the Bonds are issued and the final draw under the terms of this Indenture, the Borrower shall not make more than two (2) requests for a construction or project draw per calendar month. Each draw request must be received by the Trustee at least four (4) days prior to the date the requested draw is to be made. The draw dates upon which funds may be released pursuant to the written request shall be on the first Business Day of the month and the second Business Day of the month following the 15th day of the month.

Each draw request by the Borrower shall constitute an affirmation that the material warranties and representations contained in this Indenture and the Loan Agreement remain true and correct and that no breach of the covenants contained in this Indenture or the Loan Agreement has occurred as of the date of the draw, and the Trustee shall be entitled to exclusively rely on such representation and shall be fully indemnified by the Borrower from any liability resulting from such reliance, and shall have no liability to any other party, unless the Trustee is notified in writing to the contrary prior to the disbursement of the requested Project Loan Fund draw.

All requisitions received by the Trustee shall be substantially in the form attached to the Loan Agreement as Exhibit E, as required in this Article as conditions of payment from the Project Loan Fund, shall be conclusively relied upon by the Trustee as to the matters set forth

**ARTICLE VI  
SERVICING OF LOANS**

**SECTION 6.01. Loan Servicing.** The Trustee shall be responsible for calculating payments due in respect of the Loan, holding collateral pledged in respect of the Loans, if any, and enforcing the Loan; provided, however, that the Trustee shall have no duty to take notice of any default in respect of any Loan (other than a payment default) unless the Trustee shall be notified of such default in a written instrument.

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ARTICLE VII

INVESTMENT OF MONEYS

Moneys in any of the Funds and Accounts shall be invested by the Trustee, at the direction of the Council through its Program Administrator, which direction may be in writing or telephonically, promptly confirmed in writing. The Trustee shall assume that any investment directed by the Council or the Borrower is lawful.

Moneys in the Funds and Accounts shall be invested at the direction of the Council through its Program Administrator in Investment Securities with respect to which payments of principal thereof and interest thereon are scheduled or otherwise payable not later than the dates on which it is estimated that such moneys will be required by the Trustee for the purposes specified in this Indenture. Investment Securities acquired pursuant to this Section under a repurchase agreement with the seller thereof may be deemed to mature on the dates on and in the amounts (i.e., for the repurchase price) which the Trustee may deliver such Investment Securities to such seller for repurchase under such agreement.

Investment Securities acquired as an investment of moneys in any Fund or Account shall be credited to such Fund or Account. For the purpose of determining the amount in any Fund or Account, all Investment Securities credited to any such Fund or Account shall be valued at market value on the date of determination; provided, however, that repurchase agreements shall be valued at the aggregate repurchase price of the securities remaining to be repurchased pursuant to such agreements and investment agreements shall be valued at the aggregate amount remaining invested therein (in each case exclusive of accrued interest after the first payment of interest following purchase). With respect to all Funds and Accounts, valuation by the Program Administrator shall occur annually and immediately upon a withdrawal from the Reserve Fund.

All interest, profits and other income earned from investment (other than in Loans) of all moneys in any Fund or Account (except the Rebate Fund and the Project Loan Fund) shall be deposited when received in the Revenue Fund, except that an amount of interest received with respect to any Investment Security equal to the amount of accrued interest, if any, paid as part of the purchase price of such Investment Security shall be credited to the Fund or Account from which such accrued interest was paid. Interest earned on the Project Loan Fund shall be credited to such Project Loan Fund.

Subject to Section 13.08 hereof and except as provided herein, investments in any and all Funds and Accounts may be commingled for purposes of making, holding and disposing of investments, notwithstanding provisions herein for transfer to or holding in particular Funds and Accounts of amounts received or held by the Trustee hereunder, provided that, notwithstanding any such commingling, the Trustee shall at all times account for such investments strictly in accordance with the Funds and Accounts to which they are credited and

ARTICLE VIII

DISCHARGE OF INDENTURE

If the Council shall pay or cause to be paid (other than by the Bond Insurer) to the Owner of any Bond secured hereby the principal of and interest due and payable, and thereafter to become due and payable, upon such Bond, or any portion of such Bond in the principal amount of \$5,000 or any integral multiple thereof, such Bond or portion thereof shall cease to be entitled to any lien, benefit or security under this Indenture. If the Council shall pay or cause to be paid (other than by the Bond Insurer) to the Owners of all the Bonds secured hereby the principal of and interest due and payable, and thereafter to become due and payable thereon, and shall pay or cause to be paid (other than by the Bond Insurer) all other sums payable hereunder by the Council, then, and in that case, the right, title and interest of the Trustee in the related Trust Estate shall thereupon cease, terminate and become void. In such event, the Trustee shall assign, transfer and turn over to the Council the Trust Estate and, at the direction of the Council, cancel the Loan related to the Bonds; provided that if the Bonds are paid from the proceeds of refunding bonds, the Loan shall at the direction of the Council not be canceled but shall be transferred and pledged as security and a source of payment for the refunding bonds.

Notwithstanding the release and discharge of the lien of this Indenture as provided above, those provisions of this Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentation of Bonds, the holding of moneys in trust, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Bondholder.

Any Bond shall be deemed to be paid within the meaning of this Article and for all purposes of this Indenture when (a) payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein), either (i) shall have been made or caused to be made (other than by the Bond Insurer) in accordance with the terms thereof, or (ii) shall have been provided for (other than by the Bond Insurer) by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (1) moneys sufficient to make such payment and/or (2) Governmental Obligations maturing as to principal and interest in such amounts and at such time as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of the Trustee, the Council and the Bond Insurer pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, such Bond shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of any such payment from such moneys or Governmental Obligations.

otherwise as provided in this Indenture. The Trustee may act as principal or agent in the acquisition or disposition of Investment Securities. The Trustee may sell, or present for redemption, any Investment Securities so purchased whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the Fund or Account to which such Investment Security is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made pursuant to this Article VII.

All amounts representing accrued and capitalized interest, if any, shall be invested at the written direction of the Council through its Program Administrator only in Government Obligations maturing at such times, and in such amounts as are necessary to match the interest payments on the Bonds.

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Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of the Bonds as aforesaid (1) until the Council shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

(i) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted by this Indenture);

(ii) to call for redemption pursuant to this Indenture any Bonds to be redeemed prior to maturity pursuant to (i) hereof; and

(iii) if all the Bonds are not to be redeemed within 30 days, to mail, as soon as practicable, in the manner prescribed by Article III hereof, a notice to the Owners of the Bonds that the deposit required by (a)(ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, of the Bonds as specified in (i) hereof; and

(2) if any Bonds are to be redeemed within the next 30 days, until proper notice of redemption of those Bonds has been given.

Any moneys so deposited with the Trustee as provided in the two foregoing paragraphs may at the direction of the Council also be invested and reinvested in Governmental Obligations described in clause (i) of the definition thereof, maturing in the amounts and at the times as hereinbefore set forth, and all income from all such Governmental Obligations in the hands of the Trustee pursuant to this Article which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be paid to the Council as and when realized if not needed to pay any fees or expenses provided for hereunder.

No deposit under this Article shall be made or accepted hereunder and no use made of any such deposit unless the Trustee shall have received an Opinion of Bond Counsel to the effect that such deposit and use would not cause the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code.

Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Article, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Bonds (including interest thereon) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or obligations have been so set aside in trust.

Anything in Article XI hereof to the contrary notwithstanding, if moneys or obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of Bonds and interest thereon when due and such Bonds and interest shall not have in fact been actually paid in full when due, no amendment to the provisions of this Article shall be made without the consent of the Owner of each Bond affected thereby.

Anything to the contrary provided elsewhere in this Indenture notwithstanding, this Indenture shall not be discharged as long as any amounts are owing to the Bond Insurer and no Insured Bond shall be deemed paid under this Indenture if the Bond Insurer shall have made any payment under the Bond Insurance Policy in respect of the principal or interest on such Insured Bond until the amount of such principal or interest, together with interest thereon provided for herein and in the Insured Bonds on past-due principal and interest, shall have been paid to the Bond Insurer. Furthermore, if the discharge of the Indenture is based upon, or utilizes a forward supply contract, the Insurer's prior written consent must be received before the Indenture shall be discharged by the Trustee.

Prior to any defeasance with respect to the Insured Bonds becoming effective under this Indenture, (i) the amounts required to be deposited in an escrow fund pursuant to this Indenture and the escrow deposit agreement entered into in order to effectuate such defeasance shall be invested only in Government Obligations and (ii) the Bond Insurer shall have received (a) the final official statement delivered in connection with the refunding bonds, if applicable, (b) a copy of the accountant's verification report, (c) a copy of the escrow deposit agreement in form and substance acceptable to the Bond Insurer, (d) a copy of an opinion of Bond Counsel, dated the date of closing addressed to the Bond Insurer, to the effect that the refunded bonds have been paid within the meaning and with the effect expressed in the Indenture, and the covenants, agreements and other obligations of the Council to the holders of the refunded bonds have been discharged and satisfied.

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(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the related Trust Estate and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

(d) The Trustee shall give written notice of any Event of Default to the Council and the Bond Insurer as promptly as practicable after the occurrence of an Event of Default becomes known to the Trustee.

If an Event of Default shall have occurred, and if requested by the Bond Insurer or by the owners of 25% or more in aggregate principal amount of Outstanding Bonds and the Bond Insurer and indemnified as provided in Section 10.01(k) hereof, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Section as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Bondholders.

No right or remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders or the Bond Insurer) is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee, the Bond Insurer or to the Bondholders hereunder or now or hereafter existing at law or in equity or by statute. The assertion or employment of any right or remedy shall not prevent the concurrent or subsequent assertion or employment of any other right or remedy.

No delay or omission in exercising any right or remedy accruing upon any default or Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such default or Event of Default or acquiescence therein; and every such right or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent default or Event of Default or shall impair any rights or remedies consequent thereon.

No waiver of any default or Event of Default hereunder by the Trustee shall be effective without the approval of the Bond Insurer.

**SECTION 9.03. Right of Bondholders to Direct Proceedings.** Anything in this Indenture to the contrary notwithstanding, the Bond Insurer (unless the Bond Insurer is in default under the Bond Insurance Policy) or, with consent of the Bond Insurer (provided such consent shall not be required if the Bond Insurer is in default under the Bond Insurance Policy) the Owners of a majority in aggregate principal amount of the Outstanding Bonds shall have the right, at any time during the continuance of an Event of Default, by an instrument or

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## ARTICLE IX

### DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

**SECTION 9.01. Defaults; Events of Default.** If any of the following events occurs with respect to the Bonds, it is hereby defined as and declared to be and to constitute an "Event of Default" with respect to the Bonds:

(a) Default in the payment of the principal or interest on the Bonds after the same has become due, whether at maturity or upon call for redemption.

(b) Default in the performance or observance of any covenant, agreement or condition on the part of the Council contained in this Indenture or in the Bonds (other than defaults mentioned in Section 9.01(a) and (c)) and failure to remedy the same after notice of the default pursuant to Section 9.10 hereof.

(c) If the Council shall file a petition seeking a composition of indebtedness under the federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State, or the Council declares any act of bankruptcy, or there is adjudication of the Council as a bankrupt, or an assignment by the Council for the benefit of its creditors or the approval by a court of competent jurisdiction of a petition applicable to the Council in any proceeding for its reorganization instituted under federal bankruptcy laws, or under any other applicable law or statute of the United States of America or of the State.

**SECTION 9.02. Remedies; Rights of Bondholders.** Upon the occurrence of an Event of Default with respect to the Bonds, the Trustee shall have the following rights and remedies:

(a) Subject to Bond Insurer approval with respect to the Insured Bonds, the Trustee may, and in the case of Event of Default under Section 9.01(c) above shall, pursue any available remedy at law or in equity or by statute, including the federal bankruptcy laws or other applicable law or statute of the United States of America or of the State, to enforce the payment of principal of and interest on the Bonds then Outstanding, including enforcement of any rights of the Council or the Trustee under the Loan Agreement, and including the right to mandamus proceedings.

(b) Subject to Bond Insurer approval with respect to the Insured Bonds, the Trustee may by action or suit in equity require the Council to account as if it were the trustee of an express trust for the Owners of the Bonds and may then take such action with respect to the Loan Agreement as the Trustee shall deem necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the Loan Agreement, including the sale of part or all of the Loan Agreement.

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instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

**SECTION 9.04. Appointment of Receivers.** Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

**SECTION 9.05. Application of Moneys.** All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article, including by virtue of action taken under provisions of any Loan Agreement, shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the fees (including reasonable Trustee's fees), expenses, liabilities and advances payable to, incurred or made by the Trustee (including reasonable fees and disbursements of its counsel), be applied, along with any other moneys available for such purposes, as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST -- To the payment to the persons entitled thereto of all amounts payable pursuant to Section 4.05(1) or Section 4.05(2) and, as to installments of interest, in the order of the maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or privilege;

SECOND -- To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at stated maturity or pursuant to a call for redemption (other than such Bonds called for redemption for the payment of which moneys are held pursuant to the other provisions of this Indenture), in the order of their due dates and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege;

THIRD -- To payment to the persons entitled thereto of all amounts payable pursuant to Section 4.05(3); and

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FOURTH -- To be held as provided in Article IV hereof for the payment to the persons entitled thereto as the same shall become due of the amounts payable pursuant to this Indenture (including principal of such Bonds due upon call for redemption) and, if the amount available shall not be sufficient to pay in full amounts due on any particular date, payment shall be made ratably according to the priorities set forth in subparagraphs FIRST, SECOND and THIRD above.

(b) If the principal of all the Bonds shall have become due, all such moneys shall be applied to the payment of the principal of and interest then due and unpaid upon the Bonds and amounts payable pursuant to Section 4.05(3), with Bond principal and interest to be paid first, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, and with the items enumerated in Section 4.05(3) to be paid second to the Persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal and past-due interest to be paid on such date shall cease to accrue. Defaulted interest on a Bond shall be payable to the person in whose name such Bond is registered at the close of business on a Special Record Date for the payment of defaulted interest established by notice mailed by the Trustee to the registered Owners of Bonds not more than fifteen (15) days preceding such Special Record Date. Such notice shall be mailed to the person in whose name the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing. The Trustee shall not be required to make payment of principal of any Bond to the Owner of such Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of and interest on all Bonds have been paid under the provisions of this Section and all expenses and charges of the Trustee and the Bond Insurer have been paid, any balance remaining in the Funds and Accounts shall be transferred to the Council as provided in Article VIII hereof.

**SECTION 9.06. Remedies Vested in Trustee.** All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding related thereto and any trial or other proceeding related thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the

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maturity of all the Bonds affected thereby and shall do so upon the written request of the Bond Insurer or the Owners of (a) more than two-thirds in aggregate principal amount of all Outstanding Bonds (with the consent of the Bond Insurer, unless the Bond Insurer is in default under the Bond Insurance Policy) in the case of default in the payment of principal or interest, or (b) more than one-half in aggregate principal amount of all Outstanding Bonds affected thereby (with the consent of the Bond Insurer, unless the Bond Insurer is in default under the Bond Insurance Policy) in the case of any other default; provided, however, that there shall not be waived (i) any default in the payment of the principal of any such Outstanding Bond at the date of maturity specified therein or (ii) any default in the payment when due of the interest on any such Outstanding Bond, unless prior to such waiver all arrears of interest or all arrears of payments of principal when due, as the case may be, with interest on overdue principal and interest, and all expenses of the Trustee in connection with such default shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then, and in every such case, the Council, the Trustee, the Bond Insurer and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon. No such waiver shall affect the rights of third parties to payment of amounts provided for hereunder.

**SECTION 9.10. Notice of Defaults Under Section 9.01(b); Opportunity of Council To Cure Such Defaults.** Anything herein to the contrary notwithstanding, no default under Section 9.01(b) hereof shall constitute an Event of Default until actual notice of such default by registered or certified mail shall be given to the Council by the Trustee or by the Bond Insurer or the Owners of not less than 25% in aggregate principal amount of all Outstanding Bonds affected thereby and the Council shall have had 30 days after receipt of such notice to correct the default or cause the default to be corrected, and shall not have corrected the default or caused the default to be corrected within the applicable period; provided, however, if the default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Council within the applicable period and diligently pursued until the default is corrected.

With regard to any alleged default concerning which notice is given to the Council under the provisions of this Section, the Council hereby grants the Trustee full authority for the account of the Council to perform any covenant or obligation alleged in said notice to constitute a default, in the name and stead of the Council with full power to do any and all things and acts to the same extent that the Council could do and perform any such things and acts and with power of substitution.

The Council and the Trustee shall notify the Bond Insurer within five (5) days after each has received notice or has knowledge of, with respect to the Insured Bonds, (i) an Event of Default specified in Section 9.01 hereof; or (ii) the failure to make any required deposit to the Principal Fund or the Revenue Fund to pay principal or interest when due.

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necessity of joining as plaintiffs or defendants any Owners of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the Owners of all the Outstanding Bonds.

**SECTION 9.07. Rights and Remedies of Bondholders.** No Owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (a) a default has occurred, (b) such default shall have become an Event of Default and the Owners of not less than 25% in aggregate principal amount of Outstanding Bonds affected thereby, with the consent of the Bond Insurer, or the Bond Insurer shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) such Owners of the Bonds or the Bond Insurer shall have offered to the Trustee indemnity as provided in Section 10.01(k) hereof, and (d) the Trustee shall for 60 days after receipt of such request and indemnification fail or refuse to exercise the rights and remedies hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Owners of the Bonds or the Bond Insurer shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Owners of all Outstanding Bonds. However, nothing contained in this Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity or redemption date of such principal or interest, or the obligation of the Council to pay the principal of and interest on each of the Bonds issued hereunder to the respective registered Owners thereof at the time, place, from the source and in the manner in this Indenture and in the Bonds expressed.

**SECTION 9.08. Termination of Proceedings.** In case the Trustee or any Owner of any Bond or the Bond Insurer shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Council, the Trustee, the Bond Insurer, and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and with regard to the property herein subject to this Indenture, and all rights, remedies and powers of the Trustee, the Bond Insurer and Owners of Bonds shall continue as if no such proceedings had been taken.

**SECTION 9.09. Waivers of Events of Default.** The Trustee may, with the consent of the Bond Insurer, at its discretion waive any Event of Default hereunder (other than an Event of Default specified in 9.01(c) above) and its consequences and may rescind any declaration of

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Any notice that is required to be given to the Bondholders or the Trustee pursuant to this Indenture or any Supplemental Indenture shall also be provided to the Bond Insurer. All notices required to be given to the Bond Insurer under this Indenture shall be in writing and shall be sent by registered or certified mail addressed to the Bond Insurer at the address specified in Section 2.04 hereof.

**SECTION 9.11. Bond Insurer to be Deemed Bondholder of the Insured Bonds; Rights of Bond Insurer.** (a) Notwithstanding any provisions of this Indenture to the contrary, unless the Bond Insurer is in default under the Bond Insurance Policy, the Bond Insurer shall at all times be deemed the exclusive Owner of all Insured Bonds for all purposes except for the purpose of payment of the principal of and premium, if any, and interest on the Insured Bonds prior to the payment by the Bond Insurer of the principal of and interest on the Insured Bonds. The Bond Insurer shall have the exclusive right to direct any action or remedy to be undertaken by the Trustee, by the Owners or by any other party pursuant to this Indenture and the Loan Agreement, and no acceleration of the Insured Bonds shall be permitted, and no event of default shall be waived, without the Bond Insurer's consent.

(b) The Bond Insurer shall be subrogated to any and all of the rights of the Owners of any and all of the Insured Bonds insured by the Bond Insurer (unless the Bond Insurer is in default under the Bond Insurance Policy) in accordance with the Bond Insurance Policy at all times for the purpose of the execution and delivery of a Supplemental Indenture or of any amendment, change or modification of the Loan Agreement or the initiation by Insured Bondholders of any action to be undertaken by the Trustee at the Insured Bondholder's request. In addition, the Bond Insurer's consent to any Supplemental Indenture and any amendment, change or modification of the Loan Agreement shall be required.

(c) Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, the Bond Insurer, unless the Bond Insurer is in default under the Bond Insurance Policy, shall at all times be deemed the exclusive owner of all Insured Bonds for all purposes and shall be entitled to grant consents on behalf of and to control and direct the enforcement of all rights and remedies granted to the Insured Bondholders for the benefit of the Insured Bondholders under this Indenture.

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

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(e) No contract shall be entered into or any action taken by which the rights of the Bond 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 Bond Insurer.

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copies of any such notices as soon as practicable to the Council, the Bond Insurer and the Borrower.

(f) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed to be genuine and correct and to have been signed or sent by the proper person or persons. The Trustee shall not withhold unreasonably its consent, approval or action to any reasonable request of the Council. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the registered Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(g) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled in good faith to rely upon a certificate signed by an authorized officer of the Council or by an authorized officer of the Program Administrator as sufficient evidence of the facts therein contained and prior to the occurrence of a default of which the Trustee has knowledge, or is deemed to have notice pursuant to Section 10.01(e), shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an authorized officer of the Council under its seal to the effect that a resolution in the form therein set forth has been adopted by the Council as conclusive evidence that such resolution has been duly adopted, and is in full force and effect.

(h) All moneys received by the Trustee hereunder, until used or applied as herein provided, shall be held in trust for the purposes for which they were received.

(i) At any and all reasonable times, the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives and the Bond Insurer, shall have the right to inspect any and all of the books, papers and records of the Council pertaining to the Revenues and receipts under the Loan Agreement and the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Before taking the action referred to in Section 9.02 or 9.07 hereof, the Trustee may require that satisfactory indemnity be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability relating to such action, except liability which is adjudicated to have resulted from its negligence or willful default.

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## ARTICLE X

### THE TRUSTEE

**SECTION 10.01. Acceptance of the Trusts.** The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived), the Trustee shall exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall be answerable for the conduct of the same in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorneys (who may but need not be the attorney or attorneys for the Council, the Bond Insurer or the Borrower) approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for the validity of the execution by the Council of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee.

(e) Unless an officer of the corporate trust department of the Trustee shall have actual knowledge thereof, the Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except defaults under Section 9.01(a) hereof unless the Trustee shall be specifically notified in writing of such default by the Council or the Bond Insurer or a court of law or by any Owner of Bonds. All notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Designated Office of the Trustee and, in the absence of such notice so delivered, the Trustee may conclusively assume there is no default except as aforesaid. The Trustee shall provide

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**SECTION 10.02. Fees, Charges and Expenses of Trustee.** The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees (including in connection with any appeal or bankruptcy proceedings and other expenses reasonably and necessarily made or incurred by the Trustee) but solely from moneys available therefor pursuant to Section 4.05 hereof or Section 9.05 hereof and pursuant to the Loan Agreement.

**SECTION 10.03. Notice to Bondholders if Default Occurs Under Indenture.** If the Trustee becomes aware of an Event of Default, then the Trustee shall promptly give written notice thereof by registered or certified mail to the Bond Insurer and by first-class mail to the Owners of all Outstanding Bonds affected thereby, as shown by the bond registration books.

**SECTION 10.04. Intervention by Trustee.** In any judicial proceeding to which the Council is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of Owners of the Bonds, the Trustee may intervene on behalf of the Bondholders, and shall do so if requested in writing by (i) the Bond Insurer, or (ii) the Owners of at least 25% of the aggregate principal amount of Bonds then Outstanding, with the consent of the Bond Insurer.

**SECTION 10.05. Successor Trustee.** Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of the bond administration portion of its corporate trust business, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto shall be and become, to the extent permitted by law, successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, 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, provided, however, that written notice shall be provided to the Bond Insurer, the Council and the Bondholders.

Any successor Trustee appointed pursuant to this Section or through consolidation, sale, or merger shall be a trust company or bank in good standing located in or incorporated under the laws of the State or the United States, duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$50,000,000 and acceptable to the Bond Insurer.

**SECTION 10.06. Resignation by Trustee.** The Trustee and any successor Trustee may at any time resign from the trusts hereby created by giving sixty (60) days' written notice by registered or certified mail to the Council and the Bond Insurer and by first-class mail to the registered Owner of each Bond, and such resignation shall take effect upon the appointment of a successor Trustee as hereinafter provided and the acceptance of such appointment by such

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successor. No such acceptance shall be effective unless the Bond Insurer has consented in writing to such appointment.

**SECTION 10.07. Removal of Trustee.** The Council may remove the Trustee at any time without cause, by an instrument or concurrent instruments in writing delivered to the Trustee so removed and consented to by the Bond Insurer or the Owners of a majority in aggregate principal amount of all Bonds then Outstanding with consent of the Bond Insurer provided, that all amounts owing to the Trustee shall be paid simultaneous with or prior to such removal. The Trustee may be removed at any time for cause by the Bond Insurer, with notice to the Council.

**SECTION 10.08. Appointment of Successor Trustee.** In case the Trustee hereunder shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by a resolution of the Council, with the consent of the Bond Insurer, or if the Council shall not have appointed a successor Trustee, by filing with the Council an instrument or concurrent instruments in writing signed by Owners of not less than a majority in principal amount of Bonds outstanding, or by their attorneys in fact, duly authorized. Nevertheless, in case of such vacancy, may appoint a temporary Trustee to fill such vacancy, the Bond Insurer until a successor to the Trustee shall be appointed in the manner above prescribed; and any such temporary Trustee so appointed by the Bond Insurer shall immediately and without further act be superseded by any Trustee so appointed. Notice of the appointment of a successor Trustee shall be given by the successor Trustee in the same manner as provided by Section 10.06 hereof with respect to the resignation of a Trustee. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing having a corporate trust office in the State, having a reported capital and surplus of not less than \$75,000,000 and subject to examination by federal or State authority, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms. The Bond Insurer shall be notified immediately upon the resignation or termination of the Trustee and the appointment of a successor Trustee.

**SECTION 10.09. Concerning Any Successor Trustee.** Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also to the Council and the Bond Insurer an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Council, or of the successor Trustee, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities, moneys, documents and other property held by it as the Trustee hereunder to its or his successor hereunder. Should any instrument in writing from the Council be required by any successor Trustee for more fully and

thereafter continued whereby the Registrar shall be furnished such records and other information at such times as shall be required to enable the Registrar to perform the duties and obligations imposed upon it hereunder.

**SECTION 10.14. Effect on Bondholders of Certain Actions.** Notwithstanding any other provision of this Indenture, in determining whether the rights of the Bondholders will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee or Paying Agent shall consider the effect on the Bondholders as if there were no Bond Insurance Policy.

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certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Council. Such successor Trustee shall give notice of such successors to Fitch and S&P.

**SECTION 10.10. Preservation and Inspection of Documents.** All documents received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Council and the Bond Insurer, at reasonable hours and under reasonable conditions.

**SECTION 10.11. [Reserved]**

**SECTION 10.12. Paying Agent.** The Council hereby appoints the Trustee as Paying Agent. The Council may, with the approval of the Trustee and the Bond Insurer, appoint additional Paying Agents for the Bonds. Each Paying Agent shall designate to the Council and the Trustee its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Council under which such Paying Agent will agree, particularly:

(a) to hold all sums received by it for the payment of the principal of or interest on Bonds in trust for the benefit of the Owners of the Bonds until such sums shall be paid to such Owners of the Bonds or otherwise disposed of as herein provided;

(b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the Council and the Trustee at all reasonable times; and

(c) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by the Paying Agent.

**SECTION 10.13. Registrar.** The Council hereby appoints the Trustee as Registrar for the Bonds. The Registrar shall designate to the Trustee its principal office and signify its acceptance of the duties imposed upon it hereunder by a written instrument of acceptance delivered to the Council and the Trustee under which such Registrar will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Council and the Trustee at all reasonable times.

The Council shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby Bonds, executed by the Council and authenticated by the Registrar or any authenticating agent, shall be made available for exchange, registration and registration of transfer at the principal office of the Registrar. The Council shall cooperate with the Trustee to cause the necessary agreements to be made and

## ARTICLE XI

### SUPPLEMENTAL INDENTURES

**SECTION 11.01. Supplemental Indentures Not Requiring Consent of Bondholders.** The Council and the Trustee may, without the consent of or notice to any of the Bondholders, but only with the consent of the Bond Insurer, enter into any indenture or indentures supplemental to this Indenture for any one or more of the following purposes:

(a) To cure or correct any ambiguity or omission or formal defect in this Indenture;

(b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon such Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, is not to the material prejudice of such Bondholders;

(c) To subject to this Indenture additional revenues, properties or collateral;

(d) To modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United States of America or of any of the states of the United States of America, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute; or

(e) To change or evidence or give effect to the delivery of an Alternate Surety Bond.

**SECTION 11.02. Supplemental Indentures Requiring Consent of Bondholders.** Exclusive of supplemental indentures covered by Section 11.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the Bond Insurer and the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds affected thereby shall have the right, from time to time, to consent to and approve the execution by the Council and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in any supplemental indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting (1) without the consent of the Owners of all then Outstanding Bonds affected thereby, of (a) an extension of the maturity date of the principal of or the interest on any Bond, or (b) a reduction in the principal amount of any Bond or the rate of interest thereon, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture, or (e) except to the extent necessary to implement

Section 4.08(c) hereof, the creation of any lien hereunder other than a lien ratably securing all of the Bonds at any time Outstanding hereunder, or (2) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

If at any time the Council shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed by registered or certified mail to each Owner of a Bond affected thereby at the address shown on the registration books. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty (60) days, or such longer period as shall be prescribed by the Council, following the mailing of such notice, the Owners of not less than two-thirds in aggregate principal amount of the Outstanding Bonds affected thereby at the time of the execution of any such supplemental indenture shall have consented to and approved the execution thereof as herein provided, no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Council from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such supplemental indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Bond Insurance Policy remains in full force and effect, consent and approval by the Bond Insurer shall constitute the required consent and approval of the Owners of the Insured Bonds, provided, however, that in no event shall the Bond Insurer's consent to the actions listed in subsection (1)(a) through (e) of this Section 11.02 constitute consent of the Owners.

**SECTION 11.03. Notice to S&P and Fitch.** The Trustee shall give notice to the Bond Insurer, S&P and Fitch of any supplemental indentures or any amendments to the Loan Agreement.

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Nothing contained in this Section shall be construed to prevent the Trustee, with the consent of the Council and the Bond Insurer, from settling a default under any Loan Agreement on such terms as the Trustee may determine to be in the best interests of the Owners of the Bonds.

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## ARTICLE XII

### AMENDMENT OF LOAN AGREEMENT

**SECTION 12.01. Amendments, Etc., Not Requiring Consent of Bondholders.** The Council and the Trustee may, without the consent of or notice to the Bondholders, but only with the consent of the Bond Insurer, consent to any amendment, change or modification of the Loan Agreement or any Project described therein that may be required (a) by the provisions of such Loan Agreement or to conform to the provisions of this Indenture, (b) for the purpose of curing any ambiguity or inconsistency or formal defect or omission, (c) so as to add additional rights acquired in accordance with the provisions of such Loan Agreement, or (d) in connection with any other change therein which, in the judgment of the Trustee, is not to the material prejudice of the Trustee or the Owners of the Bonds.

**SECTION 12.02. Amendments, Etc., Requiring Consent of Bondholders.** Except for amendments, changes or modifications provided for in Section 12.01 hereof, neither the Council nor the Trustee shall consent to any amendment, change or modification of any Loan Agreement without the mailing of notice and the written approval or consent of the Bond Insurer, and the Owners of not less than two-thirds in aggregate principal amount of the Bonds at the time Outstanding given and procured as in this Section provided. If at any time the Council and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of a Loan Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by Section 11.02 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Bondholders. Nothing contained in this Section shall permit, or be construed as permitting, a reduction of the aggregate principal amount of Bonds the Owners of which are required to consent to any amendment, change or modification of a Loan Agreement, a reduction in, or a postponement of, the payments under any Loan Agreement or any changes that affect the exclusion of interest on the Bonds from the gross income of the Holders thereof for purposes of Federal income taxation, without the consent of the Owners of all of the Bonds then Outstanding.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Bond Insurance remains in full force and effect, consent and approval by the Bond Insurer shall constitute the required consent and approval of the Owners of the Insured Bonds, provided, however, that the Bond Insurer shall not be entitled to consent to a reduction in, or postponement of, the payment due the Insured Bondholders or any change that affects the exclusion of interest on the Insured Bonds from gross income of the Holders thereof for purposes of Federal income taxation.

## ARTICLE XIII

### GENERAL COVENANTS

**SECTION 13.01. Payment of Principal and Interest.** The Council covenants that it will promptly pay the principal of and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bonds according to the true intent and meaning thereof, provided that the principal and interest are payable by the Council solely from the Trust Estate as provided in this Indenture, and nothing in the Bonds or this Indenture shall be considered as assigning or pledging any other funds or assets of the Council other than such Trust Estate.

**SECTION 13.02. Performance of Covenants; the Council.** The Council covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Council covenants that it is duly authorized under the Constitution and laws of the State, including particularly the Act, to issue the Bonds authorized hereby and to execute this Indenture, to execute and deliver the Loan Agreement, to assign the Loan Agreement and collateral documents and amounts payable thereunder, and to pledge the Revenues and any other property hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the Owners thereof are and will be valid and enforceable obligations of the Council according to the terms thereof and hereof.

**SECTION 13.03. Instruments of Further Assurance.** The Council agrees that the Trustee may defend its rights to the payments of the Revenues for the benefit of the Owners of the Bonds, against the claims and demands of all persons whomsoever. The Council covenants that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, transferring, pledging, assigning and confirming unto the Trustee all and singular the rights assigned hereby and the amounts and other property pledged hereby to the payment of the principal of and interest on the Bonds. The Council covenants and agrees that, except as provided herein or in the Loan Agreement, it will not sell, convey, assign, pledge, encumber or otherwise dispose of any part of the Revenues or the proceeds of the Bonds or its rights under the Loan Agreement.

**SECTION 13.04. Rights Under the Loan Agreement.** The Loan Agreement, the form of which has been filed with the Trustee and duly executed counterparts of which will be retained by the Trustee, as required by Section 13.05 hereof, set forth the covenants and obligations of the Council and the Borrower, including provisions that the Loan Agreement may not be effectively amended without the concurring written consent of the Trustee, as provided in Article XII hereof, and reference is hereby made to the Loan Agreement for a

detailed statement of said covenants and obligations of the Borrower under the Loan Agreement, and the Council agrees that the Trustee in its name or to the extent permitted by law, in the name of the Council, may enforce all rights of the Council and all obligations of the Borrower under the Loan Agreement (and waive the same except for rights expressly granted to the Council) on behalf of the Bondholders whether or not the Council is in default hereunder.

**SECTION 13.05. Possession and Inspection of Loan Agreement.** The Trustee shall retain possession of an executed copy of the Loan Agreement to which it is a party or in which it has an interest and release them only in accordance with the provisions of this Indenture. The Council and the Trustee covenant and agree that all books and documents in their possession relating to the Loan Agreement and to the distribution of proceeds thereof shall at all times be open to inspection by such accountants or other agencies or persons as the other party or the Bond Insurer may from time to time designate.

**SECTION 13.06. Provision of Documents to Bondholders.** If any Bondholder shall request of the Council or Trustee a copy of the Indenture, the Bond Insurance Policy or the Loan Agreement, the Trustee shall, at the expense of the Bondholder, provide such Bondholder with a photocopy or other copy of any such document requested.

**SECTION 13.07. Tax Covenants.**

(a) The Council shall not use or permit the use of any proceeds of the Bonds or any other funds of the Council, and the Trustee shall not knowingly use or permit the use of any proceeds of the Bonds or any other funds of the Council held by the Trustee, directly or indirectly, to acquire any securities or obligations, and shall not knowingly use or permit the use of any amounts received by the Council or Trustee with respect to the Loan Agreement in any manner, and shall not take or permit to be taken any other action or actions, which would cause any Bond to be an "arbitrage bond" within the meaning of Section 148, or "federally guaranteed" within the meaning of the Code. If at any time the Council is of the opinion that for purposes of this subsection (a) it is necessary to restrict or limit the yield on or change in any way the investment of any moneys held by the Trustee under this Indenture, the Council shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

(b) The Council shall not use or permit the use of any proceeds of Bonds or any other funds of the Council, and the Trustee shall not knowingly use or permit the use of any proceeds of the Bonds or any other funds of the Council held by the Trustee, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as a "private activity bond," as defined in Section 141 of the Code.

(c) The Council and the Trustee (if directed by the Council) shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary or

**ARTICLE XIV  
MISCELLANEOUS**

**SECTION 14.01. Consents, etc., of Bondholders.** Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number of concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Council, the Trustee and any subsequent Owners of the Bonds with regard to any action taken by it under such request or other instrument, namely:

(a) The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or by an affidavit of any witness to such execution.

(b) The fact of ownership of the Bonds and the amount or amounts, numbers and other identification of the Bonds, and the date of owning the same shall be proved by the registration books of the Council maintained by the Registrar pursuant to Section 2.07 hereof.

**SECTION 14.02. Limitation of Rights.** With the exception of rights herein expressly conferred or as otherwise provided herein, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto and the owners of the Bonds, any legal or equitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the Owners of the Bonds as herein provided. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

**SECTION 14.03. The Bond Insurer.** All provisions in this Indenture regarding consents, approvals, directions, appointments or requests by the Bond Insurer shall be deemed to not require or permit such consents, directions, appointments or requests by the Bond Insurer and shall be read as if the Bond Insurer were not mentioned therein during any time in which (a) the Bond Insurer is in default in its obligation to make payments under the Bond Insurance Policy, (b) the Bond Insurance Policy shall at any time for any reason cease to be valid and binding on the Bond Insurer, or shall be declared to be null and void by final and conclusive judicial determination, or the validity or enforceability of any provision thereof is being contested by the Bond Insurer or any governmental agency or authority with jurisdiction over

desirable in order to assure that interest paid on the Bonds will be excluded from gross income for purposes of Federal income taxation and shall take no action that would result in such interest not being excluded from Federal gross income.

(d) The Council covenants that it will maintain adequate accounting records, and rebate investment income from the investment of proceeds of the Bonds to the United States Treasury within the time allowed and in the manner specified by the Code and regulations and will otherwise comply with such laws and regulations.

**SECTION 13.08. Security Interest.**

(a) This Indenture creates a valid and binding assignment of, lien on and security interest in the Trust Estate in favor of the Trustee as security of payment of the Bonds, enforceable by the Trustee in accordance with the terms hereof.

(b) The Council has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of such collateral that ranks on a parity with or prior to the lien, security interest or assignment granted hereby. The Council has not described such collateral in a Uniform Commercial Code financing statement. The Council shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in such collateral that ranks prior to or on a parity with the assignment, lien, or security interest granted hereby, or file any financing statement describing any such pledge, assignment, lien or security interest, except as expressly permitted hereby.

[Remainder of this page intentionally left blank]

the Bond Insurer, or if the Bond Insurer is denying further liability or obligation under the Bond Insurance Policy, or (c) a final determination against the Bond Insurer, under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of the State of New York, whether now or hereafter in effect.

**SECTION 14.04. Severability.** If any provision of this Indenture shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

**SECTION 14.05. Notices.** Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram or telex, addressed to the parties as follows:

Council:	Florida Municipal Loan Council c/o Florida League of Cities 301 South Bronough Street, Suite 300 Tallahassee, Florida 32301
Bond Insurer:	Assured Guaranty Municipal Corp. 31 West 52nd Street New York, New York, 10019 Attn: Managing Director Surveillance
Trustee:	Deutsche Bank Trust Company & Securities Services (Municipal Group) 60 Wall Street Mail Stop 2715 New York, New York 10005

The above parties may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

**SECTION 14.06. Payments Due on Saturdays, Sundays and Holidays.** In any case where the date of payment of principal or interest on the Bonds or the date fixed for redemption of any Bonds shall be a day which is not a Business Day, then payment of interest or principal shall be made on the succeeding Business Day with the same force and effect as if made on the interest payment date or the date of maturity or the date fixed for redemption.

**SECTION 14.07. Counterparts.** This Indenture may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

SECTION 14.08. Applicable Provisions of Law. This Indenture shall be governed by and construed in accordance with the laws of the State.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Council has caused this Indenture to be executed on its behalf by its Chairman and the seal of the Council to be hereunto affixed and duly attested by its Executive Director and the Trustee, to evidence its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name by its duly authorized officer, all as of the day and year first above written.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: \_\_\_\_\_  
Name: Isaac Salver  
Title: Chairman

FLORIDA LEAGUE OF CITIES, INC.,  
Program Administrator

By: \_\_\_\_\_  
Name: Michael Sittig  
Title: Executive Director

TRUST INDENTURE

DEUTSCHE BANK TRUST COMPANY  
AMERICAS, as Trustee

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

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

EXHIBIT A

[FORM OF BOND]

No. R- \_\_\_\_\_ \$ \_\_\_\_\_

FLORIDA MUNICIPAL LOAN COUNCIL  
REFUNDING AND IMPROVEMENT REVENUE BONDS  
SERIES 2012A

Maturity Date: Interest Rate: Dated Date: CUSIP:

Registered Owner: Cede & Co.

Principal Amount: \_\_\_\_\_ DOLLARS

FLORIDA MUNICIPAL LOAN COUNCIL, a legal entity duly created and existing under the Constitution and laws of the State of Florida (the "Council"), for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount identified above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from \_\_\_\_\_, 2012, until payment of said Principal Amount has been made or duly provided for, at the Interest Rate set forth above on \_\_\_\_\_ 1, 20\_\_\_\_, and on each \_\_\_\_\_ 1 and \_\_\_\_\_ 1 thereafter (an "Interest Payment Date"), unless interest on this Bond is in default, in which event it shall bear interest from the last date to which interest has been paid until payment of such Principal Amount shall be discharged as provided in the Indenture hereinafter mentioned. The principal (or redemption price) hereof is payable upon presentation hereof at the principal office of Deutsche Bank Trust Company Americas, as Paying Agent and Registrar (together with any successor thereto, the "Paying Agent" and the "Registrar"). Interest hereon is payable by check mailed, except as provided in the Indenture, to the person whose name appears on the bond registration books maintained by the Registrar as the Registered Owner hereof as of the close of business on the 15th day of the calendar month preceding each Interest Payment Date, at such person's address as it appears on such registration books.

This Bond is one of a duly authorized issue of bonds of the Council designated as "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A

(City of Hialeah Series)" (the "Bonds"), issued in the aggregate principal amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), pursuant to the provisions of Chapter 163, Part I, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), and pursuant to a Trust Indenture, dated as of \_\_\_\_\_, 2012, between the Council and Deutsche Bank Trust Company Americas, (the "Trustee") (together with any supplements or amendments thereto, the "Indenture"). The Bonds are issued for the purpose of providing funds to make a loan to the City of Hialeah, Florida (the "Borrower") to (i) finance, refinance or reimburse the costs of various capital projects, and (ii) to refund the Refunded Bonds, pursuant to a loan agreement between the Council and such Borrower (together with any supplements or amendments thereto, the "Loan Agreement").

Capitalized terms used but not defined herein shall have the meaning set forth in the Indenture.

Reference is hereby made to the Indenture (a copy of which is on file at the principal corporate trust office of the Trustee) and to the Act for a description of the rights and remedies thereunder (and limitations thereon) of the registered owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Council thereunder, to all the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds and the interest thereon are payable from Revenues (as defined in the Indenture) and are secured by a pledge and assignment of said Revenues and of amounts held in certain funds and accounts established pursuant to the Indenture (including proceeds of the sale of the Bonds until applied as set forth therein), subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are further secured by an assignment of the right, title and interest of the Council in the Loan Agreement to the Trustee, to the extent and as more particularly described in the Indenture.

[insert redemption provisions]

In addition, the Bonds are also subject to extraordinary mandatory redemption (as a result of acceleration pursuant to the Indenture) at any time, in whole or in part, at a redemption price of the principal amount thereof plus accrued interest to the redemption date, without premium, from all Liquidation Proceeds (as such terms are defined in the Indenture) received by the Trustee as a result of an acceleration of the Loan. If Bonds are to be redeemed in part by extraordinary mandatory redemption, the Bonds to be redeemed will be selected on a proportionate basis from among all of the maturities of the Bonds which correspond to the maturities of the Loan and within each maturity by lot.

In the case of every redemption, the Registrar, at the direction of the Trustee, shall cause notice of such redemption to be given to the Registered Owner of any Bonds designated for

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redemption in whole or in part as provided in the Indenture. The failure of the Registrar to give notice to a Bondholder or any defect in such notice shall not affect the validity of the redemption of any other Bonds. On the redemption date, the principal amount and premium, if any, of each Bond to be redeemed, together with the accrued interest thereon to such date, shall become due and payable; from and after such date of redemption (such notice having been given and moneys available solely for such redemption being on deposit with the Trustee), the Bonds or portions thereof to be redeemed shall not be deemed to be outstanding under the Indenture, and the Council shall be under no further liability in respect thereof.

[In the event that the Bond Insurer shall make any payments of principal of and/or interest on any of the Insured Bonds pursuant to the terms of the municipal bond insurance policy, and the Insured Bonds are accelerated or redeemed pursuant to the terms of the Indenture or Loan, the Bond Insurer may pay all or a portion of amounts due under the Insured Bonds to the Owners thereof prior to the stated maturity dates thereof.]

If an Event of Default (as defined in the Indenture) shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture. The Indenture provides that in certain events such declaration and its consequences may be rescinded.

The Indenture and the rights and obligations of the Council and of the Bondholders and of the Trustee may be modified or amended from time to time and at any time, without consent of the Bondholders in the manner, to the extent and upon the terms provided in the Indenture.

The Bonds are limited obligations of the Council and are not a lien or charge upon the funds or property of the Council, except to the extent of the herein mentioned pledge and assignment. Neither the State of Florida nor the Council shall be obligated to pay the principal of the Bonds, or the interest thereon, except from Revenues received by the Council, and neither the faith and credit nor the taxing power of the State of Florida or of any political subdivision or any municipal corporation thereof is pledged to the payment of the principal of, or interest on, the Bonds. The Bonds are not a debt of the State of Florida and said State is not liable for the payment thereof.

It is hereby certified and recited that any and all conditions, things and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Act, as hereinafter defined, and by the Constitution and laws of the State of Florida, and that the amount of this Bond, together with all other indebtedness of the Council, does not exceed any limit prescribed by the Act, or by the Constitution and laws of the State of Florida, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

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This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been signed by the Registrar.

IN WITNESS WHEREOF, FLORIDA MUNICIPAL LOAN COUNCIL has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chairman and its seal to be reproduced hereon by facsimile and attested by the manual or facsimile signature of its Executive Director all as of the date of the Bonds.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

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

Attest:

\_\_\_\_\_  
Executive Director

VALIDATION CERTIFICATE

This Bond is one of a series of Bonds which were validated and confirmed by judgment of the Circuit Court for Leon County, Florida, rendered on February 13, 2003.

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

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CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the Bonds described in the within-mentioned Indenture.

DEUTSCHE BANK TRUST COMPANY AMERICAS,  
as Registrar

Date of Authentication:

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

By: \_\_\_\_\_  
Authorized Signer

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) attorney, to transfer the same on the books of the Registrar with full power of substitution in the premises.

Dated: \_\_\_\_\_, 2012

Signature guaranteed:  
\_\_\_\_\_

[END OF BOND FORM]

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**APPENDIX D**

**FORM OF THE LOAN AGREEMENT**

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LOAN AGREEMENT

By and Between

FLORIDA MUNICIPAL LOAN COUNCIL

and

CITY OF HIALEAH, FLORIDA

Dated as of November 1, 2012

FLORIDA MUNICIPAL LOAN COUNCIL  
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2012A  
(CITY OF HIALEAH SERIES)

This Instrument Prepared By:

Jolinda Herring, Esq.  
Bryant Miller Olive P.A.  
SunTrust International Center  
1 SE 3rd Avenue  
Suite 2200  
Miami, FL 33131

and

Grace E. Dunlap, Esq.  
Bryant Miller Olive P.A.  
One Tampa City Center, Suite 2700  
Tampa, Florida 33602

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LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement" or the "Agreement") is dated as of November 1, 2012 and entered into between the FLORIDA MUNICIPAL LOAN COUNCIL (the "Council"), a separate legal entity and public body corporate and politic duly created and existing under the Constitution and laws of the State of Florida, and the CITY OF HIALEAH, FLORIDA (the "Borrower"), a duly constituted municipality under the laws of the State of Florida.

WITNESSETH:

WHEREAS, pursuant to the authority of the Act (as hereinafter defined), the Council desires to loan to the Borrower the amount necessary to enable the Borrower to finance, refinance or reimburse the cost of the Projects, as hereinafter defined, and the Borrower desires to borrow such amount from the Council subject to the terms and conditions of and for the purposes set forth in this Agreement; and

WHEREAS, the Council is a separate legal entity and public body corporate and politic duly created and existing under the laws of the State of Florida organized and existing under and by virtue of the Interlocal Agreement among initially, the City of DeLand, Florida, the City of Rockledge, Florida and the City of Stuart, Florida, as amended and supplemented, together with the additional governmental entities who become members of the Council, in accordance with Chapter 163, Part I, Florida Statutes, as amended (the "Interlocal Act"); and

WHEREAS, the Council has determined that there is substantial need within the State for a financing program (the "Program") which will provide funds for qualifying projects for the participating Borrower; and

WHEREAS, the Council is authorized under the Interlocal Act to issue its revenue bonds to provide funds for such purposes; and

WHEREAS, the Council has determined that the public interest will best be served and that the purposes of the Interlocal Act can be more advantageously obtained by the Council's issuance of revenue bonds in order to loan funds to the Borrower to finance or refinance the Projects (as hereinafter defined); and

WHEREAS, the Borrower is authorized under and pursuant to the Act to enter into this Loan Agreement for the purposes set forth herein; and

WHEREAS, the Borrower has determined that a covenant to budget and appropriate non-ad valorem revenues, as described herein, shall be pledged to secure this Loan Agreement; and

WHEREAS, the Council and the Borrower previously entered into that certain Loan Agreement dated as of May 1, 2003 (the "2003A Loan"); and

WHEREAS, the Council and the Borrower have determined that the lending of funds by the Council to the Borrower pursuant to the terms of this Agreement and that certain Trust Indenture dated as of November 1, 2012, between the Council and the Trustee (as defined herein) relating to the Bonds (as hereinafter defined), including any amendments and supplements thereto (the "Indenture"), will assist in the development and maintenance of the public welfare of the residents of the State and the areas served by the Borrower, and shall serve a public purpose by improving the health and living conditions, and providing adequate governmental services, facilities and programs and will promote the most efficient and economical development of such services, facilities and programs in the State; and

WHEREAS, neither the Council, the Borrower nor the State or any political subdivision thereof (other than the Borrower to the extent its obligations under this Agreement), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series)" (the "Bonds") as the same shall become due, except as otherwise provided in the Indenture, and the issuance of the Bonds shall not directly, indirectly or contingently obligate the Borrower, the State or any political subdivision or municipal corporation thereof to levy or pledge any form of ad valorem taxation for their payment but shall be payable solely from the funds and revenues pledged under and pursuant to this Agreement and the Indenture.

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereto agree as follows:

## ARTICLE I

### DEFINITIONS

Unless the context or use indicates another meaning or intent, the following words and terms as used in this Loan Agreement shall have the following meanings, and any other hereinafter defined, shall have the meanings as therein defined.

"2003A Bonds" means the pro rata portion of the Issuer's Revenue Bonds, Series 2003A, relating to the Borrower's loan therefrom.

"2003A Loan" means the loan from the Issuer to the Borrower funded from the proceeds of the 2003A Bonds secured by the Loan Agreement dated as of May 1, 2003, between the Issuer and the Borrower.

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"Bond Insurance Premium" with respect to the Insured Bonds, means the premium payable to the Bond Insurer for the Bond Insurance Policy.

"Bond Insurer" means Assured Guaranty Municipal Corp. and any successor thereto.

"Bond Year" means a 12-month period beginning on October 2 and ending on and including the following October 1, except for the first period which begins on November 8, 2012.

"Borrower" means the governmental unit which is described in the first paragraph and on the cover page of this Loan Agreement and which is borrowing and using the Loan proceeds to finance, refinance and/or be reimbursed for, all or a portion of the costs of one or more Projects.

"Business Day" means any day of the year which is not a Saturday or Sunday or a day on which banking institutions located in New York City or the State are required or authorized to remain closed or on which the New York Stock Exchange is closed.

"Certificate," "Statement," "Request," "Requisition" and "Order" of the Council mean, respectively, a written certificate, statement, request, requisition or order signed in the name of the Council by its Chairman, Program Administrator or such other person as may be designated and authorized to sign for the Council. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

"Closing" means the closing of a Loan pursuant to the Indenture and this Agreement.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated, proposed or applicable thereunder.

"Commencement Date" means the date when the term of this Agreement begins and the obligation of the Borrower to make Loan Repayments accrues.

"Council" means the Florida Municipal Loan Council.

"Cost" means the purchase price of any project acquired; the cost of improvements; the cost of construction, extension or enlargement; the cost of all lands, properties, rights, easements and franchises acquired; the cost of all machinery and equipment, financing charges, interest during construction; and, if deemed advisable, for one year after completion of construction, cost of investigations, audits, and engineering and legal services; and all other expenses necessary or incident to determining the feasibility or practicability of such acquisition or construction, administrative expense and such other expenses as may be necessary or incident

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"Accountant" or "Accountants" means an independent certified public accountant or a firm of independent certified public accountants.

"Accounts" means the accounts created pursuant to Section 4.02 of the Indenture.

"Act" means, collectively, to the extent applicable to the Borrower, Chapter 163, Part I, Florida Statutes, Chapter 166, Part II, Florida Statutes, and Chapter 125, Part I, Florida Statutes, each as amended, and all other applicable provisions of law.

"Additional Payments" means payments required by Section 5.03 hereof.

"Arbitrage Regulations" means the income tax regulations promulgated, proposed or applicable pursuant to Section 148 of the Code as the same may be amended or supplemented or proposed to be amended or supplemented from time to time.

"Authorized Representative" means, when used pertaining to the Council, the Chairman of the Council and such other designated members, agents or representatives as may hereafter be selected by Council resolution; and, when used with reference to the Borrower, means the person performing the functions of the Mayor or Deputy, Acting or Vice Mayor thereof or other officer authorized to exercise the powers and performs the duties of the Mayor; and, when used with reference to an act or document, also means any other person authorized by resolution to perform such act or sign such document.

"Basic Payments" means the payments denominated as such in Section 5.01 hereof.

"Board" means the governing body of the Borrower.

"Bond Counsel" means Bryant Miller Olive P.A., Miami, Florida or any other nationally recognized bond counsel.

"Bondholder" or "Holder" or "holder of Bonds" or "Owner" or "owner of Bonds" whenever used herein with respect to a Bond, means the person in whose name such Bond is registered.

"Bonds" means the \$41,620,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series) issued pursuant to Article II of the Indenture.

"Bond Insurance Policy" means the municipal bond insurance policy of the Bond Insurer guaranteeing the scheduled payment when due of the principal of and interest on the Insured Bonds, as provided therein.

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to the financing herein authorized and to the acquisition or construction of a project and the placing of the same in operation. Any obligation or expense incurred by the Borrower prior to the issuance of bonds for engineering studies and for estimates of cost and of revenues, and for other technical, financial, or legal services in connection with the acquisition or construction of any project, may be regarded as a part of the cost of such project.

"Cost of Issuance Fund" means the fund by that name established pursuant to Section 4.02 of the Indenture.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the Council or the Borrower.

"Default" means an event or condition the occurrence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

"Escrow Account" shall mean the Escrow Account held for the benefit of the holders of the Refunded Bonds by the Escrow Holder under the Escrow Deposit Agreement.

"Escrow Deposit Agreement" shall mean the Escrow Deposit Agreement which shall be executed and delivered by and between the Issuer and the Escrow Holder, which agreement shall be in substantially the form approved by the Escrow Holder.

"Escrow Holder" shall mean the current trustee for the Refunded Bonds which is a qualifying bank or trust company and which shall execute the Escrow Deposit Agreement with the Issuer prior to the issuance of the Bonds.

"Escrow Requirement" shall have the meaning assigned to such term in the Escrow Deposit Agreement.

"Event of Default" shall have the meaning ascribed to such term in Section 8.01 of this Agreement.

"Financial Newspaper" or "Journal" means The Wall Street Journal or The Bond Buyer or any other newspaper or journal containing financial news, printed in the English language, customarily published on each Business Day and circulated in New York, New York, and selected by the Trustee, whose decision shall be final and conclusive.

"Fiscal Year" means the fiscal year of the Borrower.

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be

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deemed to refer to any other nationally recognized securities rating agency designated by the Council, with approval of the Bond Insurer, by notice to the Trustee.

"Funds" means the funds created pursuant to Section 4.02 of the Indenture.

"Governmental Obligations" means (i) non-callable direct obligations of the United States of America ("Treasuries"), (ii) 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, (iii) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, (v) subject to the prior written consent of the Bond Insurer, securities eligible for "AAA" defeasance under then existing criteria of S&P or (vi) any combination of the foregoing, unless the Bond Insurer otherwise approves.

"Indenture" means the Trust Indenture dated as of November 1, 2012 between the Council and the Trustee, including any indentures supplemental thereto, pursuant to which (i) the Bonds are authorized to be issued and (ii) the Council's interest in the Trust Estate is pledged as security for the payment of principal of, premium, if any, and interest on the Bonds.

"Insured Bonds" means the Bonds maturing in the years 2018, through and including, 2033.

"Interest Payment Date" means May 1 and November 1 of each year, commencing May 1, 2013.

"Interest Period" means the semi-annual period between Interest Payment Dates.

"Interlocal Act" means Chapter 163, Part I, Florida Statutes.

"Interlocal Agreement" means that certain Interlocal Agreement originally dated as of December 1, 1998, initially among the City of Stuart, Florida, the City of Rockledge, Florida and the City of DeLand, Florida, together with the additional governmental entities who become members of the Council, all as amended and supplemented from time to time.

"Liquidation Proceeds" means amounts received by the Trustee or the Council in connection with the enforcement of any of the remedies under this Loan Agreement after the occurrence of an "Event of Default" under this Loan Agreement which has not been waived or cured.

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"Person" means an individual, a corporation, a partnership, an association, a trust or any other entity or organization including a government or political subdivision or an agency or instrumentality thereof.

"Principal Fund" means the Series 2012A Principal Fund created by Section 4.02 of the Indenture.

"Principal Payment Date" means the maturity date or mandatory redemption date of any Bond.

"Program" means the Council's program of making Loans under the Act and pursuant to the Indenture.

"Program Administrator" means the Florida League of Cities, Inc, a non-profit Florida corporation.

"Project" or "Projects" means a governmental undertaking approved by the governing body of a Borrower for a public purpose, including the refinancing of any indebtedness, which shall include the Borrower's Project detailed on Exhibit A hereof.

"Project Loan Fund" means the 2012A Project Loan Fund established pursuant to Section 4.02 of the Indenture.

"Purchase Price" means the purchase price of one or more items of a Project payable by a Borrower to the seller of such items.

"Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon redemption pursuant to the provisions of such Bond and the Indenture.

"Refunded Bonds" means the Borrower's outstanding loan portion of the 2003A Bonds, maturing on and after May 1, 2014.

"Revenue Fund" means the 2012A Revenue Fund created by Section 4.02 of the Indenture.

"Revenues" means all Loan Repayments paid to the Trustee for the respective accounts of the Borrower for deposit in the Principal Fund and Revenue Fund to pay principal of, premium, if any, and interest on the Bonds upon redemption, at maturity or upon acceleration of maturity, or to pay interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of this Loan Agreement.

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"Loan" means the Loan made to the Borrower from Bond proceeds to refinance certain Project(s) in the amount specified in Section 3.01 herein.

"Loan Agreement" or "Loan Agreements" means this Loan Agreement and any amendments and supplements hereto.

"Loan Repayment Date" means April 20, 2013, and thereafter each October 20th and April 20th, or if such day is not a Business Day, the next preceding Business Day.

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of this Loan Agreement, including, without limitation, Additional Payments.

"Loan Term" means the term provided for in Article IV of this Loan Agreement.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Non-Ad Valorem Revenues" means all revenues and taxes of the Borrower derived from any source whatever other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

"Opinion of Bond Counsel" means an opinion by Bond Counsel which is selected by the Council and acceptable to the Trustee.

"Opinion of Counsel" means an opinion in writing of a legal counsel, who may, but need not be, counsel to the Council, the Borrower or the Trustee.

"Outstanding Bonds" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under the Indenture, except:

- (a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII of the Indenture; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.06, 2.07 or 2.09 of the Indenture.

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"S&P" means Standard & Poor's Rating Services, a business of Standard & Poor's Financial Services LLC, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

"Special Record Date" means the date established pursuant to Section 9.05 of the Indenture as a record date for the payment of defaulted interest, if any, on the Bonds.

"State" means the State of Florida.

"Supplemental Indenture" means any indenture hereafter duly authorized and entered into between the Council and the Trustee, supplementing, modifying or amending the Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized in the Indenture.

"Trust Estate" means the property, rights, Revenues and other assets pledged and assigned to the Trustee pursuant to the Granting Clauses of the Indenture.

"Trustee" means Deutsche Bank Trust Company Americas, as Trustee, or any successor thereto under the Indenture.

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ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS  
OF BORROWER AND COUNCIL

**SECTION 2.01. Representations, Warranties and Covenants.** The Borrower and the Council represent, warrant and covenant on the date hereof for the benefit of the Trustee, the Borrower, the Bond Insurer and Bondholders, as applicable, as follows:

(a) Organization and Authority. The Borrower:

(1) is a duly organized and validly existing municipality of the State and is a duly organized and validly existing Borrower; and

(2) has all requisite power and authority to own and operate its properties, to covenant to budget and appropriate the Non-Ad Valorem Revenues, and to carry on its activities as now conducted and as presently proposed to be conducted.

(b) Full Disclosure. There is no fact that the Borrower knows of which has not been specifically disclosed in writing to the Council that materially and adversely affects or, except for pending or proposed legislation or regulations that are a matter of general public information affecting State municipalities generally, that will materially affect adversely the properties, activities, prospects or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform its obligations under this Agreement.

The financial statements, including balance sheets, and any other written statement furnished by the Borrower to the Council, the Bond Insurer and Wells Fargo Bank, National Association, as underwriter of the Bonds do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Council, the Bond Insurer and Wells Fargo Bank, National Association, as underwriter of the Bonds in writing which materially affects adversely or is likely to materially affect adversely the financial condition of the Borrower, or its ability to make the payments under this Agreement when and as the same become due and payable.

(c) Pending Litigation. To the knowledge of the Borrower there are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower, except as specifically described in writing to the Council, the Bond Insurer and Wells Fargo Bank, National Association, as underwriter of the Bonds, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, prospects or condition (financial or otherwise) of the Borrower, or the existence or powers or ability of the Borrower to enter into and perform its obligations under this Agreement.

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necessary for such installation, financing or refinancing thereof or reimbursement of the Borrower therefor; and any such action, construction, installation, financing, refinancing or reimbursement contemplated in this Loan Agreement is consistent with, and does not violate or conflict with, the terms of any such agency or other governmental consent, order or other action which is applicable thereto. No further consent, approval or authorization of, or filing, registration or qualification with, any governmental authority is required on the part of the Borrower as a condition to the execution and delivery of this Loan Agreement, or to amounts becoming outstanding hereunder.

(g) Compliance with Law. The Borrower is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject, and which are material to its properties, operations, finances or status as a municipal corporation or subdivision of the State.

(h) Use of Proceeds.

(1) The Borrower will apply the proceeds of the Loan from the Council solely for the financing of the Projects as set forth in Exhibit A hereto. If any component of the Project listed in Exhibit A is not paid for out of the proceeds of the Loan at the Closing of the Loan, the Borrower shall, as quickly as reasonably possible, with due diligence, and in any event prior to November 8, 2015, use the remainder of the amounts listed in Exhibit A and any investment earnings thereon to pay the cost of the Project, provided that, such time limit may be extended by the written consent of the Council with notice to the Trustee, and provided further that the Borrower may amend Exhibit A without the consent of the Council or the Trustee (but with notice thereto) but with a favorable opinion of Bond Counsel (to the effect that such an amendment and the completion of the revised Project will not adversely affect the validity or tax-exempt status of the Bonds) regarding the amended Exhibit A, to provide for the financing of a different or additional Project if the Borrower, after the date hereof, deems it to not be in the interest of the Borrower to acquire or construct any item of such Project or the cost of the Project proves to be less than the amounts listed on Exhibit A and the investment earnings thereon. Notwithstanding the foregoing, all such proceeds shall be expended prior to November 8, 2015, unless extended as provided above. The Borrower will provide the Trustee with a requisition in the form of the requisition attached hereto as Exhibit E for the expenditure of the remaining amounts of the Loan in the Project Loan Fund.

(2) Items of Cost of the Project which may be financed include all reasonable or necessary direct or indirect costs of or incidental to the acquisition, construction or installation of the Project, including operational expenses during this construction period which would qualify for capitalization under generally accepted accounting principles, the incidental costs of placing the same in use and financing expenses (including the application or origination fees, if any, of the Bond Insurer and the Council and Borrower's Counsel fees), but not operating expenses.

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(d) Borrowing Legal and Authorized. The execution and delivery of this Agreement and the consummation of the transactions provided for in this Agreement and compliance by the Borrower with the provisions of this Agreement:

(1) are within the powers of the Borrower and have been duly and effectively authorized by all necessary action on the part of the Borrower; and

(2) do not and will not (i) conflict with or result in any material breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the Borrower pursuant to any indenture, loan agreement or other agreement or instrument (other than this Agreement) or restriction to which the Borrower is a party or by which the Borrower, its properties or operations are bound as of the date of this Agreement or (ii) with the giving of notice or the passage of time or both, constitute a breach or default or so result in the creation or imposition of any lien, charge or encumbrance, which breach, default, lien, charge or encumbrance (described in (i) or (ii)) could materially and adversely affect the validity or the enforceability of this Agreement or the Borrower's ability to perform fully its obligations under this Agreement; nor does such action result in any violation of the provisions of the Act, or any laws, ordinances, governmental rules or regulations or court orders to which the Borrower, its properties or operations may be bound.

(e) No Defaults. No event has occurred and no condition exists that constitutes an Event of Default, or which, upon the execution and delivery of this Agreement and/or the passage of time or giving of notice or both, would constitute an Event of Default. The Borrower is not in violation in any material respect, and has not received notice of any claimed violation (except such violations as (i) heretofore have been specifically disclosed in writing to, and have been in writing specifically consented to by the Council and the Bond Insurer and (ii) do not, and shall not, have any material adverse effect on the transactions herein contemplated and the compliance by the Borrower with the terms hereof, of any terms of any agreement or other instrument to which it is a party or by which it, its properties or operations may be bound, which may materially adversely affect the ability of the Borrower to perform hereunder.

(f) Governmental Consent. The Borrower has obtained, or expects to obtain when required, all permits, approvals and findings of non-reviewability required as of the date hereof by any governmental body or officer for the acquisition and/or installation of the Project, including construction and renovation work, financing or refinancing thereof or the reimbursement of the Borrower therefor, or the use of such Project, and, prior to the Loan, the Borrower will obtain all other such permits, approvals and findings as may be necessary for the foregoing and for such Loan and the proper application thereof; the Borrower has complied with or will comply with all applicable provisions of law requiring any notification, declaration, filing or registration with any agency or other governmental body or officer in connection with the acquisition or installation of the Project, including construction and renovation work

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(3) The Borrower understands that the actual Loan proceeds received by it are less than the sum of the face amount of the Loan Agreement plus the reoffering premium in an amount equal to a discount as described in Section 3.01 hereof. The Borrower will accordingly be responsible for repaying, through the Basic Payments portion of its Loan Repayments, the portion of the Bonds issued to fund the Loan including the portion issued to fund the underwriting discount, net original issue premium and other fees and costs of issuing the Bonds.

(4) The Borrower covenants that it will make no use of the proceeds of the Bonds which are in its control at any time during the term of the Bonds which would cause such Bonds to be "Arbitrage Bonds" within the meaning of Section 148 of the Code.

(5) The Borrower, by the Trustee's acceptance of the Indenture, covenants that the Borrower shall neither take any action nor fail to take any action or to the extent that it may do so, permit any other party to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

(i) Project. All items constituting the Project are permitted to be financed and refinanced with the proceeds of the Bonds and the Loan pursuant to the Act.

(j) Compliance with Interlocal Act and Interlocal Agreement. All agreements and transactions provided for herein or contemplated hereby are in full compliance with the terms of the Interlocal Agreement and the Interlocal Act.

(k) Additional Funding. It is hereby ascertained, determined and declared as follows:

(1) The Borrower has heretofore issued and has presently outstanding and unpaid the 2003A Loan.

(2) The Borrower deems it necessary, desirable and in the best financial interest of the Borrower that a portion of the 2003A Loan be refunded in order to effectuate interest cost savings and a reduction in the debt service applicable to bonded indebtedness. Simultaneously with the issuance of the Bonds, a sufficient portion of the proceeds of the Bonds and other funds available will, at the Borrower's request and instruction as provided in Section 3.03 hereof, be transferred by the Council directly to the Escrow Holder for deposit by the Escrow Holder into the Escrow Account established pursuant to the Escrow Deposit Agreement, to effectuate the refunding and defeasance of a portion of the 2003A Loan by providing for the payment of the principal of, premium, if any, and interest on a portion of the 2003A Loan as provided in the Escrow Deposit Agreement.

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(3) The refunding of a portion of the 2003A Loan in the manner herein provided is hereby authorized.

**SECTION 2.02. Covenants of Borrower.** The Borrower makes the following covenants and representations as of the date first above written and such covenants shall continue in full force and effect during the Loan Term:

(a) Security for Loan Repayment. Subject to the provisions of Section 2.02(f) hereof, the Borrower covenants and agrees to appropriate in its annual budget, by amendment, if required, and to pay when due under this Loan Agreement as promptly as money becomes available directly to the Trustee for deposit directly into the appropriate Fund or Account created in the Indenture, amounts of Non-Ad Valorem Revenues of the Borrower sufficient to satisfy the Loan Repayment as required under this Loan Agreement. Such covenant is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereafter entered into. Such covenant and agreement on the part of the Borrower to budget and appropriate such amounts of Non-Ad Valorem Revenues shall be cumulative, and shall continue until such Non-Ad Valorem Revenues or other legally available funds in amounts sufficient to make all required Loan Repayments, including delinquent Loan Repayments, shall have been budgeted, appropriated and actually paid to the Trustee for deposit into the appropriate Fund or Account. The Borrower further acknowledges and agrees that the Indenture shall be deemed to be entered into for the benefit of the Holders of any of the Bonds and that the obligations of the Borrower to include the amount of any deficiency in Loan Repayments in each of its annual budgets and to pay such deficiencies from Non-Ad Valorem Revenues may be enforced in a court of competent jurisdiction in accordance with the remedies set forth herein and in the Indenture. Notwithstanding the foregoing or any provision of this Loan Agreement to the contrary, the Borrower does not covenant to maintain any services or programs now maintained by the Borrower which generate Non-Ad Valorem Revenues or to maintain the charges it presently collects for any such services or programs.

During such time as the Loan is outstanding hereunder, the Borrower agrees that, as soon as practicable upon the issuance of debt by the Borrower which is secured by its Non-Ad Valorem Revenues, it shall deliver to the Council a certificate setting forth the calculations of the financial ratios provided below and certifying that it is in compliance with the following: (i) Non-Ad Valorem Revenues (average of actual receipts over the prior two years) must cover projected maximum annual debt service on debt secured by and/or payable solely from such Non-Ad Valorem Revenues by at least 1.5x; and (ii) projected maximum annual debt service requirements for all debt secured by and/or payable solely from such Non-Ad Valorem Revenues will not exceed 20% of Governmental Fund Revenues (defined as general fund, special fund, debt service fund and capital projects funds), exclusive of (i) ad valorem revenues restricted to payment of debt service on any debt and (ii) any debt proceeds, and based on the Borrower's audited financial statements (average of actual receipts of the prior two years). For the purposes of these covenants maximum annual debt service means the lesser of the actual

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compliance with which would, singularly or in the aggregate, materially adversely affect its business, properties, earnings, prospects or credit, unless the same shall be contested by it in good faith and by appropriate proceedings which shall operate to stay the enforcement thereof.

(h) Tax-exempt Status of Bonds. The Council and the Borrower understand that it is the intention hereof that the interest on the Bonds not be included within the gross income of the holders thereof for federal income tax purposes. In furtherance thereof, the Borrower and the Council each agree that they will take all action within their control which is necessary in order for the interest on the Bonds or this Loan to remain excluded from gross income for federal income taxation purposes and shall refrain from taking any action which results in such interest becoming included in gross income.

The Borrower and the Council further covenant that, to the extent they have control over the proceeds of the Bonds, they will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds, with respect to the payments derived from the Bonds or hereunder or with respect to the issuance of other Council obligations, which action or failure to act may cause the Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder. In furtherance of the covenant contained in the preceding sentence, the Borrower and the Council agree to comply with the Tax Certificate as to Arbitrage and the provisions of Section 141 through 150 of the Internal Revenue Code of 1986, as amended, including the letter of instruction attached as an Exhibit to the Tax Certificate, delivered by Bryant Miller Olive P.A. to the Borrower and the Council simultaneously with the issuance of the Bonds, as such letter may be amended from time to time, as a source of guidelines for achieving compliance with the Code.

(i) Information Reports. The Borrower covenants to provide the Council with all material and information it possesses or has the ability to possess necessary to enable the Council to file all reports required under Section 149(e) of the Code to assure that interest paid by the Council on the Bonds shall, for purposes of the federal income tax, be excluded from gross income.

(j) Limited Obligations. Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder shall be payable only from Non-Ad Valorem Revenues budgeted and appropriated as provided for hereunder and nothing herein shall be deemed to pledge ad valorem taxation revenues or to permit or constitute a mortgage or lien upon any assets or property owned by the Borrower and no Bondholder or any other person, including the Council, the Bond Insurer or the Trustee, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Borrower. The obligations hereunder do not constitute an indebtedness of the Borrower within the meaning of any constitutional, statutory or charter provision or limitation, and neither the Trustee, the Council, the Bond Insurer or the Bondholders or any other person shall have the right to compel the exercise of the ad valorem taxing power of the Borrower or taxation of any real or personal property therein for the payment by the Borrower of its obligations hereunder.

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maximum annual debt service on all debt or 15% of the original par amount of the debt, in each case, secured by the Borrower's Non-Ad Valorem Revenues.

(b) Delivery of Information to the Council and the Bond Insurer. Borrower shall deliver to the Council and the Bond Insurer as soon as available and in any event within 270 days after the end of each Fiscal Year an audited statement of its financial position as of the end of such Fiscal Year and the related statements of revenues and expenses, fund balances and changes in fund balances for such Fiscal Year, all reported by an independent certified public accountant, whose report shall state that such financial statements present fairly Borrower's financial position as of the end of such Fiscal Year and the results of operations and changes in financial position for such Fiscal Year.

(c) Information. Borrower's chief financial officer shall, at the reasonable request of the Bond Insurer, discuss Borrower's financial matters with the Bond Insurer or their designee and provide the Bond Insurer with copies of any documents reasonably requested by the Bond Insurer or its designee unless such documents or material are protected or privileged from disclosure under applicable Florida law.

(d) Further Assurance. The Borrower shall execute and deliver to the Trustee all such documents and instruments and do all such other acts and things as may be reasonably necessary to enable the Trustee to exercise and enforce its rights under this Loan Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or required by the Trustee to validate, preserve and protect the position of the Trustee under this Loan Agreement.

(e) Keeping of Records and Books of Account. The Borrower shall keep or cause to be kept proper records and books of account, in which correct and complete entries will be made in accordance with generally accepted accounting principles, consistently applied (except for changes concurred in by the Borrower's independent auditors) reflecting all of its financial transactions.

(f) Payment of Taxes, Etc. The Borrower shall pay all legally contracted obligations when due and shall pay all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, which, if unpaid, might become a lien or charge upon any of its properties, provided that it shall not be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by appropriate proceedings, which shall operate to stay the enforcement thereof.

(g) Compliance with Laws, Etc. Subject to an annual appropriation of legally available funds, the Borrower shall comply with the requirements of all applicable laws, the terms of all grants, rules, regulations and lawful orders of any governmental authority, non-

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Except to the extent expressly set forth in this Loan Agreement, this Loan Agreement and the obligations of the Borrower hereunder shall not be construed as a limitation on the ability of the Borrower to pledge or covenant to pledge said Non-Ad Valorem Revenues or any revenues or taxes of the Borrower for other legally permissible purposes. Notwithstanding any provisions of this Agreement, the Indenture or the Bonds to the contrary, the Borrower shall never be obligated to maintain or continue any of the activities of the Borrower which generate user service charges, regulatory fees or any Non-Ad Valorem Revenues or the rates for such services or regulatory fees. Neither this Loan Agreement nor the obligations of the Borrower hereunder shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the Borrower, but shall be payable solely as provided in Section 2.02(a) hereof and is subject in all respects to the provisions of Section 166.241, Florida Statutes, and is subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the Borrower.

The Council and the Borrower understand that the amounts available to be budgeted and appropriated to make Loan Payments hereunder is subject to the obligation of the Borrower to provide essential services; however, such obligation is cumulative and would carry over from Fiscal Year to Fiscal Year.

(k) Reporting Requirements.

(i) The Borrower will file or cause to be filed with the Council and the Bond Insurer any official statement issued by, or on behalf of, the Borrower in connection with the incurrence of any additional indebtedness by the Borrower secured by Non-Ad Valorem Revenues. Such official statements shall be filed within sixty (60) days after the publication thereof.

(ii) The Borrower agrees to provide not later than December 31 of each year, a certificate of its Chief Financial Officer stating that to the best of its knowledge the Borrower is in compliance with the terms and conditions of this Loan Agreement, or, specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

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ARTICLE III

THE LOAN

SECTION 3.01. The Loan. The Council hereby agrees to loan to the Borrower and the Borrower hereby agrees to borrow from the Council the sum of \$41,620,000.00 which after adding the net original issue premium of \$3,016,858.70 results in \$44,636,858.70 in loan proceeds. This amount includes an amount equal to \$773,641.69, which reflects the cost of the initial issuance of the Bonds subject to the terms and conditions contained in this Loan Agreement which shall be deducted for costs of issuance, the Bond Insurance Premium and the underwriter's discount. The amounts advanced net of the cost of the initial issuance are to be used by the Borrower for the purpose of financing or refinancing the cost of, or receiving reimbursement for the equity in, the Projects in accordance with the provisions of this Loan Agreement.

SECTION 3.02. Evidence of Loan. The Borrower's obligation hereunder to repay amounts advanced pursuant to Section 3.01, together with interest thereon, and other payments required under this Loan Agreement, shall be evidenced by this Loan Agreement.

SECTION 3.03. Portion of Loan For Purpose of Refunding. The Borrower acknowledges that the Council, pursuant to the Borrower's request and instruction, is depositing a portion of the proceeds of the Loan as set forth and as directed by the terms of the Escrow Deposit Agreement dated as of November 8, 2012, by and between the Council and Deutsche Bank Trust Company Americas, as escrow agent, in order to refund and defease the Refunded Bonds. The Borrower covenants that it will direct no other use of such portion of the Bond proceeds, agrees to the disbursement of the Loan proceeds in such manner, and further acknowledges that the escrow is to be held irrevocably by the escrow agent for such purpose.

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(e) This executed Loan Agreement;

(f) An executed Escrow Deposit Agreement;

(g) An opinion (addressed to the Council, the Trustee, the Bond Insurer and the Borrower) of Bond Counsel to the effect that such financing, refinancing or reimbursement with Loan proceeds is permitted under the Act, the Indenture and the ordinance authorizing this Loan Agreement and will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation or adversely affect the validity, due authorization for or legality of the Bonds; and

(h) Such other certificates, documents, opinions and information as the Council, the Trustee, the Bond Insurer or Bond Counsel may require, such requirement to be evidenced (in the case of parties other than the Trustee) by written notice of such party to the Trustee of such requirement.

All opinions and certificates shall be dated the date of the Closing.

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ARTICLE IV

LOAN TERM AND LOAN CLOSING REQUIREMENTS

SECTION 4.01. Commencement of Loan Term. The Borrower's obligations under this Loan Agreement shall commence on the date hereof unless otherwise provided in this Loan Agreement.

SECTION 4.02. Termination of Loan Term. The Borrower's obligations under this Loan Agreement shall terminate after payment in full of all amounts due under this Loan Agreement and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth in Exhibit D attached hereto; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations of the Council owed on the Bonds and agreed to by the Borrower pursuant to Section 5.03(b)(7) hereof and any amounts owed the Bond Insurer) shall survive the termination of this Loan Agreement and the payment in full of principal and interest hereunder. Upon termination of the Loan Term as provided above, the Council and the Trustee shall deliver, or cause to be delivered, to the Borrower an acknowledgment thereof.

SECTION 4.03. Loan Closing Submissions. Concurrently with the execution and delivery of this Loan Agreement, the Borrower is providing to the Trustee the following documents each dated the date of such execution and delivery unless otherwise provided below:

(a) Certified ordinance of the Borrower substantially in the form of Exhibit B attached hereto;

(b) An opinion of the Borrower's Counsel in the form of Exhibit C attached hereto to the effect that the Loan Agreement is a valid and binding obligation of the Borrower and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, the Bond Insurer and acceptable to Borrower's Counsel;

(c) A certificate of the officials of the Borrower who sign this Loan Agreement to the effect that the representations and warranties of the Borrower are true and correct;

(d) A certificate signed by the Authorized Representative of the Borrower, in form and substance satisfactory to Bond Counsel, stating (i) the estimated dates and the amounts of projected expenditures for the Project, and (ii) that it is reasonably anticipated by the Borrower that the Loan proceeds will be fully advanced therefor and expended by the Borrower prior to November 8, 2015, and that the projected expenditures are based on the reasonable expectations of the Borrower having due regard for its capital needs and the revenues available for the repayment thereof;

ARTICLE V

LOAN REPAYMENTS

SECTION 5.01. Payment of Basic Payments. The Borrower shall pay to the order of the Council all Loan Repayments in lawful money of the United States of America to the Trustee. No such Loan Repayment shall be in an amount such that interest on the Loan is in excess of the maximum rate allowed by the laws of the State of Florida or of the United States of America. The Loan shall be repaid in Basic Payments, consisting of:

(a) principal in the amounts and on the dates set forth in Exhibit D; plus

(b) interest calculated at the rates, in the amounts and on the dates set forth in Exhibit D;

On or before the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each April 20th and October 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing April 20, 2013, and extending through April 20, 2033, unless the due date of the Basic Payments is accelerated pursuant to the terms of Section 8.03 hereof.

SECTION 5.02. [Reserved].

SECTION 5.03. Payment of Additional Payments. In addition to Basic Payments, Borrower agrees to pay on demand of the Council or the Trustee, the following Additional Payments:

(a) (i) the fees of the Program Administrator; and (ii) costs and fees related to the Bonds: the annual fees of the Trustee; annual fees of the Registrar and Paying Agent; the annual fees or expenses of the Council, if any, including the fees of any provider of arbitrage rebate calculations; the Bond Insurance Premium of the Bond Insurer; the fees of the rating agencies (to the extent not previously paid from the Cost of Issuance Fund).

(b) All reasonable fees and expenses of the Council or Trustee relating to this Loan Agreement, including, but not limited to:

(1) the cost of reproducing this Loan Agreement;

(2) the reasonable fees and disbursements of Counsel utilized by the Council, the Trustee and the Bond Insurer in connection with the Loan, this Loan Agreement and the enforcement thereof;

(3) reasonable extraordinary fees of the Trustee following an Event of Default hereunder;

(4) all other reasonable out-of-pocket expenses of the Trustee, the Bond Insurer and the Council in connection with the Loan, this Loan Agreement and the enforcement thereof, including, but not limited to, all fees and expenses related to the prepayment and defeasance of the Loan and the Bonds;

(5) all taxes (including any recording and filing fees) in connection with the execution and delivery of this Loan Agreement and the pledge and assignment of the Council's right, title and interest in and to the Loan and the Loan Agreement, pursuant to the Indenture (and with the exceptions noted therein), and all expenses, including reasonable attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof;

(6) the Borrower's share of any amounts owed to the United States of America as rebate obligations on the Bonds related to the Borrower's Loan, which obligation shall survive the termination of this Loan Agreement;

(7) fees and costs of maintaining a rating on the Loan; and

(8) (i) any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities or claims (or actions in respect thereof), to which the Council, the Bond Insurer or Trustee may become subject under any federal or state securities laws, federal or state tax laws, or other statutory law or at common law or otherwise, and (ii) any and all fees and expenses of any inquiries or audits by any regulatory agencies, caused by or arising out of or based upon the Loan Agreement, the Bonds, the issuance of the Bonds or the use of Bond proceeds.

**SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.**

(a) On each Interest Payment Date the Trustee shall credit against Borrower's obligation to pay its Loan Repayments, any interest earnings which were received during the prior Interest Period by the Trustee on the Funds and Accounts (except the Project Loan Fund) held under the Indenture, or shall increase the Borrower's obligation to pay its Loan Repayment, by any investment losses which were incurred during the prior Interest Period on the Funds and Accounts (except the Project Loan Fund) held under the Indenture.

(b) The credits provided for in (a) shall not be given to the extent the Borrower is in default in payment of its Loan Repayments. If past-due Loan Repayments are later collected from the Borrower, the amount of the missed credit shall, to the extent of the amount collected, be credited in proportion to the amount of credit missed, to the Borrower from the past-due Loan Repayments.

**ARTICLE VI  
DEFEASANCE**

This Loan Agreement shall continue to be obligatory and binding upon the Borrower in the performance of the obligations imposed by this Loan Agreement and the repayment of all sums due by the Borrower under this Loan Agreement shall continue to be secured by this Loan Agreement as provided herein until all of the indebtedness and all of the payments required to be made by the Borrower shall be fully paid to the Council, the Bond Insurer or the Trustee, as provided herein, including any fees and expenses in connection with such repayment, if any. If, at any time, the Borrower shall have made provision for payment of, the principal amount of the Loan, interest thereon and redemption premiums, if any, with respect to the Bonds and shall have paid all amounts due pursuant to Section 5.03 hereof, then, and in that event, the covenant regarding the pledge of and the lien on the revenues pledged, if any, to the Council for the benefit of the holders of the Bonds shall be no longer in effect and all future obligations of the Borrower under this Loan Agreement shall cease. For purposes of the preceding sentence, in order for the Borrower to have made "provision for payment," the Borrower shall have deposited sufficient cash and/or Governmental Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Council, the principal, interest and prepayment premiums, if any, received that will be sufficient (as reflected in an accountant's verification report provided to the Trustee by the Borrower) to make timely payment of the principal, interest and prepayment premiums, if any, on the Outstanding Loan. The prepayment premium, if any, shall be calculated based on the prepayment date selected by the Borrower in accordance with Section 5.07 hereof.

If the Borrower determines to prepay all or a portion of the Loan pursuant to Section 5.07 hereof, upon the required timely notice by the Borrower the Council shall redeem a like amount of Bonds which corresponds in terms of amount and scheduled maturity date to such Loan prepayment pursuant to Section 3.01 of the Indenture.

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, as provided herein, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under Section 5.03 hereof, except as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least 60 days' irrevocable notice by mail, with receipt confirmed, to the Council and the Bond Insurer.

[Remainder of page intentionally left blank]

(c) The credits may be accumulated. If the credit allowable for an Interest Period is more than required on the next ensuing Interest Payment Date to satisfy the current Loan Repayment, it may be used on the following Interest Payment Date.

**SECTION 5.05. Obligations of Borrower Unconditional.** Subject in all respects to the provisions of this Loan Agreement, including but not limited to Section 2.02(a) hereof, the obligations of the Borrower to make the Loan Repayments required hereunder and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Bonds remain outstanding or any Loan Repayments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever. This Loan Agreement shall be deemed and construed to be a "net contract," and the Borrower shall pay absolutely net the Loan Repayments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the Council, the Trustee, the Bond Insurer or any other party or parties.

**SECTION 5.06. Refunding Bonds.** In the event the Bonds are refunded, all references in this Loan Agreement to Bonds shall be deemed to refer to the refunding bonds or, in the case of a crossover refunding, to the Bonds and the refunding bonds (but Borrower shall never be responsible for any debt service on or fees relating to crossover refunding bonds which are covered by earnings on the escrow fund established from the proceeds of such bonds). The Council agrees not to issue bonds or other debt obligations to refund the Bonds without the prior written consent of the Authorized Representative of the Borrower.

**SECTION 5.07. Prepayment.** The Loan may be prepaid in whole or in part by the Borrower on the dates and in the amounts on which the Bonds are subject to optional redemption and notice provisions pursuant to Section 3.01 of the Indenture. The Borrower shall provide the Issuer sixty (60) days notice of any prepayment of its Loan.

[Remainder of page intentionally left blank]

**ARTICLE VII  
ASSIGNMENT AND PAYMENT BY THIRD PARTIES**

**SECTION 7.01. Assignment by Council.** The Borrower expressly acknowledges that this Loan Agreement and the obligations of the Borrower to make payments hereunder (with the exception of certain of the Council rights to indemnification, fees, notices and expenses), have been pledged and assigned to the Trustee as security for the Bonds under the Indenture, and that the Trustee shall be entitled to act hereunder and thereunder in the place and stead of the Council whether or not the Bonds are in default.

**SECTION 7.02. Assignment by Borrower.** This Loan Agreement may not be assigned by the Borrower for any reason without the express prior written consent of the Council, the Bond Insurer and the Trustee.

**SECTION 7.03. Payments by the Bond Insurer.** The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Bond Insurer do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

[Remainder of page intentionally left blank]

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. Events of Default Defined. The following shall be "Events of Default" under this Loan Agreement and the terms "Event of Default" and "Default" shall mean (except where the context clearly indicates otherwise), whenever they are used in this Loan Agreement, any one or more of the following events:

- (a) Failure by the Borrower to timely pay any Loan Repayment, when due, so long as the Bonds are outstanding;
(b) Failure by the Borrower to timely pay any other payment required to be paid hereunder on the date on which it is due and payable, provided the Borrower has prior written notice of any such payments being due;
(c) Failure by the Borrower to observe and perform any covenant, condition or agreement other than a failure under (a), on its part to be observed or performed under this Loan Agreement, for a period of thirty (30) days after notice of the failure, unless the Council, the Bond Insurer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Council, the Bond Insurer or the Trustee, but cannot be cured within the applicable 30-day period, the Council, the Bond Insurer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;
(d) Any warranty, representation or other statement by the Borrower or by an officer or agent of the Borrower contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect when made;
(e) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days of such filing;
(f) The Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

addition to any other remedies herein or by law provided, have the right, at its or their option without any further demand or notice, to take such steps and exercise such remedies as provided in Section 9.02 of the Indenture, and, without limitation, one or more of the following:

- (a) Declare all Loan Repayments, in an amount equal to 100% of the principal amount thereof plus all accrued interest thereon to the date on which such Loan Repayments shall be used to redeem Bonds pursuant to Section 3.02 of the Indenture and all other amounts due hereunder, to be due and payable within 180 days, and upon notice to the Borrower the same shall become due and payable by the Borrower within 180 days without further notice or demand.
(b) Take whatever other action at law or in equity which may appear necessary or desirable to collect amounts then due and thereafter to become due hereunder or to enforce any other of its or their rights hereunder.

SECTION 8.04. [Reserved].

SECTION 8.05. No Remedy Exclusive; Waiver, Notice. No remedy herein conferred upon or reserved to the Council or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Council or the Trustee to exercise any remedy reserved to it in this Article VIII, it shall not be necessary to give any notice other than such notice as may be required in this Article VIII.

SECTION 8.06. Application of Moneys. Any moneys collected by the Council or the Trustee pursuant to Section 8.03 hereof shall be applied (a) first, to pay any attorney's fees or other expenses owed by the Borrower pursuant to Section 5.03(b)(3) and (4) hereof, (b) second, to pay interest due on the Loan, (c) third, to pay principal due on the Loan, (d) fourth, to pay any other amounts due hereunder, and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder but which are not due, as they become due (in the same order, as to amounts which come due simultaneously, as in (a) through (d) in this Section 8.06).

[Remainder of page intentionally left blank]

(g) The Borrower admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the Borrower or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than 60 days;

(h) Default under any agreement to which the Borrower is a party evidencing, securing or otherwise respecting any indebtedness of the Borrower outstanding in the amount of \$100,000 or more if, as a result thereof, such indebtedness may be declared immediately due and payable or other remedies may be exercised with respect thereto;

(i) Any material provision of this Loan Agreement shall at any time for any reason cease to be valid and binding on the Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by the Borrower or any governmental agency or authority, or if the Borrower shall deny any further liability or obligation under this Loan Agreement; or

(j) Final judgment for the payment of money in the amount of \$250,000 or more is rendered against the Borrower, the payment of which would materially adversely affect the Borrower's ability to meet its obligations hereunder (it being agreed that, if insurance or adequate reserves are available to make such payment, such judgment would not materially affect the Borrower's ability to meet its obligations hereunder) and at any time after 90 days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) the Borrower shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused the execution of or levy under such judgment, order, decree or process of the enforcement thereof to have been stayed pending determination of such appeal, provided that such execution and levy would materially adversely affect the Borrower's ability to meet its obligations hereunder; or (iii) the Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes or other applicable law.

SECTION 8.02. Notice of Default. The Borrower agrees to give the Trustee, the Bond Insurer and the Council prompt written notice if any petition, assignment, appointment or possession referred to in Section 8.01(e), 8.01(f) and 8.01(g) is filed by or against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default, or with the passage of time or the giving of notice would constitute an Event of Default, immediately upon becoming aware of the existence thereof.

SECTION 8.03. Remedies on Default. Whenever any Event of Default referred to in Section 8.01 hereof shall have happened and be continuing, the Council or the Trustee shall, with the written consent of the Bond Insurer or upon the direction of the Bond Insurer, in

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Notices. All notices, certificates or other communication hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

- Council: Florida Municipal Loan Council
c/o Florida League of Cities
301 South Bronough Street, Suite 300
Tallahassee, Florida 32301
Bond Insurer: Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, New York 10019
Attn: Managing Director of Surveillance
Trustee: Deutsche Bank Trust Company Americas
Trust & Securities Services (Municipal Group)
60 Wall Street, 27th Floor
New York, New York 10005
Borrower: City of Hialeah, Florida
501 Palm Avenue
Hialeah, Florida
Attention: Finance Director

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 9.02. Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Council and the Borrower and their respective successors and assigns.

SECTION 9.03. Severability. In the event any provision of the Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 9.04. Amendments, Changes and Modifications. This Loan Agreement may be amended by the Council and the Borrower as provided in the Indenture; provided, however,



that no such amendment shall be effective unless it shall have been consented to in writing by the Bond Insurer.

**SECTION 9.05. Execution in Counterparts.** This Loan Agreement may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

**SECTION 9.06. Applicable Law.** This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

**SECTION 9.07. Benefit of Bondholders; Compliance with Indenture.** This Loan Agreement is executed in part to induce the purchase by others of the Bonds. Accordingly, all covenants, agreements and representations on the part of the Borrower and the Council, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the holders from time to time of the Bonds and the Bond Insurer. The Borrower covenants and agrees to do all things within its power in order to comply with and to enable the Council to comply with all requirements and to fulfill and to enable the Council to fulfill all covenants of the Indenture. The Borrower also acknowledges that the Council has delegated certain of its duties under the Indenture to its Program Administrator, including the direction to make investments in accordance with Article VII thereof, including but not limited to the investment of the Borrower's Project Loan Fund.

The rights granted to the Bond Insurer under the Indenture or any Bond document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond 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 Bond 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 Bond Insurer. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

**SECTION 9.08. Consents and Approvals.** Whenever the written consent or approval of the Council shall be required under the provisions of this Loan Agreement, such consent or approval may be given by an Authorized Representative of the Council or such other additional persons provided by law or by rules, regulations or resolutions of the Council.

**SECTION 9.09. Immunity of Officers, Employees and Members of Council and Borrower.** No recourse shall be had for the payment of the principal of or premium or interest hereunder or for any claim based thereon or upon any representation, obligation, covenant or agreement in this Loan Agreement against any past, present or future official officer, member, counsel, employee, director or agent, as such, of the Council or the Borrower, either directly or through the Council or the Borrower, or respectively, any successor public or private

corporation thereto under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, counsels, employees, directors or agents as such is hereby expressly waived and released as a condition of and consideration for the execution of this Loan Agreement.

**SECTION 9.10. Captions.** The captions or headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of sections of this Loan Agreement.

**SECTION 9.11. No Pecuniary Liability of Council.** No provision, covenant or agreement contained in this Loan Agreement, or any obligation herein imposed upon the Council, or the breach thereof, shall constitute an indebtedness or liability of the State or any political subdivision or municipal corporation of the State or any public corporation or governmental agency existing under the laws thereof other than the Council. In making the agreements, provisions and covenants set forth in this Loan Agreement, the Council has not obligated itself except with respect to the application of the revenues, income and all other property as derived herefrom, as hereinabove provided.

**SECTION 9.12. Payments Due on Holidays.** With the exception of Basic Payments, if the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be other than on a Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement.

**SECTION 9.13. Calculations.** Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

**SECTION 9.14. Time of Payment.** Any Loan Repayment or other payment hereunder which is received by the Trustee or Council after 2:00 p.m. (New York time) on any day shall be deemed received on the following Business Day.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Florida Municipal Loan Council has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers and the City of Hialeah, Florida, has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attached by its duly authorized officers. All of the above occurred as of the date first above written.

(SEAL) FLORIDA MUNICIPAL LOAN COUNCIL

By: \_\_\_\_\_  
Name: Isaac Salver  
Title: Chairman

ATTEST:

By: \_\_\_\_\_  
Name: Michael Sittig  
Title: Executive Director

LOAN AGREEMENT

CITY OF HIALEAH, FLORIDA

(SEAL)

By: \_\_\_\_\_  
Name: Carlos Hernandez  
Title: Mayor

ATTESTED BY:

By: \_\_\_\_\_  
Name: David Concepcion  
Title: City Clerk

Approved as to form and legality  
this 8th day of November, 2012.

By: \_\_\_\_\_  
Name: William M. Grodnick  
Title: City Attorney

CITY OF HIALEAH, FLORIDA  
USE OF LOAN PROCEEDS

DESCRIPTION OF PROJECTS TO BE FINANCED OR REFINANCED

<u>PROJECT</u>	<u>TOTAL AMOUNT</u>
Refund a portion of the Borrower's outstanding 2003A Loan.	\$39,771,737.70
Acquire and construct road improvements and other capital projects authorized by law.	\$4,091,479.31

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OPINION OF BORROWER'S COUNSEL

[Letterhead of Counsel to Borrower]

November 8, 2012

Florida Municipal Loan Council  
c/o Florida League of Cities, Inc.  
301 Bronough Street, Suite 300  
Tallahassee, Florida 32301

Deutsche Bank Trust Company Americas  
Trust & Securities Services (Municipal Group)  
60 Wall Street, 27th Floor  
New York, New York 10005

Bryant Miller Olive P.A.  
SunTrust International Center  
1 SE 3rd Avenue  
Suite 2200  
Miami, FL 33131

Wells Fargo Bank, National Association  
2363 Gulf-to-Bay Boulevard  
Mail Code: WS7517  
Clearwater, Florida 33765

Ladies/Gentlemen:

We are counsel to the City of Hialeah, Florida (the "Borrower"), and have been requested by the Borrower to give this opinion in connection with the loan by the Florida Municipal Loan Council (the "Council") to the Borrower of funds to finance, refinance or reimburse the Borrower for all or a portion of the cost the certain Projects as defined in, and as described in Exhibit A of the Loan Agreement (the "Projects"), dated as of November 1, 2012, between the Council and the Borrower (the "Loan Agreement").

In this connection, we have reviewed such records, certificates and other documents as we have considered necessary or appropriate for the purposes of this opinion, including applicable laws, and ordinances adopted by the City Council of the Borrower, the Loan Agreement, Trust Indenture dated as of November 1, 2012 (the "Indenture") between the Council and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), Ordinance No. 2012-60 enacted by the Borrower on September 25, 2012 (the "Ordinance"), a Continuing Disclosure Agreement dated as of November 1, 2012 between the Borrower and the Florida League of Cities, Inc. (the "Continuing Disclosure Agreement"), the final Official Statement (the "Official Statement") with respect to the Bonds, and a Bond Purchase Contract dated October 24, 2012 between the Florida Municipal Loan Council, Wells Fargo Bank, National Association

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CERTIFIED ORDINANCE OF THE BORROWER

See Document No. \_\_\_\_\_

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(the "Underwriter"), and the Borrower (the "Bond Purchase Contract"). Based on such review, and such other considerations of law and fact as we believe to be relevant, we are of the opinion that:

(a) The Borrower is a municipality duly organized and validly existing under the Constitution and laws of the State of Florida. The Borrower has the legal right and all requisite power and authority to enter into the Loan Agreement, to enact the Ordinance and to consummate the transactions contemplated thereby and otherwise to carry on its activities and own its property.

(b) The Borrower has duly authorized, executed and delivered the Ordinance, the Loan Agreement, the Bond Purchase Contract and the Continuing Disclosure Agreement, and such instruments are legal and binding obligations of the Borrower enforceable against the Borrower in accordance with its terms, except to the extent that the enforceability hereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity, and to the sovereign police powers of the State of Florida and the constitutional powers of the United States of America.

(c) The execution and delivery of the Ordinance, the Continuing Disclosure Agreement, the Bond Purchase Contract and the Loan Agreement, the consummation of the transactions contemplated thereby, the purchase or construction of the Project or the reimbursement for costs of the acquisition or construction thereof or the refinancing of the indebtedness to be refinanced with the proceeds of the loan and the fulfillment of or compliance with the terms and conditions of the Loan Agreement, the Bond Purchase Contract and the Continuing Disclosure Agreement does not and will not conflict with or result in a material breach of or default under any of the terms, conditions or provisions of any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or it or its properties is otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Agreement.

(d) There is no litigation or legal or governmental action, proceeding, inquiry or investigation pending or, to the best of our knowledge, threatened by governmental authorities or to which the Borrower is a party or of which any property of the Borrower is subject, which has not been described in the Official Statement or otherwise disclosed in writing to the Council and the Bond Insurer and which, if determined adversely to the Borrower, would individually or in the aggregate materially and adversely affect the validity or the enforceability of the Loan Agreement, the Bond Purchase Contract or the Continuing Disclosure Agreement.

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(e) Any indebtedness being refinanced, directly or indirectly, with the proceeds of the Loan was initially incurred by the Borrower, and the proceeds of such indebtedness have been fully expended.

(f) Based upon my review of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the contents of the Official Statement, the statements and information with respect to matters of law relating to the Borrower in the Official Statement under the captions "PURPOSE OF THE BONDS - General", "SECURITY AND SOURCES OF PAYMENT - Limited Obligations; Trust Estate"; "Security of the Loan Agreement" and "LITIGATION" (in each case only with respect to those matters specific to the Borrower), and "CONTINUING DISCLOSURE" are true and correct in all material respects, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, either as of its date or the date hereof. No opinion is expressed herein with respect to (i) actions or obligations of the Issuer or any other party other than the Borrower, (ii) documents to which the Borrower is not a party, and (iii) financial, statistical or tax matters or projections.

We are attorneys admitted to practice law only in the State of Florida and express no opinion as to the laws of any other state and further express no opinion as to (i) the status of interest on the Bonds under either Federal laws or the laws of the State of Florida, or (ii) economic or financial matters described in the Official Statement relating to the Borrower.

Very truly yours,

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EXHIBIT E TO LOAN AGREEMENT  
FORM OF REQUISITION CERTIFICATE

TO: DEUTSCHE BANK TRUST COMPANY AMERICAS, AS TRUSTEE  
FROM: CITY OF HIALEAH, FLORIDA (THE "BORROWER")  
SUBJECT: LOAN AGREEMENT DATED AS OF THE \_\_\_\_ DAY OF \_\_\_\_\_, 2012

This represents Requisition Certificate No. \_\_\_ in the total amount of \$\_\_\_\_\_ for payment of those Costs of the Project detailed in the schedule attached.

The undersigned does certify that:

1. All of the expenditures for which monies are requested hereby represent proper Costs of the Project, have not been included in a previous Requisition Certificate and have been properly recorded on the Borrower's books as currently due and owing.
2. The monies requested thereby are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for funds actually advanced for Costs of the Project. The monies requested do not include retention or other monies not yet due or earned under construction contracts.
3. This requisition is in compliance with Section 5.03 of the Indenture.
4. After payment of monies hereby requested, to the knowledge of the undersigned, there will remain available to the Borrower sufficient funds to complete the Project substantially in accordance with the plans.
5. The Borrower is not in default under the Loan Agreement and nothing has occurred that would prevent the performance of its obligations under the Loan Agreement.

[THIS PAGE INTENTIONALLY LEFT BLANK]

Executed this \_\_\_\_ day of \_\_\_\_\_, 2012.

CITY OF HIALEAH, FLORIDA

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

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## APPENDIX E

### FORM OF OPINION OF BOND COUNSEL

**Upon delivery of the Bonds in definite form, Bryant Miller Olive P.A., Bond Counsel, proposes to render its opinion with respect to the Bonds in substantially the following form:**

November 8, 2012

Florida Municipal Loan Council  
Tallahassee, Florida

RE: \$41,620,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the "Council") of its \$41,620,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012A (City of Hialeah Series) (the "Bonds"), pursuant to the Constitution and laws of the State of Florida, including Chapter 166, Part II and Chapter 163, Part I, Florida Statutes, as amended, a Trust Indenture dated as of November 1, 2012, between the Council and Deutsche Bank Trust Company Americas, as Trustee (the "Indenture"), Resolution No.98-1 adopted by the Council on December 17, 1998, Resolution 2002-4 adopted by the Council on October 23, 2002, each as amended and supplemented, and Resolution No. 2012-08 adopted September 20, 2012 (the "Resolution"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion. Any capitalized undefined terms used herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be loaned to the City of Hialeah, Florida (the "Borrower") for the purpose of refunding a certain loan made to the Borrower by the Council which provided proceeds for the purpose of financing, refinancing or reimbursing the cost of qualified projects of such Borrower, to finance certain additional capital improvements in and for the Borrower, and to pay certain costs of issuing the Bonds pursuant to a Loan Agreement between the Council and such Borrower to be executed simultaneously with the issuance of the Bonds.

As to questions of fact material to our opinion, we have relied upon representations of the Council contained in the Indenture and of the Borrower contained in the Loan Agreement and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not

undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Kraig A. Conn, Esquire, Counsel to the Council, as to the due creation and valid existence of the Council, the due adoption of the Resolution, the due execution and delivery of the Bonds and the compliance by the Council with all conditions contained in the resolutions of the Council precedent to the issuance of the Bonds. Finally, we have assumed the proper authorization, execution and delivery of the Loan Agreement by the Borrower and the validity of such Loan Agreement and in rendering this opinion are not passing upon such matters.

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

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

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

1. The Resolution constitutes a valid and binding obligation of the Council enforceable against the Council in accordance with its terms.
2. The Indenture has been duly executed by the Council and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Council enforceable upon the Council in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the Council and are valid and special obligations of the Council enforceable in accordance with their terms, payable solely from the sources provided therefor in the Indenture.
4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinions set forth in the preceding two sentences are subject to the condition that the Council and the Borrower comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the

issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Council has covenanted in the Indenture and the Borrower has covenanted in its Loan Agreement to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

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

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Official Statement or any other offering material relating to the Bonds, except as may be set forth in any supplemental opinion of even date herewith. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Council or the underwriter with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds or regarding the perfection or priority of the lien on the revenues pledged and created by the Indenture. Further, we express no opinion regarding federal income tax consequences arising with respect to the Bonds other than as expressly set forth herein.

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

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

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## APPENDIX F

### GENERAL INFORMATION REGARDING THE CITY OF HIALEAH, FLORIDA

THE FOLLOWING INFORMATION CONCERNING THE CITY OF HIALEAH, FLORIDA AND MIAMI-DADE COUNTY, FLORIDA, IS INCLUDED ONLY FOR THE PURPOSE OF PROVIDING GENERAL BACKGROUND INFORMATION. THE COMPILATION OF SUCH INFORMATION ON BEHALF OF THE CITY INVOLVED ORAL AND WRITTEN COMMUNICATION WITH THE VARIOUS SOURCES INDICATED. THE UNDERWRITER HAS MADE NO INVESTIGATION INTO THE ACCURACY OF SUCH INFORMATION AND THE INFORMATION IS SUBJECT TO CHANGE, ALTHOUGH EFFORTS HAVE BEEN MADE TO UPDATE THE INFORMATION WHERE PRACTICABLE.

THE BONDS ARE NOT A GENERAL OBLIGATION OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF HIALEAH, FLORIDA.

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#### **General Description and Location**

The City of Hialeah, Florida (the "City") was incorporated in 1925 and is located in Miami-Dade County (the "County"). The City occupies a land area of 23 square miles and, by population, is the sixth largest city in the State of Florida with a population of more than 225,000 residents. The City reflects the diversity of the area, and points proudly to the many facets of its growing multi-cultural community. The City consists of a strong and steadily-growing business and industrial sector, a wide variety of quiet and stately neighborhoods, neighborhood parks and recreational facilities, and its diverse cultural assets. The City is also one of the largest employers in the County. Predominantly Hispanic, the City residents have assimilated their cultural heritage and traditions into a hard-working, diverse community proud of its ethnicity, as well as its family oriented neighborhoods. The residents and governmental departments empowered with serving the people are committed to preserving a quality community atmosphere for working and raising families.

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Source: City of Hialeah, Florida.

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## Population

Population trends for the City and the County are reflected in the following table:

### Population Trends 1980-2011 City of Hialeah, Florida and Miami-Dade County, Florida

<u>Year</u>	<u>City of Hialeah</u>	<u>Average Annual Percentage Increase/ Decrease</u>	<u>Miami-Dade County</u>	<u>Average Annual Percentage Increase/ Decrease</u>
1980	2,184	--	1,625,781	--
1990	4,051	8.51	1,937,094	3.00
2000	226,419	5589.	2,253,779	16.34
2001	230,059	1.61	2,285,869	1.42
2002	231,270	0.05	2,312,478	1.16
2003	233,388	0.09	2,345,932	1.45
2004	233,566	0.00	2,379,818	1.45
2005	230,407	(1.14)	2,422,075	1.78
2006	228,344	(0.01)	2,437,022	0.06
2007	228,528	0.00	2,462,292	1.03
2008	228,157	0.00	2,477,289	0.61
2009	226,605	(0.01)	2,472,344	(0.29)
2010	226,329	0.00	2,480,597	0.33
2011	227,962	0.07	2,554,766	2.99

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Source: U.S. Department of Commerce, Bureau of the Census 1980, 1990 and 2000;  
Bureau of Economic and Business Research, University of Florida, 2001-2011  
estimates.

## Government

The City is a Strong Mayor-Council form of government with seven council members. There is no city manager. The mayor and Council members are elected for four-year terms. Listed below are the current mayor and City Council members and the year of their term expiration.

<u>Elected Officials</u>	<u>Year Term Expires</u>
Carlos Hernandez, Mayor	2013
Paul B. Hernandez	2013
Jose F. Caragol	2015
Vivian Casals-Munõz	2015
Luis E. Gonzalez	2013
Isis Garcia-Martinez	2015
Katharine E. Cue	2015
Lourdes Lozano	2015

There are currently 1,625 employees of the City, including a 365-member police department and a 265-member fire department.

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Source: City of Hialeah, Florida; Hialeah Human Resources Department.

## Employee Relations

Under the State of Florida Public Employees Relations Act, Chapter 447, Florida Statutes, the employees of the City have certain rights, including the right to bargain collectively through representatives of their choosing on questions of wages, hours and other terms of employment. The Public Employees Relations Act and the Florida State Constitution prohibit strikes by municipal employees.

Florida is a right-to-work state and while employees may be designated by the State of Florida Public Employees Relations Commission as being within a bargaining unit, the employees have a statutory right to join or to refrain from joining the union, as they see fit. At the present time, the employees of the City are represented by a union.

The City Charter creates a civil service system, which is charged with screening applicants and hearing and determining appeals for disciplinary actions.

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Source: City of Hialeah, Florida.

## **Budget Preparation**

The City is required by law to formulate a budget annually with respect to all departments of the City and to hold public hearings thereon as follows:

- a. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the General Fund for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance.
- d. At any time, the Mayor may transfer any unencumbered appropriation balance or portion thereof between classifications of expenditures within an office or department. At the request of the Mayor and within the last six months of the fiscal year, the City Council may transfer, by resolution, any unencumbered appropriation balance or portion thereof from one office or department to another. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations.

## **Employees' Pension Trust**

The City is the administrator of a single-employer Public Employee Retirement System ("PERS") established to provide pension, annuity, death, and disability benefits through a defined benefit and a defined contribution pension plan that covers substantially all of the employees of the City. Plan members are required to contribute 7% of their basic compensation to the Annuity Savings Fund. The City is required to contribute at an actuarially determined rate. Plan participants are permitted to purchase a maximum of four years of membership credit service time. The contribution requirements of the plan members and the City are established and may be amended by the Employees' Retirement System Board of Trustees.

The City's Fiscal Year 2011 financial statements attached as Appendix I show the pension plan's funded ratio as of the actuarial valuation date of October 1, 2010 as 76.1% for the employees' retirement system and 97.7% for the elected officials' retirement system, with a total unfunded accrued actuarial liability of over \$163 million.

### Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/2005	\$462,096,761	\$507,134,721	\$45,037,960	91.1%	\$60,364,488	74.6%
10/1/2006	500,501,442	556,466,663	55,965,221	89.9%	66,835,565	83.7
10/1/2007	522,796,029	595,379,468	72,583,439	87.8%	75,461,003	96.2
10/1/2008	526,091,435	627,530,393	101,438,958	83.8%	77,006,760	131.7
10/1/2009	531,939,481	661,893,533	129,954,052	80.4%	79,860,936	162.7
10/1/2010	520,812,767	684,539,088	163,726,321	76.1%	72,614,908	225.5

### Elected Official's Retirement System

10/1/2005	\$3,455,014	\$3,810,238	\$355,224	90.7%	\$1,043,850	34.0
10/1/2006	3,920,986	4,568,219	647,233	85.8%	986,381	65.6
10/1/2007	4,507,879	5,044,765	536,886	89.4%	1,116,589	48.1
10/1/2008	4,839,784	5,589,488	749,704	86.6%	1,200,461	62.5
10/1/2009+	5,766,656	5,809,976	43,320	99.3%	1,206,773	3.6
10/1/2009*	5,530,202	6,284,075	753,873	88.0%	1,206,773	62.5
10/1/2010*	6,293,694	6,439,651	145,957	97.7%	1,113,794	13.1

+ Prior Assumption/Prior Methods

\* Current Assumptions/Current Methods

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Fiscal Year Ended <u>September 30,</u>	<b>Employees' Retirement System</b>		<b>Elected Officials' Retirement</b>	
	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2006	\$15,084,481	102%	\$250,215	160%
2007	15,855,083	88%	240,475	208%
2008	18,298,037	99%	263,369	190%
2009	17,861,709	111%	288,006	174%
2010	20,557,338	96%	356,028	153%
2011	21,470,324	105%	315,853	100%
Validation date	October 1, 2010		October 1, 2010	
Actuarial cost method	Entry age normal		Entry age normal	
Amortization method	Level percent open		Level percent of pay, closed	
Remaining amortization period	30 years		20 years	
Asset valuation method	5-year smoothed market vs actual returns		Smooth market value	
Actuarial assumptions: Investment rate of return*	8%		6%	
Projected salary increases*	3.5% to 12.0%		8%	
*Includes inflation at:	3.5%		4%	
Cost of living adjustment	2.0%		N/A	

The City's preliminary Fiscal Year 2012 numbers show a funded ratio of 72% for the employees' retirement system and 94% for the elected officials' retirement system, with minimum required City contributions of \$23,667,606 and \$280,405, respectively, in fiscal year 2012. Copies of the most recent valuation report are available from the City Finance Director's office.

On August 25, 2009, the City passed Ordinance 09-54, which established a minimum City contribution ("floor") to the Plan equal to 22% of the member payroll. Once every five years, the City may increase or decrease the floor up to 2% of member payroll, if supported by an actuarial study. The floor shall not be less than 16% or more than 28% of member payroll. The new provisions also indicate that the floor is subject to Section 70-168(b), which specifies the contribution shall be computed as a level percent of payroll in accordance with generally recognized actuarial principles and the provisions of Chapter 112, Florida Statutes. Provisions

under Chapter 112, Florida Statutes, will take precedence in the event the required City contribution calculated under Chapter 112 exceeds the maximum pursuant to Ordinance 09-54.

The City has two defined contribution plans; the City of Hialeah Police Pension Fund and the City of Hialeah Firemen's Relief and Pension Fund. The purpose of these Plans is to provide a means whereby police officers and firefighters of the City may receive benefits from funds provided for that purpose by contributions of the City through state contributions. The participants do not contribute to the Plans. These funds are a supplement to and in no way affect police officer and firefighter benefits under the City of Hialeah Employee's Retirement System.

Effective March 1, 2007, the City established a deferred retirement option plan (DROP) for Police and Firefighters. An active participant of the City's retirement system may enter into the DROP, on the first day of the month following completion of 25 years of membership service credit, provided that the sum of the member's age and years of service is 70 points or more. Upon entry into the DROP, a member's monthly retirement benefits, which would have been payable had the member elected to cease employment and receive a normal retirement benefit, shall be paid into the member's DROP account. The maximum duration for participation in the DROP shall not exceed thirty-six (36) months. No new general employee entrants into DROP have been permitted since April 2012.

Full time general employees hired on and after April 1, 2012, are required to enter a defined contribution plan, and the defined benefit plan for new general employees was closed as of such date.

### **Other Postemployment Benefits**

The City sponsors a defined benefit Other Post Employment Benefits ("OPEB") plan. Retirees who meet certain age and service requirements may elect coverage for themselves and dependents. Self-funded and fully insured options are available. Currently there are no contributions required from retirees with single coverage and the single funding rate is paid by retirees for double (employee plus spouse) coverage. Self funded management retirees pay less for double coverage. Disabled contributions vary between plans. The OPEB obligation is funded on a pay-as-you-go basis. The City's Actuarial Report for the Fiscal Year ended September 30, 2011 showed an actuarial accrued liability of approximately \$243 million (as of a 2009 study) and a net OPEB obligation of \$46,957,565.

### **Economic Base**

Total employment in the County in 2012 reached approximately 947,091. Leading economic sectors based on relative employment levels include: government, retail and wholesale trade, services and manufacturing. The following is a list of the top ten non-governmental employers currently in the County.

**Major Non-Governmental Employers in Miami-Dade County, Florida (2011)**

<u>Firm</u>	<u>Type of Business</u>	<u>Employees</u>
University of Miami	Education	16,000
Baptist Health South Florida	Health Care	13,376
Publix Super Markets	Grocery	10,800
American Airlines	Travel	9,000
Florida Power & Light	Utilities	3,840
Carnival Cruise Lines	Travel	3,500
Winn-Dixie Stores	Grocery	3,400
AT&T	Communication Services	3,100
Mount Sinai Medical Center	Health Care	3,000
Miami Children's Hospital	Health Care	2,800

Source: Hialeah Chamber of Commerce.

The following is a list of the principal employees in the City of Hialeah:

**City of Hialeah  
Principal Employers  
(2011)**

<u>Employer</u>	<u>Employees</u>
Palmetto General Hospital	1,648
City of Hialeah (FTE'S)	1,295
United Parcel Service	1,162
Hialeah Hospital	1,075
Winn Dixie Super Markets	1,031
Publix Super Markets	827
Palm Springs Hospital	618
Sedano's Super Markets	547
Yellow Stone Group	414
Bank of America	391

Source: License Department.

**Education**

Education is a dominant factor in the makeup of the area with a campus of Miami Dade College located within the City, a public school system consisting of 27 public schools, and several private and parochial schools. Three additional institutions of higher education are located within the County: Florida International University is state-supported while the University of Miami and St. Thomas University are privately funded.



Miami Dade College is attended by more than 170,000 students on eight campuses and is the largest institution of higher education in the United States. Miami Dade was created as a community college in the 1960s, amid the strain of desegregation and the influx of thousands of Cuban refugees. It was founded on the premise that anyone desiring a college degree has the opportunity to do so. It was available to any county resident who graduated from high school and opened its doors as the first integrated junior college in Florida. In 2003, Miami Dade also introduced four-year degree programs and changed its name to Miami Dade College.

Florida International University ("FIU") is the City's first and only four-year public research university. There are more than 44,000 students enrolled at FIU and they have the option of participating in one or more of 200 bachelor's, master's and doctoral programs. The student body at FIU reflects the diversity of the area with a population of 60% Hispanic, 14% white non-Hispanic, 13% black, 4% Asian or Pacific Islander and 9% other minority groups.

The University of Miami, located in Coral Gables in the County, is a private research university with more than 15,000 students from around the world. It is a vibrant and diverse academic community focused on teaching and learning, the discovery of new knowledge, and service to the South Florida region and beyond. There are 12 schools and colleges serving undergraduate and graduate students in more than 180 majors and programs.

St. Thomas University was founded as a Catholic university by the order of Augustinian Friars as Biscayne College in 1961. University status was attained in 1984 after adding 10 Master's degree programs and a law school. At that time the sponsorship of the university was undertaken by the Archdiocese of Miami and the school's name was changed to St. Thomas University. The mission of St. Thomas is articulated as being "a Catholic university with rich cultural and international diversity committed to the academic and professional success of its students who become ethical leaders in our global community."

## **Medical Facilities**

Hialeah Hospital ("Hialeah") has been serving communities from central to north Miami-Dade since 1951. Hialeah is a 378-bed acute care facility. Hialeah provides a wide range of medical-surgical services, including an acute care unit for the elderly available to treat acute medical conditions ranging from stroke recovery to pain management, inpatient and outpatient surgery, maternity services, which offers childbirth class and has a Level II Neonatal Intensive Care Unit for babies with special needs, an outpatient rehabilitation center, a sleep disorders center, weight-loss surgery program, and a full-service, acute-care unit that offers treatment 24 hours a day/7 days a week staffed with healthcare professionals trained in emergency medicine, including certified emergency physicians, and trained emergency nurses and technicians. There are more than 400 physicians, and 900 employees on staff. Hialeah's Medical Imaging Center offers comprehensive outpatient diagnostic services with the latest technology to diagnose medical conditions, as well as store and distribute images, this includes a computer network that allows for the storage, retrieval and distribution of digital images from CT, MRI, X-ray, ultrasound, mammogram and more.

Palm Springs General Hospital ("Palm Springs") is a 247-bed privately-owned facility located in Hialeah, the largest privately-owned hospital in the State. PSGH remains dedicated to preserving a home-like rather than institutional environment for patients and their families by offering luxury private suites as well as comfortable patient rooms. Over the years, new construction and renovation at Palm Springs has kept pace with the latest developments in medical technology, with renovations of their Intensive Care Unit, resulting in an ultramodern facility offering the most advanced techniques for critical care. The Laparoscopic Surgery Center allows patients to elect Laparoscopic surgery over traditional procedures. Palm Springs offers all specialty areas with the exception of Obstetrics and Psychiatry.

Palmetto General Hospital ("Palmetto") is a 360-bed acute care hospital, which serves growing Miami-Dade and Broward communities. Palmetto's 750-member medical staff and more than 1,600 employees deliver acclaimed cardiac care, maternity care, pediatrics, wound care and more. Palmetto's Radiology and Diagnostic Services Center and the Just for Women Diagnostic Center are professionally staffed and equipped to offer a broad range of advanced diagnostic services in comfortable settings. The adult and pediatric Emergency Departments are staffed 24 hours a day, seven days a week by physicians, specially trained nurses and technologists to provide care for patients who are experiencing acute problems and who need immediate attention. In addition, Palmetto's Outpatient Rehabilitation Center offers comprehensive, multidisciplinary rehabilitative therapy programs for adults and children in beautiful contemporary facilities.

## **Recreation**

The City of Hialeah boasts three tennis centers, more than five public swimming pools and aquatic centers, and more than fourteen public parks totaling more than 100 acres combined and offers a wide variety of recreation activities to area residents and visitors. Recreation programming includes youth and adult athletics (i.e. girls and boys, football, soccer, baseball, softball, volleyball, cheerleading, swimming and water polo), summer and holiday out of school camps and a host of other activities for citizens of all ages. Milander Park features a municipal auditorium and a 10,000 seat football stadium. City park facilities and community centers provide meeting space and host a number of arts and crafts and fitness activities.

Hialeah Park is the home of the Audubon Bird Sanctuary for flamingos, a trademark of the city, and is listed on the National Register of Historic Places. On the grounds one of the oldest, continuously operating racetracks in Florida is found, as well as landscaped gardens, historic buildings and many other interesting sights.

Hialeah offers many options for those seeking an active lifestyle. Amelia Earhart Park named after the famous female pilot, is a weekend favorite. Beautiful bike trails, complete with daring obstacles, offers cyclists a challenging and scenic ride. The park also features two stunning lakes, full of large mouth bass. The park's picnic facilities offer many spots for relaxing and getting together with family and friends. An expanding skate park and climbable rock formations also contribute to the visitor's possibilities for fun.

## **Transportation**

Hialeah is served by the Miami Metrorail at three stations: Okeechobee Station, Hialeah Station, and Tri-Rail Transfer Station. The Okeechobee and Hialeah stations serve primarily as park-and-ride commuter stations for Downtown Miami and Brickell commuters. The Tri-Rail Transfer Station allows easy connections to Tri-Rail to Miami International Airport and West Palm Beach. Besides the Metrorail, Hialeah also has two Tri-Rail stations: the Hialeah Market Station and one at the Tri-Rail/Metrorail Transfer Station.

Within 30 miles of the city center, there are a total of two airports and a total of five Amtrak train stations close to Hialeah.

Miami International Airport (MIA) is located 4 miles from Hialeah and is operated by the Miami-Dade Aviation Department and is the property of Miami-Dade County government. Founded in 1928, MIA is the largest U.S. gateway for Latin America and the Caribbean and is one of the leading international passenger and freight airports in the world. In 2009, 33,886,025 passengers traveled through the airport making the airport the 25<sup>th</sup> busiest airport in the world. Located on 3,230 acres of land near downtown Miami, MIA's terminal is being expanded to more than seven million square feet through a capital improvement program scheduled for completion in the winter of 2011.

Fort Lauderdale-Hollywood International Airport (FLL / KFLL) is located 17 miles from Hialeah and offers international and domestic flights. In 2010, the airport processed 22,412,627 passengers including 3,447,393 international passengers. The airport's close proximity to cruise line terminals at Port Everglades has also made it popular among tourists bound for the Caribbean.

The Port of Miami is recognized and has been for many years, as the "Cruise Capital of the World" and "Cargo Gateway of the Americas". It has retained its status as the number one cruise/passenger port in the world for well over two decades accommodating the largest cruise ships in the world and the operations of such major cruise lines as Carnival, Royal Caribbean and Norwegian Cruise Line. As the "Cargo Gateway of the Americas", the port primarily handles containerized cargo with small amounts of breakbulk, vehicles and industrial equipment. It is the largest container port in the state of Florida and ninth-largest in the United States. As a world-class port, the Port of Miami is among an elite group of ports in the world which cater to both cruise ships and containerized cargo.

## **Taxes**

Florida has no personal state income tax or inheritance tax. There is a state corporate tax of 5.5 percent on net income (with an exemption on the first \$5,000 of corporate profit) and a state retail sales tax of 6 percent. Ad valorem (real estate) taxes combine city, county and school districts levies, plus special districts. Florida's Homestead Exemption Act exempts home owner's taxes on the first \$50,000 of assessed value. Property in the City and County is assessed at approximately 100% of true market value.

**City of Hialeah, Florida**  
**Schedule of Bond Debt and Long-Term Debt**  
**As of September 30, 2011<sup>(1)</sup>**

<u>Bond Issue</u>	<u>Issue Date</u>	<u>Original Issue Amount</u>	<u>Unpaid Balance at 9/30/11</u>	<u>FY 2012 Principal</u>	<u>FY 2012 Interest</u>	<u>FY 2012 Total Debt Service</u>	<u>Unpaid Balance at 09/30/12</u>
Capital Improvement Revenue Refunding Bonds – 2007 <sup>(2)</sup>	2007	\$2,283,000	1,672,177	200,250	70,320	270,520	1,471,927
<b>Total Outstanding Bond Debt</b>							<b>1,471,927</b>
<u>Notes</u>	<u>Issue Date</u>	<u>Original Issue Amount</u>	<u>Unpaid Balance at 9/30/11</u>	<u>FY 2012 Principal</u>	<u>FY 2012 Interest</u>	<u>FY 2012 Total Debt Service</u>	<u>Unpaid Balance at 09/30/12</u>
FMLC <sup>(3)</sup>	2003	48,135,000	40,995,000	1,055,000	2,047,588	3,102,588	39,940,000
FMLC	2005	29,090,000	25,810,000	620,000	1,226,540	1,846,540	25,190,000
Community Development Block Grant Section 108 Loan	2000	4,400,000	2,455,000	240,000	192,435	432,435	2,215,000
Affordable Housing Note <sup>(2)</sup>	2011	14,489,840	14,292,352	336,043	620,536	956,579	13,956,309
Bank of America Promissory Note	2011	16,550,000	16,550,000	954,127	268,327	1,222,453	15,595,873
<b>Total Outstanding Note Debt</b>							<b>96,897,183</b>
<b>TOTAL BOND AND LONG-TERM DEBT</b>							<b>98,369,109</b>

<sup>(1)</sup> Excluding utility and other enterprise fund related indebtedness

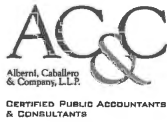
<sup>(2)</sup> Covenant-to-budget is provided on a back-up basis in the event primary pledged revenues are insufficient to pay debt service

<sup>(3)</sup> To be refunded with proceeds of the Bonds

**APPENDIX G**

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF HIALEAH, FLORIDA FOR  
THE FISCAL YEAR ENDING SEPTEMBER 30, 2011**

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4649 PONCE DE LEON BLVD.  
SUITE 404  
CORAL GABLES, FL 33146  
TEL: 305-662-7272  
FAX: 305-662-4266  
ACC-CPA.COM

Honorable Mayor and Members of the City Council  
City of Hialeah, Florida  
Page Two

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hialeah, Florida (the "City") as of and for the fiscal year ended September 30, 2011 which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 15, 2012 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance projects is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General* and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements, schedules and the schedule of expenditures of federal awards and state financial assistance projects are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Alberti Caballero & Company, LLP*

Alberti Caballero & Company, LLP  
Coral Gables, Florida  
May 15, 2012

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(MD&A)**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Hialeah, Florida, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2011.

**Financial Highlights**

- The net assets of the City of Hialeah's Governmental and Business-type funds exceeded its liabilities at the close of the most recent fiscal year by \$237 million.
- Net assets of the City's governmental activities decreased by 18% (\$20.1 million) from \$111.4 million for last fiscal year, compared to \$91.3 million in the current fiscal year. Increases in OPEB liability of \$10.8 million and claims payable of \$5.5 million were the main cause of the current year's decrease. These changes reported in the statement of activities do not require the use of current financial resources.
- Net assets of the City's business-type activities increased by 1% \$1.9 million from \$144.3 million compared to \$146.2 million in the current fiscal year.
- At the close of the current fiscal year, the City's Governmental Funds reported a combined ending fund balance of \$26.1 million, a decrease of approximately \$3.6 million.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was approximately \$12.4 million, or 88% of the total General Fund Balance. The non-spendable fund balance was \$1.4 million which represents inventory and prepaid expenses which are amounts that are not spendable in nature. The \$12.4 million of unassigned fund balance is considered undesignated at the closing of the year; and are funds available for spending at the government's discretion. It is important for readers to understand that these funds available for spending are essential for long-term commitments and unanticipated contingencies and should not be considered superfluous.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to these basic financial statements, this report contains other supplementary information.

**Government-wide financial statements** - The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The governmental activities of the City include police, fire, streets, grants, bus circulator and human services, state housing initiative, work investment act programs, library, code compliance, licenses, fleet maintenance, construction and maintenance, recreation and community services, planning and development, and general and administrative services.

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The business type activities of the City include solid waste and water & sewer operations. The government-wide financial statements can be found on pages 17-18 of this report.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be the major fund. Data from the other governmental funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund and other governmental funds. Budgetary comparison statements have been provided for the General Fund and governmental funds with legally adopted budgets to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 19-20 of this report.

**Proprietary funds** - The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its solid waste and water & sewer operations.

The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste and water & sewer operations, which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 22-26 of this report.

**Fiduciary funds** - Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 27-28 of this report.

**Notes to the financial statements** - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 29-74 of this report.

An additional portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance is considered unrestricted net assets and that amount is a negative \$103.1 million. This figure illustrates that if all liabilities became due at this point in time, total assets would be insufficient to cover all our obligations. Capital assets of the City would need to be sold in order to meet contingencies.

Net assets of the City's governmental activities decreased by 18% (\$20.1 million) from \$111.4 million for last fiscal year, compared to \$91.4 million in the current fiscal year. See detailed explanation under Financial Highlights.

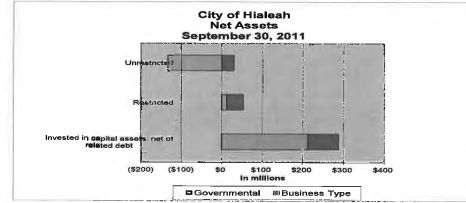
Net assets of the City's business-type activities increased by 1% or \$1.9 million from \$144.3 million for last fiscal year, compared to \$146.2 million in the current fiscal year.

CITY OF HIALEAH - CHANGES IN NET ASSETS						
	Governmental Activities	Business-type Activities	Total 2011	Governmental Activities	Business-type Activities	Total 2010
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 25,774,786	\$ 61,485,262	\$ 87,260,048	\$ 24,691,964	\$ 59,033,934	\$ 83,725,898
Operating grants & contributions	24,069,595	-	24,069,595	12,701,522	-	12,701,522
Capital grants & contributions	15,486,276	831,849	16,318,127	31,827,725	9,004,831	40,832,556
General Revenues:						
Property taxes	48,550,595	-	48,550,595	58,548,370	-	58,548,370
Utility taxes	22,212,359	-	22,212,359	22,275,529	-	22,275,529
Franchise fees on gross receipts	10,500,154	-	10,500,154	10,365,647	-	10,365,647
Intergovernmental revenue	21,521,902	-	21,521,902	19,773,241	-	19,773,241
Grants & contributions unrestricted	-	-	-	-	-	-
Unrestricted interest	22,944	720,908	743,850	49,530	1,419,630	1,469,160
Total revenues	188,138,613	63,038,017	231,176,630	180,233,528	69,458,395	249,691,923
<b>Expenses:</b>						
General government	66,589,887	-	66,589,887	68,671,742	-	68,671,742
Police	47,628,629	-	47,628,629	46,206,793	-	46,206,793
Fire	43,122,832	-	43,122,832	40,680,842	-	40,680,842
Streets	14,965,763	-	14,965,763	14,581,851	-	14,581,851
Recreation & community service	10,765,871	-	10,765,871	10,852,844	-	10,852,844
Interest on long-term debt	5,155,170	-	5,155,170	5,155,341	-	5,155,341
Water & sewer	-	45,302,229	45,302,229	-	43,158,697	43,158,697
Solid waste	-	15,832,635	15,832,635	-	15,047,591	15,047,591
Hialeah circulator	-	-	-	-	-	-
Total expenses	198,228,152	61,134,864	249,363,016	186,329,422	58,206,288	244,535,710
Change in net assets before transfers	(20,089,539)	1,903,153	(18,186,386)	(6,095,894)	11,252,107	5,156,213
Transfers	-	-	-	(1,576,750)	1,576,750	-
Change in net assets	(20,089,539)	1,903,153	(18,186,386)	(7,672,644)	12,828,857	5,156,213
Net assets-beginning (restated)	111,401,202	144,335,121	255,736,323	119,385,560	141,375,773	260,761,333
Net assets-ending	\$ 91,311,663	\$ 146,238,274	\$ 237,549,937	\$ 111,712,916	\$ 154,204,630	\$ 265,917,546

**Other information** - In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information including, but not limited to, the budgetary comparison schedule of the General Fund and information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 75-79 of this report. The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 80-115 of this report.

**Government-wide Financial Analysis**

Net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of Hialeah, total net assets exceeded liabilities by \$237 million at the close of the most recent fiscal year. This is an 11% decrease compared to last year's net assets of \$256 million.



CITY OF HIALEAH - NET ASSETS						
	Governmental Activities	Business-type Activities	Total 2011	Governmental Activities	Business-type Activities	Total 2010
Current and other assets	\$ 47,337,112	\$ 46,754,786	\$ 94,091,900	\$ 51,519,882	\$ 45,042,592	\$ 96,562,474
Restricted assets	1,377,763	63,760,788	65,128,551	3,337,569	19,220,627	22,558,196
Capital assets, net	314,504,938	127,609,841	442,114,779	316,662,220	115,717,279	432,379,499
Total assets	363,219,813	238,111,117	601,330,930	371,519,671	179,980,498	551,500,169
Long-term liabilities	237,403,536	63,790,846	301,194,482	239,826,081	21,533,949	261,360,030
Other liabilities	34,504,614	28,085,887	62,590,501	20,292,388	14,111,428	34,403,816
Total liabilities	271,908,150	91,876,733	363,784,883	260,118,469	35,645,377	295,763,846
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	212,133,537	75,588,974	287,722,511	211,733,799	114,011,650	325,745,449
Restricted	12,486,327	40,562,646	53,028,973	6,144,156	19,144,155	25,288,311
Unrestricted	(13,288,201)	30,138,654	16,850,453	(106,476,752)	30,323,471	(76,153,281)
Total net assets	\$ 91,311,663	\$ 146,238,274	\$ 237,549,937	\$ 111,401,202	\$ 144,335,121	\$ 255,736,323

By far the largest portion of the City's net assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, etc.); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to its citizens; consequently, they are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

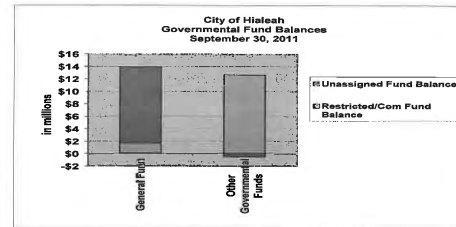
**Governmental activities** - Governmental activities decreased the City's net assets by \$20.1 million. This decrease was due primarily to a charge for Other Post Employment Benefits (OPEB). Increases in OPEB liability of \$10.8 million and claims payable of \$5.5 million were the main cause of the current year's decrease. These changes reported in the statement of activities do not require the use of current financial resources. In addition, revenues in ad valorem taxes decreased by \$10 million in the current fiscal year; this was due to a decrease in the assessed property values within the City by the Miami-Dade County Property Appraisers' Office. This continues to be a challenge for the City of Hialeah to maintain the high level of services while revenues continue to decrease in the current economic crisis. Yet despite these issues, the City of Hialeah remains determined to maintain its promise not to raise taxes. The City's millage rate remained unchanged from the prior fiscal year at a rate of 6.54 mills and will remain at that rate for the coming fiscal year.

**Business-type activities** - Net assets of the City's business-type activities increased by \$1.9 million in the current fiscal year. Net assets beginning balance of the Water and Sewer Fund, as of October 1, 2010, were restated to correct the balances of the construction in progress account and other liabilities associated with the Reverse Osmosis Water Treatment Plant. This was due to a reflect the County's 50% ownership share of the RO Plant, per the Joint Participation Agreement, as a contra account and record the construction in progress net of the total balance of construction (see Note 13). Current year operating loss for Solid Waste fund of \$1.1 million was due primarily to the OPEB expense for the current fiscal year and the depreciation expense amount in the current fiscal year of \$415 and \$835 thousand, respectively. These changes reported in the statement of revenues, expenses and changes in net assets do not require the use of current financial resources and are non-cash transactions. Therefore, not considering these non-cash transactions, the Solid Waste fund had an operating income in the normal course of operation of \$193 thousand in the current fiscal year. Due to the current economic crisis that the nation is undergoing the City decided not to increase the rates charged to the residents for these services in the current fiscal year in order to alleviate their financial burden.

**Financial Analysis of the City's Funds**

As noted earlier, the City of Hialeah uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.





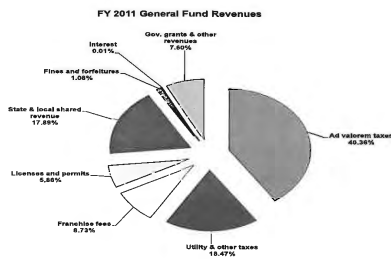
As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances (both restricted and unassigned) of \$26.1 million, a decrease of approximately \$3.6 million. The individual statement of revenues, expenditures and changes in fund balances for nonmajor governmental funds can be found on pages 85-88 of this report.

Unassigned fund balance in the amount of \$12.4 million in the General Fund constitutes amount which is available for spending as explained earlier under Financial Highlights. The remainder of fund balance is non-spendable to indicate it is not available for spending because they are in non-spendable form (i.e. inventory and prepaid expenses).

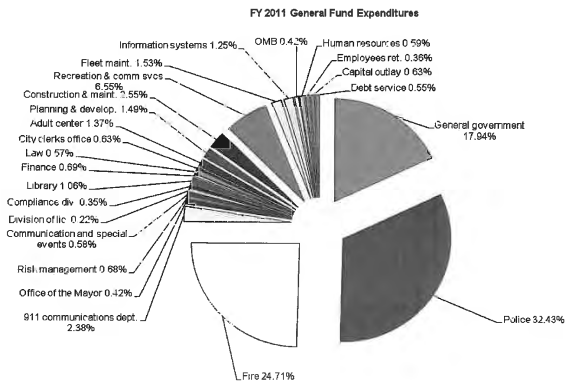
The General Fund is the chief operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. General operating expenses, fixed charges and capital improvement costs not paid through other funds are paid from this fund.

The amount of General Fund revenue from various sources, the percentage of the total and the amount of change compared to last fiscal year are shown in the following schedule:

Revenue Sources	2011 Amount	Percent of Total	2010 Amount	Percent of Total	Amount Incr (Decr) from Prior Year	Percent Incr-Decr from Prior Year
Ad valorem taxes	\$ 48,550,595	40.36%	\$ 58,548,370	46.40%	\$ (9,997,775)	-17.08%
Utility & other taxes	22,212,359	18.47%	22,275,529	17.65%	(63,170)	-0.28%
Franchise fees	10,500,154	8.73%	10,365,647	8.22%	134,507	1.30%
Licenses and permits	7,051,841	5.86%	6,458,977	5.12%	592,864	9.18%
Fines and local shared revenue	21,521,902	17.89%	19,773,241	15.67%	1,748,661	8.84%
State and forfeitures	1,300,881	1.08%	1,106,294	0.88%	194,587	17.59%
Interest	17,159	0.01%	32,019	0.03%	(14,860)	-46.41%
Gov. grants & other revenues	9,136,210	7.60%	7,614,846	6.04%	1,521,364	19.98%
<b>Total</b>	<b>\$ 120,280,901</b>	<b>100%</b>	<b>\$ 126,174,923</b>	<b>100%</b>	<b>\$ (5,894,022)</b>	<b>-4.66%</b>



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In fiscal year 2011, total General Fund expenditures decreased by \$3.5 million or 2.6% as compared to the prior year. The bulk of the decrease was due to approximately \$1.8 million decrease in general government expenditures in the current fiscal year. This decrease was due to decrease in the City's revenue, as described above, which has forced the City to cut cost in areas related to equipment, improvement and building projects.

**Proprietary funds.** The City maintains two proprietary funds. Enterprise funds are used to provide the same type of information found in the government-wide financial statements, but in more detail. The City uses proprietary funds to account for its water and sewer and solid waste operations.

Unrestricted net assets of all the enterprise funds at the end of the year amounted to \$30.1 million. Unrestricted net assets at the end of the year for the Water and Sewer Fund and Solid Waste Fund amounted to \$37.6 million and a negative \$7.4 million, respectively. Other factors concerning the finances of these two major funds have already been addressed in the discussion of the City's business-type activities.

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Compared to the prior fiscal year, total General Fund revenues decreased by \$5.9 million or 4.7% in fiscal year 2011. This decrease is due to a decrease in ad valorem taxes which resulted from a decreased in assessed property values by Miami-Dade County Property Appraisers Office during fiscal year 2010 that affected the City's ad valorem revenue in fiscal year 2011. This change had an effect of \$10 million decrease in fiscal year 2011 ad valorem revenue.

However, the City's millage rate remained at a rate of 6.54 mills during the current fiscal year and will remain the same in the coming fiscal year. Yet despite these issues, the City of Hialeah remains determined to maintain its promise not to raise taxes.

Expenditures in the General Fund are shown in the following schedule:

Expenditures	2011 Total	Percent of Total	2010 Total	Percent of Total	Amount Incr (Decr) from Prior Year	Percent Incr-Decr from Prior Year
General government	\$ 22,998,342	17.94%	\$ 24,806,086	18.84%	\$ (1,806,744)	-7.28%
Police	41,568,007	32.43%	41,815,883	31.76%	(247,876)	-0.59%
Fire	31,677,255	24.71%	29,943,818	22.74%	1,733,637	5.79%
911 communications dept.	3,057,095	2.38%	2,784,880	2.12%	272,235	9.78%
City clerks office	813,123	0.63%	1,164,135	0.88%	(351,012)	-30.16%
OMB	576,863	0.45%	498,549	0.38%	78,114	15.67%
Office of the Mayor	532,856	0.42%	637,940	0.48%	(104,984)	-16.46%
Comm. & spc. events	747,618	0.58%	801,972	0.61%	(54,354)	-6.78%
Employees ret.	483,361	0.38%	537,162	0.41%	(73,801)	-13.74%
Library	1,384,842	1.08%	1,514,939	1.15%	(150,297)	-9.92%
Compliance division	447,585	0.35%	510,496	0.39%	(62,911)	-12.32%
Finance	879,174	0.69%	942,757	0.72%	(63,583)	-6.74%
Division of licenses	286,569	0.22%	431,087	0.33%	(144,518)	-33.52%
Information systems	1,608,553	1.25%	1,439,308	1.09%	169,245	11.76%
Fleet maintenance	1,996,394	1.53%	2,281,377	1.73%	(314,983)	-13.81%
Construction & maint.	3,288,194	2.55%	3,648,104	2.77%	(379,910)	-10.41%
Recr. & comm.	8,402,552	6.55%	8,940,825	6.79%	(538,273)	-6.02%
Planning & develop.	1,509,454	1.19%	2,368,488	1.80%	(459,044)	-19.38%
Adult center	1,750,844	1.37%	1,858,244	1.41%	(107,400)	-5.68%
Law	730,159	0.57%	895,422	0.68%	(165,263)	-18.46%
Risk management	877,624	0.68%	991,704	0.75%	(113,880)	-11.48%
Human resources	752,723	0.59%	782,972	0.59%	(30,249)	-3.86%
Debt service	706,724	0.55%	846,532	0.63%	(139,808)	-16.51%
Capital outlay	808,885	0.63%	1,429,568	1.08%	(620,683)	-43.52%
<b>Total</b>	<b>\$ 128,192,596</b>	<b>100.00%</b>	<b>\$ 131,867,716</b>	<b>100.00%</b>	<b>\$ (3,675,120)</b>	<b>-2.64%</b>

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**General Fund Budgetary Highlights**

The differences in the actual revenues and expenses as compared to the budget are summarized as follows:

- Licenses and permits collected were higher than budgeted due to an increase in local business and residents obtaining more licenses and permits during the current fiscal year.
- State and local-shared revenues were higher than budgeted due to increase in Sales tax revenue, which is a major part of this revenue source.
- General government's expenses were higher than budgeted figures by \$3.7 million or 18% due to anticipated mandated insurance contribution in the amount of \$5.1 million that were budgeted for the entire fiscal year 2011 from the General Employee Bargaining Unit but were subsequently not realized due to contract negotiation during the same fiscal year. In addition, workers' compensation insurance expenses were approximately \$480 thousand over budget due to increase in workers' compensation claims.

Differences between the original budget and the final amended budget for expense accounts increase by \$1.2 million an increase of 1% over the original budget.

**Capital Assets and Debt Administration**

**Capital assets** - The City's investment in capital assets for its governmental and business type activities as of September 30, 2011 totals \$442 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, infrastructure, improvements other than buildings, and machinery and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 2.3%.

	CITY OF HIALEAH - CAPITAL ASSETS (NET OF DEPRECIATION)					
	September 30, 2011			September 30, 2010		
	Governmental	Business-Type	Total	Governmental	Business-Type	Total
Land	\$ 29,699,626	\$ 328,356	\$ 30,028,982	\$ 29,343,154	\$ 329,356	\$ 29,672,510
Construction in progress	17,488,554	21,114,834	38,603,388	17,752,967	10,588,061	28,351,028
Buildings and utility plants	76,578,990	2,507,783	78,086,773	78,673,102	1,988,471	80,671,573
Improvements other than buildings	11,326,017	52,624	11,378,641	12,413,762	82,730	12,496,552
Furniture, fixtures, machinery and equipment	12,823,818	4,247,870	17,071,688	14,194,368	3,712,056	17,906,424
Furniture, fixtures, machinery and equipment - Charter School	461,705	-	461,705	428,732	-	428,732
Infrastructure	166,126,429	99,357,074	265,483,503	163,856,135	98,713,554	262,569,689
<b>Total capital assets</b>	<b>\$ 314,504,939</b>	<b>\$ 127,609,541</b>	<b>\$ 442,114,480</b>	<b>\$ 316,662,220</b>	<b>\$ 115,434,288</b>	<b>\$ 432,096,508</b>

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Additions to capital assets before depreciation for governmental activities equaled \$14.4 million. Transfers to capital assets before depreciation for governmental activities equaled \$12.1 million. The following additions and transfers include the following items:

- Reconstruction and engineering services of various City street projects totaling \$12.1 million that were completed during the current fiscal year and were subsequently transferred to the Infrastructure asset group once placed in service.
- Continued construction and engineering services in progress of several City street projects totaling approximately \$6 million at the end of FY 2011.
- Continued construction in progress of several City projects including Milander Park and Auditorium and adjacent parking garage, Palm Center 72-units affordable housing project adjacent parking garage, Villa Teresita 33-units affordable housing project totaling approximately \$5.2 million at the end of FY 2011.

Additions to capital assets before depreciation for business type activities equaled \$17.3 million and include the following items:

- Continued construction in progress of the new reverse osmosis water treatment plant in the annexation area totaling \$10.6 million.
- Upgrading or replacing of water mains, repairing and modernizing sewer pump stations around the City in accordance with the State of Florida and Miami-Dade County ongoing program totaling \$4.3 million.

Additional information on the City's capital assets can be found in Note 9 starting on page 51 of this report.

**Long-term debt** - The City's net outstanding debt decreased by approximately \$2.5 million to approximately \$102 million during the current fiscal year. The change was a result of refinancing of outstanding debt and payment of principal on outstanding debt. Additional information on the City's long-term debt can be found in the notes to the financial statements. More in-depth detail on long-term debt can be found on pages 53-58, Note 11.

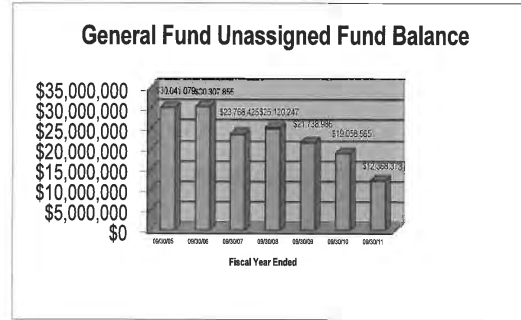
CITY OF HIALEAH'S OUTSTANDING DEBT General Obligation, Revenue Bonds and Notes Payable			
Governmental Activities			
		2011	2010
Revenue bonds	\$	1,672,177	\$ 1,864,063
Notes payable		100,102,352	102,328,870
<b>Total</b>	<b>\$</b>	<b>101,774,529</b>	<b>\$ 104,192,933</b>

**Economic Factors and Next Year's Budgets and Rates**

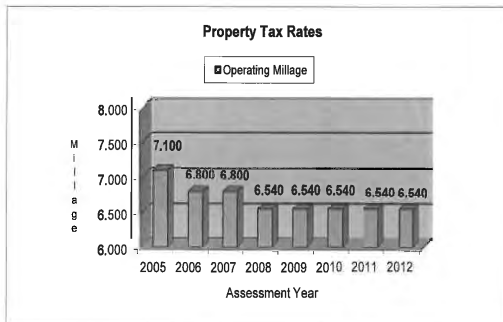
The City's local economy is primarily based upon industrial, light manufacturing and service related companies. The occupancy rates of the City's establishments for these businesses remained at approximately 95%.

During the current fiscal year, unassigned fund balance in the General Fund decreased to \$12.4 million. The unassigned fund balance of \$12.4 million is approximately equal to one month of the General Fund expenditures.

The following graph shows the City's fund balance for the last seven years:



In 1995, the State of Florida limited all local governments' ability to raise homestead assessed property value in any given year by 3% or cost of living, whichever is lower. As the following graph indicates, the City's property tax rates have been reduced by almost 1 mill since 2002 and have remained unchanged for the past four years. The City's operational expenditures, such as salaries, health insurance, pension contributions and gas and oil continue to increase while our revenue resources have become more and more limited. The City has its own police and fire services, recreational and aquatic facilities and a full service library system, which we maintain at optimum levels without the need for additional voter approved debt. During fiscal year 2011 the City's millage rate remained unchanged at a rate of 6.54 mills. This City has focused on maintaining taxes and service charges to a minimum while providing services to our taxpayers at a maximum level.



For fiscal year 2011-2012, the City did not increase the millage rate again and maintained the millage rate at 6.54 mills. A budget of approximately \$115.6 million was approved for the General Fund with no use of unassigned fund balance projected for the 2011-12 fiscal year.

**2011 Fiscal Year Accomplishments**

During the 2010/2011 fiscal year, the City of Hialeah, has invested its revenues from all sources in a manner that reflects a vision towards the future. This investment will be enjoyed by the current residents of the City as well as future generations. The following list illustrates a sampling of our major accomplishments this year.

- The City has annexed 1,890 acres of land located in the Northwest section of the City and construction of the infrastructure system is underway. The proposed future land use for this area is as follows:  
4,395 Residential units  
1,851,690 Square Feet Retail/Commercial/Office  
7,623,000 Square Feet Industrial  
30 to 50 Acre Park
- Water and Sewer Department  
Completed repairs and rehabilitation to sewage pump stations around the City of Hialeah  
Continued construction of the new water treatment plant that will provide service to the new annexed area as well as other areas of the County  
Continued construction of a regional sewage pump station to serve the newly City annexed area
- Construction and Maintenance  
Completed construction of a 33-unit affordable housing project located at 525 West 1<sup>st</sup> Avenue  
Commenced construction of a 36-unit affordable housing project located on 355 East 32 Street  
Commenced construction of a 9-unit affordable housing project located at 45 West 6<sup>th</sup> Street
- Street Department  
Completion of road construction and resurfacing projects around the City  
Continue median beautification/maintenance program
- Recreation Department  
Continued construction and completion of major renovations and improvements at various City parks and recreational facilities

**Future Outlook**

- Water and Sewer Department  
Continue with the construction of a new water treatment plant that will provide service to the new annexed area as well as other areas of the County  
Continue with ongoing programs to upgrade Sewer Pump Stations  
Continue with ongoing program of lining an additional 54,000 lineal feet of sewer lines  
Continue construction of a new regional pump station to support the new annexed area  
Continue construction of the sanitary sewer system and the water distribution system to service the annexed area and to support development  
Completed construction and remodeling of a new Water and Sewer Administration building at the existing location continues.
- Construction and Maintenance Department  
Continued construction of a multipurpose facility that will house 72 affordable housing units and an adjacent parking garage for the facility
- Streets Department  
Continue with road construction and resurfacing projects around the City  
Continue implementation of median beautification/maintenance program
- Recreation Department  
Continued construction and major renovations at Milander Park and Auditorium to convert these facilities into a new Performing Arts and Exhibition Center  
Construction continues on the 300 space parking garage at Milander Park to alleviate parking congestion at the new performing arts center

All these factors were considered in preparing the City's budget for fiscal year 2012.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Hialeah's finances for all those with an interest in the City's finances.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Javier Collazo, Acting Finance Director, Finance Department, City of Hialeah, 501 Palm Avenue, Hialeah, Florida 33010. In addition, the City's Comprehensive Annual Financial Report may be obtained through the City's website at <http://www.hialeahfl.gov>.

**CITY OF HIALEAH, FLORIDA**  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,406,752	\$ 21,651,527	\$ 31,058,279
Investments	-	10,658,022	10,658,022
Receivables	24,040,762	12,405,038	36,445,800
Notes receivable	1,934,181	4,800,000	6,734,181
Net pension asset	2,106,486	-	2,106,486
Internal balances	8,376,524	(8,376,524)	-
Inventories	1,195,848	498,431	1,694,279
Prepays and other assets	276,559	5,118,294	5,394,853
Restricted assets:			
Cash and cash equivalents	1,377,763	31,138,437	32,516,200
Investments	-	28,796,604	28,796,604
Other assets	-	3,615,747	3,615,747
Capital assets, net of accumulated depreciation	47,188,180	21,444,190	68,632,370
Capital assets, net of accumulated depreciation	267,316,758	106,165,351	373,482,109
Total assets	363,219,813	238,115,117	601,334,930
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	8,478,787	5,567,643	14,046,430
Accrued interest	1,632,795	886,723	2,519,488
Unearned revenue	7,474,278	1,535,716	9,009,994
Liabilities payable from restricted assets	-	18,838,525	18,838,525
Other liabilities	816,838	-	816,838
Non-current liabilities:			
Due within one year	16,101,946	1,257,290	17,359,236
Due in more than one year	237,403,536	63,790,946	301,194,482
Total liabilities	271,908,150	91,876,843	363,784,993
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	212,133,537	75,538,974	287,672,511
Restricted	12,466,327	40,562,646	53,028,973
Unrestricted	(133,288,201)	30,136,654	(103,151,547)
Total net assets	\$ 91,311,663	\$ 146,238,274	\$ 237,549,937

See notes to basic financial statements.  
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**BASIC FINANCIAL STATEMENTS**

**CITY OF HIALEAH, FLORIDA**  
STATEMENT OF ACTIVITIES  
YEAR ENDED SEPTEMBER 30, 2011

Functional/Programs Provided	Program Revenues		Capital Grants and Contributions		Net (Expense)/Revenue and Change in Net Assets	
	Charges for Services	Grants and Contributions	Governmental Activities	Business- Type Activities	Governmental Activities	Total
General government:						
Police	\$ 65,559,987	\$ 15,711,906	\$ 20,365,992	\$ 2,178,126	\$ (28,333,853)	\$ (28,333,853)
Fire	47,584,595	1,467,723	589,113	308,425	(45,218,274)	(45,218,274)
Streets	4,388,785	3,779,316	1,272,229	937,813	(38,693,379)	(38,693,379)
Recreation and community services	10,765,971	1,118,475	1,161,330	3,444,214	(5,941,852)	(5,941,852)
Interest on long term debt	5,155,170	-	-	-	(5,155,170)	(5,155,170)
Total governmental activities	188,228,152	25,774,796	24,589,695	15,488,278	(122,897,493)	(122,897,493)
Business-type activities:						
Water and sewer	45,302,229	46,709,579	-	831,649	2,238,198	2,238,198
Solid waste	81,332,653	14,779,953	-	-	(1,059,892)	(1,059,892)
Total business-type activities	\$ 246,560,816	\$ 61,489,532	\$ 24,689,695	\$ 16,319,927	\$ (121,719,086)	\$ (121,719,086)
General revenues:						
Income taxes	-	-	-	-	48,550,656	48,550,656
Franchise fees on gross receipts	-	-	-	-	22,212,359	22,212,359
Utility taxes	-	-	-	-	10,500,154	10,500,154
Intergovernmental revenues not restricted to specific program	-	-	-	-	21,521,802	21,521,802
Unrestricted	-	-	-	-	720,006	720,006
Total general revenues	-	-	-	-	102,494,977	102,494,977
Change in net assets	(20,689,839)	1,900,153	(1,900,153)	(18,198,386)	145,338,121	125,238,223
Net assets - beginning	-	-	-	-	91,311,663	91,311,663
Net assets - ending	-	-	-	-	146,238,274	237,549,937

See notes to basic financial statements.  
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CITY OF HIALEAH, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,234,513	\$ 172,239	\$ 9,406,752
Receivables	10,555,075	13,485,687	24,040,762
Due from other funds	21,110,212	17,202,276	38,312,488
Inventories	1,167,186	28,662	1,195,848
Prepays	262,000	14,559	276,559
Notes receivable	1,934,181	-	1,934,181
Restricted cash	429,809	947,954	1,377,763
<b>Total assets</b>	<b>\$ 44,692,976</b>	<b>\$ 31,851,377</b>	<b>\$ 76,544,353</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Vouchers payable and accrued liabilities	\$ 6,014,721	\$ 2,464,066	\$ 8,478,787
Compensated absences payable	752,990	-	752,990
Self-insurance claims payable	1,095,048	-	1,095,048
Due to other funds	16,817,164	13,118,800	29,935,964
Deferred revenue	5,205,970	4,202,489	9,408,459
Other liabilities	816,838	-	816,838
<b>Total liabilities</b>	<b>30,702,731</b>	<b>19,785,355</b>	<b>50,488,086</b>
Fund balances:			
Nonspendable	1,429,186	43,221	1,472,407
Restricted	-	12,466,327	12,466,327
Committed	192,686	174,865	367,551
Unassigned	12,368,373	(618,391)	11,749,982
<b>Total fund balances</b>	<b>13,990,245</b>	<b>12,066,022</b>	<b>26,056,267</b>
<b>Total liabilities and fund balances</b>	<b>\$ 44,692,976</b>	<b>\$ 31,851,377</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	314,504,938
Long-term liabilities, including bonds payable, are not due and payable in the current period.	(103,169,779)
Compensated absences	(19,000,085)
Claims payable	(46,016,523)
Accrued interest	(1,632,765)
Net pension asset	2,106,486
Net pension obligation	(41,820,957)
Notes receivable-long term	1,934,181
OPEB Liability	(41,571,000)
<b>Net assets of governmental activities</b>	<b>\$ 91,311,663</b>

See notes to basic financial statements.  
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CITY OF HIALEAH, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Ad valorem taxes	\$ 48,580,595	\$ -	\$ 48,580,595
Utility taxes	22,212,359	3,697,364	25,909,723
Franchise fees	10,500,154	-	10,500,154
Licenses and permits	7,051,641	-	7,051,641
State and local shared revenues	21,521,902	12,073,117	33,595,019
Fines and forfeitures	1,300,881	659,362	1,960,247
Interest	17,159	-	17,159
Government grants and other revenues	9,136,210	31,812,080	40,948,290
<b>Total revenues</b>	<b>120,290,901</b>	<b>47,847,712</b>	<b>168,138,613</b>
<b>Expenditures:</b>			
Current:			
General government	22,998,342	4,519,064	27,517,406
Police	41,668,007	233,028	41,901,035
Fire	31,877,255	3,800,352	35,677,607
911 communications department	3,057,096	-	3,057,095
Streets	-	4,286,487	4,286,487
Grants and human services	-	6,923,729	6,923,729
State housing initiative program	-	1,133,537	1,133,537
Work investment Act programs	-	2,044,010	2,044,010
City Clerk's office	813,123	-	813,123
Office of Management and Budget	576,663	-	576,663
Office of the Mayor	532,856	-	532,856
Communications and special events	747,618	-	747,618
Employee retirement	463,361	-	463,361
Library	1,364,642	-	1,364,642
Compliance division	447,585	-	447,585
Finance	879,174	-	879,174
Division of licenses	286,569	-	286,569
Information systems	1,608,553	-	1,608,553
Fleet maintenance	1,966,394	-	1,966,394
Construction and maintenance	3,268,194	-	3,268,194
Recreation and community services	8,402,562	-	8,402,562
Planning and development	1,909,454	-	1,909,454
Adult center	1,750,844	-	1,750,844
Law	730,159	-	730,159
Risk management	877,824	-	877,824
Human resources	752,723	-	752,723
Debt service:			
Principal	273,462	3,435,839	3,709,301
Interest	433,262	4,574,048	5,007,310
Capital outlay	806,885	13,844,067	14,650,952
<b>Total expenditures</b>	<b>128,192,596</b>	<b>44,794,141</b>	<b>172,986,737</b>
Deficiency of revenues over expenditures before other financing sources (uses)	(7,901,695)	3,063,571	(4,848,124)
Other financing sources (uses):			
Transfers in	-	67,768	67,768
Transfers out	(41,286)	(26,510)	(67,796)
Payments to refund debt	-	(30,100,120)	(30,100,120)
Refunding debt issued	1,036,466	30,003,375	31,039,841
Issuance of debt	212,850	-	212,850
<b>Total other financing sources (uses)</b>	<b>1,207,926</b>	<b>(65,487)</b>	<b>1,142,439</b>
<b>Net change in fund balances</b>	<b>(6,693,928)</b>	<b>2,998,084</b>	<b>(3,695,844)</b>
Fund balances - beginning	20,684,173	9,067,938	29,752,111
<b>Fund balances - ending</b>	<b>\$ 13,990,245</b>	<b>\$ 12,066,022</b>	<b>\$ 26,056,267</b>

See notes to basic financial statements.  
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CITY OF HIALEAH, FLORIDA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED SEPTEMBER 30, 2011

Amounts reported for governmental activities in the statement of activities (Page 18) are different because:

Net change in fund balances - total governmental funds (Page 20)	\$ (3,695,844)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(1,894,023)
The details of the difference are as follows:	
Capital outlay	\$ 14,650,952
Depreciation expense	(16,544,975)
Net adjustment	(1,894,023)
The net effect of various transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.	(263,259)
Capital outlay which did not meet the threshold for capitalization	(263,259)
The issuance of long-term debt (e.g., bonds, master leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
The details of the differences are as follows:	
Issuance of debt	(31,252,400)
Principal payments:	
Revenue bonds	191,886
Notes payable	33,356,358
Mortgage payable	117,969
Capital leases	143,208
Net adjustment	2,557,021
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
The details of the difference are as follows:	
Increase in net pension obligation	(692,752)
Increase in net pension asset	30,846
Increase in OPEB liability	(10,751,638)
Increase in accrued interest	(168,518)
Increase in claims payable	(5,523,066)
Amortization bond issue costs	(71,624)
Amortization of bond discount/premium	92,283
Decrease in compensated absences	291,038
Net adjustment	(16,793,434)
<b>Change in net assets of governmental activities (Page 18)</b>	<b>\$ (20,085,639)</b>

See notes to basic financial statements.  
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CITY OF HIALEAH, FLORIDA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2011

	Water and Sewers Utility System	Solid Waste Utility System	Total
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 21,651,527	\$ -	\$ 21,651,527
Investments	10,658,022	-	10,658,022
Customers accounts receivable	11,373,333	-	11,373,333
Note receivable	4,800,000	-	4,800,000
Other receivables	1,031,705	-	1,031,705
Due from other funds	507,603	3,969,289	4,476,892
Inventories	498,431	-	498,431
Prepays	886,723	-	886,723
Other assets	2,895,131	-	2,895,131
<b>Restricted assets:</b>			
Cash and cash equivalents	31,138,437	-	31,138,437
Investments	28,796,604	-	28,796,604
Other assets	3,815,747	-	3,815,747
<b>Total current assets</b>	<b>118,053,263</b>	<b>3,969,289</b>	<b>122,022,552</b>
<b>Non-current assets:</b>			
Capital assets, not being depreciated	21,272,906	171,284	21,444,190
Capital assets: net of accumulated depreciation	101,922,870	4,242,481	106,165,351
<b>Total capital assets, net</b>	<b>123,195,776</b>	<b>4,413,765</b>	<b>127,609,541</b>
Loan costs	1,336,440	-	1,336,440
<b>Total assets</b>	<b>\$ 242,585,479</b>	<b>\$ 8,383,054</b>	<b>\$ 250,968,533</b>

(Continued)

See notes to basic financial statements.  
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CITY OF HIALEAH, FLORIDA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
(Continued)  
SEPTEMBER 30, 2011

	Water and Sewers Utility System	Solid Waste Utility System	Total
<b>LIABILITIES AND NET ASSETS</b>			
<b>Current Liabilities:</b>			
Accounts payable and accrued liabilities	\$ 3,615,645	\$ 1,951,998	\$ 5,567,643
Current portion of self-insurance claims payable	50,892	90,997	141,889
Current portion of loans payable	531,890	361,700	893,590
Current portion of compensated absences	136,324	85,487	221,811
Interest payable	886,723	-	886,723
Due to other funds	4,039,878	2,859,541	6,899,419
	<u>9,261,150</u>	<u>5,349,723</u>	<u>14,610,873</u>
<b>Current liabilities payable from restricted assets:</b>			
DERM payable	4,013,160	-	4,013,160
Due to other funds	5,954,199	-	5,954,199
Other liabilities- RO Plant	1,056,666	-	1,056,666
Accounts payable- RO Plant	6,175,270	-	6,175,270
Customer deposits	7,593,429	-	7,593,429
Total current liabilities payable from restricted assets	<u>24,792,724</u>	<u>-</u>	<u>24,792,724</u>
Total current liabilities	<u>34,053,874</u>	<u>5,349,723</u>	<u>39,403,597</u>
<b>Non-current liabilities:</b>			
Revolving loan	1,805,177	-	1,805,177
Loan payable	47,925,000	1,446,800	49,371,800
Deferred revenues, net	-	45,000	45,000
Deferred interest, net	1,490,716	-	1,490,716
Self-insurance claims payable	2,451,213	3,519,264	5,970,477
OPEB liability	3,033,956	2,352,610	5,386,566
Compensated absences payable	772,500	484,426	1,256,926
Total non-current liabilities	<u>57,478,562</u>	<u>7,846,100</u>	<u>65,324,662</u>
Total liabilities	<u>91,532,436</u>	<u>13,197,823</u>	<u>104,730,259</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	72,933,709	2,805,265	75,538,974
Restricted	40,562,646	-	40,562,646
Unrestricted	37,556,688	(7,420,034)	30,136,654
Total net assets	<u>\$ 151,053,043</u>	<u>\$ (4,814,769)</u>	<u>\$ 146,238,274</u>

See notes to basic financial statements.  
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CITY OF HIALEAH, FLORIDA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Water and Sewers Utility System	Solid Waste Utility System	Total
<b>Operating revenues:</b>			
Metered water sales	\$ 17,398,156	\$ -	\$ 17,398,156
Sanitary sewer service	27,772,698	-	27,772,698
Sanitation fees	-	14,664,777	14,664,777
Other	1,538,725	110,906	1,649,631
Total operating revenues	<u>46,709,579</u>	<u>14,775,683</u>	<u>61,485,262</u>
<b>Operating expenses:</b>			
Operating, administrative and maintenance	41,026,418	14,997,676	56,024,094
Depreciation	4,225,315	834,959	5,060,274
Total operating expenses	<u>45,251,733</u>	<u>15,832,635</u>	<u>61,084,368</u>
Operating income (loss)	<u>1,457,846</u>	<u>(1,056,952)</u>	<u>400,894</u>
<b>Non-operating revenues (expenses):</b>			
Interest income	720,906	-	720,906
Interest expense	(50,498)	-	(50,498)
Net non-operating revenues (expenses)	<u>670,410</u>	<u>-</u>	<u>670,410</u>
Income (loss) before contributions	<u>2,128,256</u>	<u>(1,056,952)</u>	<u>1,071,304</u>
Capital contributions	<u>831,849</u>	<u>-</u>	<u>831,849</u>
Change in net assets	<u>2,960,105</u>	<u>(1,056,852)</u>	<u>1,903,253</u>
Net assets - beginning	<u>148,092,938</u>	<u>(3,757,817)</u>	<u>144,335,121</u>
Net assets, ending	<u>\$ 151,053,043</u>	<u>\$ (4,814,769)</u>	<u>\$ 146,238,274</u>

See notes to basic financial statements.  
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CITY OF HIALEAH, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Water and Sewers Utility System	Solid Waste Utility System	Totals
<b>Cash flows from operating activities:</b>			
Cash received from customers	\$ 44,743,406	\$ 15,450,951	\$ 60,194,357
Cash received from others	1,538,725	110,906	1,649,631
Cash paid for interfund services used	(3,274,506)	(1,558,791)	(4,833,297)
Cash payments to suppliers	(28,834,290)	(9,168,970)	(38,100,260)
Cash payments to employees	(4,376,927)	(5,050,552)	(9,427,479)
Net cash provided by (used in) operating activities	<u>9,696,408</u>	<u>(213,456)</u>	<u>9,482,952</u>
<b>Cash flows from capital and related financing activities:</b>			
Acquisition and construction of capital assets	(14,954,143)	(1,595,044)	(16,549,187)
Proceeds from issuance of debt	48,702,374	1,808,500	50,510,874
Loan costs	(1,365,002)	-	(1,365,002)
Interest paid	(132,819)	-	(132,819)
Capital contributions	428,500	-	428,500
Payments on long-term debt	(145,936)	-	(145,936)
Net cash provided by capital and related financing activities	<u>32,542,974</u>	<u>213,456</u>	<u>32,756,430</u>
<b>Cash flows from investing activities:</b>			
Purchases net of sales of investments	(20,333,096)	-	(20,333,096)
Interest received on investments	720,906	-	720,906
Net cash (used in) investing activities	<u>(19,612,190)</u>	<u>-</u>	<u>(19,612,190)</u>
Net increase in cash and cash equivalents	<u>22,627,192</u>	<u>-</u>	<u>22,627,192</u>
Cash and cash equivalents, beginning	<u>30,162,772</u>	<u>-</u>	<u>30,162,772</u>
Cash and cash equivalents, ending	<u>\$ 52,789,964</u>	<u>\$ -</u>	<u>\$ 52,789,964</u>
<b>Cash and cash equivalents per statement of net assets:</b>			
Unrestricted	\$ 21,651,527	\$ -	\$ 21,651,527
Restricted - current	<u>31,138,437</u>	<u>-</u>	<u>31,138,437</u>
	<u>\$ 52,789,964</u>	<u>\$ -</u>	<u>\$ 52,789,964</u>

(Continued)

See notes to basic financial statements.  
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CITY OF HIALEAH, FLORIDA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
(Continued)  
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Water and Sewers Utility System	Solid Waste Utility System	Totals
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ 1,457,846	\$ (1,056,952)	\$ 400,894
<b>Adjustments to reconcile operating income (loss) to net cash provided by operating activities:</b>			
Depreciation	4,225,315	834,959	5,060,274
Amortization	18,562	-	18,562
Allowance for uncollectible accounts	426,312	-	426,312
<b>Changes in operating assets and liabilities:</b>			
(increase) decrease in:			
Accounts receivable	(853,760)	786,174	(67,586)
Other receivables	(1,245,105)	-	(1,245,105)
Due from other funds	134,296	(1,562,206)	(1,427,910)
Inventories	93,159	-	93,159
Other asset	(2,100)	-	(2,100)
Increase (decrease) in:			
Vouchers payable and accrued liabilities	2,476,165	1,818,494	4,294,659
Self insurance claims payable	(1,023,299)	1,091,843	68,544
Compensated absences payable	(287,900)	(348,871)	(636,771)
OPEB liability	725,487	414,610	1,140,097
Due to other funds	3,355,631	(2,191,507)	1,164,324
Customer deposits	(195,599)	-	(195,599)
Total adjustments	<u>8,238,562</u>	<u>843,496</u>	<u>9,082,058</u>
Net cash provided by (used in) operating activities	<u>\$ 9,696,408</u>	<u>\$ (213,456)</u>	<u>\$ 9,482,952</u>
<b>Schedule of non-cash capital and related financing activities:</b>			
Contributions of capital assets from developers	<u>\$ 403,349</u>	<u>\$ -</u>	<u>\$ 403,349</u>

See notes to basic financial statements.  
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CITY OF HIALEAH, FLORIDA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2011

	Pension Trust
<b>ASSETS</b>	
Cash and cash equivalents	\$ 18,846,342
Securities lending cash collateral	148,572,091
Investments, at fair value:	
U.S. Treasury bonds and notes	31,379,151
U.S. Government securities	10,860,434
Asset backed securities	18,375,092
Mortgage backed securities	85,561,660
Real estate investment trusts	9,333,222
Corporate bonds and notes	67,179,200
Mutual funds- bonds	3,110,582
Mutual funds- equity	3,703,426
Common stocks	251,853,323
Receivables:	
Other receivables	202,884
Employer and employee contributions	905,429
Accrued interest and dividends	1,637,900
Fraud recovery	227,351
Investments sold	1,111,322
Loans to members	10,334,771
Total assets	<u>661,296,380</u>
<b>LIABILITIES AND NET ASSETS</b>	
Obligations under securities lending	148,572,091
Due to retired participants	40,417,871
Investments purchased	900,472
Accounts payable and accrued liabilities	1,178,012
DROP payable	5,304,650
Total liabilities	<u>196,373,096</u>
Net assets held in trust for pension benefits	<u>\$ 464,923,284</u>

See notes to basic financial statements.  
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NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HIALEAH, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Pension Trust
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 22,477,045
Employee	6,252,077
State	461,877
Total contributions	<u>29,190,999</u>
Investment Income:	
Net depreciation in fair value of investments	(5,804,953)
Investment earnings	14,265,237
	8,460,284
Less investment expenses	<u>1,288,567</u>
Net investment income	7,171,717
Total additions	<u>36,368,716</u>
<b>DEDUCTIONS</b>	
Pension benefits	40,436,982
Refunds of contributions	8,504,025
DROP benefits	3,688,735
Total deductions	<u>52,627,742</u>
Net decrease	(16,259,026)
Net assets held in trust for pension benefits:	
Beginning	<u>481,182,310</u>
Ending	<u>\$ 464,923,284</u>

See notes to basic financial statements.  
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CITY OF HIALEAH, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hialeah, Florida (the "City") was incorporated in 1925. The City operates under a strong mayor form of government with the legislative function being vested in a seven-member council. The City provides the following services as authorized by its charter: public safety (police and fire), streets, water and wastewater, sanitation, social services, culture-recreation, public improvements, planning and zoning and general administrative services. The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental and financial reporting principles. The more significant of the City's accounting policies are described below.

a. The Financial Reporting Entity

The financial statements were prepared in accordance with *Government Accounting Standards*, which establishes standards for defining and reporting on the financial reporting entity. The definition of the financial reporting entity is based upon the concept that elected officials are accountable to their constituents for their actions. One of the objectives of financial reporting is to provide users of financial statements with a basis for assessing the accountability of the elected officials. The financial reporting entity consists of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The City is financially accountable for a component unit if it appoints a voting majority of the organization's governing board and it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. Organizations for which the City is not financially accountable are also included when doing so is necessary in order to prevent the City's financial statements from being misleading. Based upon the application of these criteria, the City of Hialeah Education Academy, Inc. met the criteria described above.

**Blended Component Unit**

A blended component unit, although legally separate, is, in substance, part of the City's Operations. The City has only one blended component unit, the City of Hialeah Education Academy, Inc. (the "COHE"). For financial reporting purposes, the COHE is reported as if it were a part of the City's operations. The COHE is a charter school operating as a charter-school-municipality through a school charter agreement between the School Board of Miami Dade County, Florida and the City. The School is governed by an Oversight Committee which was established by City Ordinance 08-48 and is composed of the City Mayor and council members. The members of the oversight committee also serve as the COHE Board of Directors. The oversight committee approves the budget and oversees the COHE operations. The COHE has been presented as a blended component unit classified as a special revenue fund.

**Related Organization**

The City Council is also responsible for appointing the members of the Board of the Hialeah Housing Authority, but the City's accountability for this organization does not extend beyond making the appointments. In fiscal year 2011, the City appropriated an operating grant of approximately \$135,000 to this organization, of which \$135,000 was expended.

**CITY OF HIALEAH, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**c. Measurement Focus, Basis of Accounting and Basis of Presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, insurance claims, pensions and other post employment benefits are recorded only when payment is due or when the City has made a decision to fund these obligations with current available resources.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF HIALEAH, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)**

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major proprietary funds:

The *Water and Sewers Utility System Fund* accounts for the activities of the Water and Sewers Department. The Department operates the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

The *Solid Waste Utility System Fund* accounts for providing solid waste services to customers of the City.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to his same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating revenues* and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water and sewers fund and the solid waste fund are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is City policy to use restricted resources first, and then unrestricted resources as needed.

**CITY OF HIALEAH, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d. Assets, Liabilities and Net Assets or Equity**

**1. Deposits and Investments**

The City's cash and cash equivalents, for the purpose of the statement of cash flows, are considered to be cash on hand, demand deposits, certificates of deposit and short term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in obligations of the U.S. Government, certificates of deposit, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

The City's Retirement Plans are authorized by its governing board to invest in obligations of the U.S. Government, common stocks, corporate bonds and other investment types allowed by Florida Statutes.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Net appreciation/depreciation in fair value includes realized and unrealized gains and losses. Realized gains and losses are determined on the basis of specific cost. Dividends and interest are recognized as earned. Purchases and sales of investments are recorded on a trade-date basis.

**2. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

**CITY OF HIALEAH, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**d. Assets, Liabilities and Net Assets or Equity (Continued)**

**3. Inventories**

Inventories of the general fund are valued at cost determined on the first-in/first-out (FIFO) method, and consist of gasoline and expendable supplies available for consumption. Inventory acquired by the City is expensed when purchased (purchase method). Inventories are recorded on the balance sheet with a reservation of fund balance. Inventories of the water and sewers fund are valued at lower of cost (determined using the weighted average) or market and consist of pipe, valves, fittings and meters.

**4. Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, bike paths and similar items) are reported in the applicable government or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40-50
Improvements other than buildings	15-25
Furniture, fixtures, machinery and equipment	5-15
Public domain and system infrastructure	50

**CITY OF HIALEAH, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**d. Assets, Liabilities and Net Assets or Equity** (Continued)

**5. Compensated Absences**

City employees are granted vacation and sick leave in varying amounts based on length of service and the department which the employee services.

The City's vacation and sick leave policy is to permit employees to accumulate earned but unused sick pay benefits. Such leave is accrued and reported as a fund liability when it is probable that the City will compensate the employee with expendable available financial resources. Vacation and sick leave is accrued when incurred in proprietary funds and reported as a fund liability. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**6. Unearned/ Deferred Revenues**

Unearned revenues at the government-wide level, governmental funds and proprietary funds are reported when the City receives resources before it has earned the revenues. Furthermore, governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**7. Long-Term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**CITY OF HIALEAH, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**d. Assets, Liabilities and Net Assets or Equity** (Continued)

**8. Net Assets**

In accordance with GASB Statement No. 34, total equity as of September 30, 2011, is classified into three components of net assets:

- Invested in capital assets, net of related debt: This category consists of capital assets (including restricted capital assets), net of accumulated depreciation and reduced by any outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, and improvements of those assets.
- Restricted net assets: This category consists of net assets restricted in their use by (1) external groups such as grantors, creditors or laws and regulations of other governments; or (2) law, through constitutional provisions or enabling legislation.
- Unrestricted net assets: This category includes all of the remaining net assets that do not meet the definition of the other two categories.

**9. Fund Balance**

As of September 30, 2011, fund balances of the governmental funds are classified as follows:

- Non-spendable — Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- Restricted — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- Committed — Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.
- Assigned — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.
- Unassigned — All other spendable amounts.

**CITY OF HIALEAH, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**d. Assets, Liabilities and Net Assets or Equity** (Continued)

**9. Fund Balance** (Continued)

	General	Other Governmental Funds	Total Governmental Funds
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Prepays	\$ 262,000	\$ 14,559	\$ 276,559
Inventories	1,167,186	28,662	1,195,848
<b>Restricted:</b>			
Transportation	-	4,160,549	4,160,549
Stormwater	-	4,204,307	4,204,307
Capital projects	-	771,324	771,324
Public safety	-	1,295,922	1,295,922
Human services	-	623,496	623,496
Debt service	-	1,410,769	1,410,769
<b>Committed:</b>			
Encumbrances	192,686	174,865	367,551
Assigned:	-	-	-
Unassigned:	<u>12,368,373</u>	<u>(618,391)</u>	<u>11,749,982</u>
<b>Total Fund Balances</b>	<b>\$ 13,990,245</b>	<b>\$ 12,066,022</b>	<b>\$ 26,056,267</b>
<b>Fund Balances:</b>			
Nonspendable	\$ 1,429,186	\$ 43,221	\$ 1,472,407
Restricted	-	12,466,327	12,466,327
Committed	192,686	174,865	367,551
Assigned	-	-	-
Unassigned	<u>12,368,373</u>	<u>(618,391)</u>	<u>11,749,982</u>
<b>Total Fund Balances</b>	<b>\$ 13,990,245</b>	<b>\$ 12,066,022</b>	<b>\$ 26,056,267</b>

**Adjustments to Net Assets of Government-Wide and Fund Financial Statements**

Net assets of the governmental activities, as of October 1, 2010, were restated to correct the adjustments noted below:

Net assets – beginning as previously reported	\$ 111,712,915
Correction of receivables	<u>(311,713)</u>
Net assets – beginning as restated	<u>\$111,401,202</u>

Net assets of the water and sewer fund, as of October 1, 2010, were restated to correct the adjustments noted below:

Net assets – Invested in capital assets net of related debt – beginning as previously reported	\$ 120,227,479
Adjustment to other liabilities – RO Plant	282,991
Adjustment to construction in progress for County contribution of RO Plant	<u>(10,152,500)</u>
Net assets – Invested in capital assets net of related debt – beginning as restated	<u>\$110,357,970</u>

**CITY OF HIALEAH, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**d. Assets, Liabilities and Net Assets or Equity** (Continued)

**9. Fund Balance** (Continued)

**Adjustments to Net Assets of Government-Wide and Fund Financial Statements** (Continued)

Fund balances of the Hialeah Parking Garage Capital Projects Fund, as of October 1, 2010, were restated to correct the adjustments noted below:

Net assets – beginning as previously reported	\$ 311,713
Correction of receivables	<u>(311,713)</u>
Net assets – beginning as restated	<u>\$ -</u>

**10. Capital Contributions**

Capital contributions in proprietary fund financial statements arise from grants or outside contributions of resources restricted to capital acquisition and construction.

**11. Utility Billings**

Utility customers are billed monthly on a cycle basis. Unbilled revenue is recognized in the accompanying financial statements based upon estimates of revenues for services rendered between billing cycle dates and fiscal year end.

**12. Rebateable Arbitrage**

The City has elected the option of treating rebateable arbitrage as a reduction of investment income. However, for the fiscal year ended September 30, 2011, there was no rebateable arbitrage required to be recorded.

**13. Employee Benefit Plans and Net Pension Asset/Obligation**

The City provides two separate defined benefit pension plans for its employees and elected officials. At September 30, 2011, the City recorded a net pension obligation related to the Employees' Retirement System and a net pension asset related to the Elected Officials' Retirement System in its government-wide statement of net assets. The net pension asset/obligations are functions of annual required contributions, interest, adjustments to the annual required contribution, annual pension costs and actual employers contributions made to the Plans. Please refer to Note 14 for further information.



CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

14. Post Employment Benefits Other Than Pensions (OPEB)

Pursuant to Section 112.0801, Florida Statutes, the City is mandated to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. Retirees are required to pay 100% of the premium rates where premiums are determined based upon a blended rates used for active employees and retirees. These premium rates were adjusted to reflect differing utilization rates by age and gender and the impact of the Medicare program on claim costs. The blended rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

The City currently provides these benefits in accordance with the vesting and retirement requirement of the City of Hialeah Employees' Retirement System and Elected Officials Retirement Plan covering substantially all elected officials, regular full time general, police, and fire department employees of the City.

The City is financing the post employee benefits on a pay-as-you go basis. As determined by an actuarial valuation, the City records a Net OPEB obligation in its government-wide and proprietary financial statements related to the implicit subsidy. The OPEB plan does not issue separate financial statements.

15. Risk Management

The City is self-insured for automobile liability, general liability, and property damage claims pursuant to Florida Statute Section 768.28 (Waiver of Statute of Limitations; Exclusions: Indemnifications; Risk Management Programs). Per Florida Statute section 768.28, the City is self-insured up to \$100,000 per person/\$200,000 per occurrence for claims occurring between October 1, 1981 and October 1, 2011. After October 1, 2011 the statutory limit will increase to \$200,000 per person/\$300,000 per occurrence. These limits do not apply, though, to action brought in federal courts or to claim relief bills approved by the Florida legislature. The City is also self-insured for worker's compensation claims. The City is self-insured for health claims and uses a commercial carrier as the administrator. The discounted accrued liability for estimated insurance claims represents an estimate of the ultimate cost of settling claims arising prior to year end including claims incurred but not yet reported.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

18. Excess of Expenditures over Appropriations

For fiscal year ended September 30, 2011, expenditures exceeded appropriations in the following departments for the General Fund.

	Final Budget	Actual	Amount in Excess of Final Budget
Police	\$39,626,011	\$41,568,007	\$1,941,996
Fire	30,890,846	31,677,255	786,609
Risk management	627,212	877,824	250,612
General government	20,514,626	24,230,921	3,716,295
Information systems	1,534,535	1,608,553	74,018

These excess of expenditures in those departments were funded with surpluses in other departments.

For fiscal year ended September 30, 2011, expenditures exceeded appropriations in the following non-major governmental funds.

	Final Budget	Actual	Amount in Excess of Final Budget
Streets Transportation Fund	\$2,643,013	\$2,851,485	\$208,472
Urban Area Security Grants	355,103	355,637	534
MDCPW 138 <sup>th</sup> Street	1,621,015	1,998,688	377,673

These excess were funded with excess revenues received in the current fiscal year or available fund balance.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Assets, Liabilities and Net Assets or Equity (Continued)

16. Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventory, pension and postretirement obligations and useful lives and impairment of tangible assets, the determination of the actuarially accrued liability for unpaid claims, which is prepared based upon certain assumptions pertaining to interest rates, inflation rates, etc., among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

17. Fund Deficits

The following funds had deficits in the amounts indicated as of September 30, 2011:

Fund	Deficit
Proprietary Fund:	
Solid Waste Utility System	\$4,814,769
Special Revenues:	
Fire Prevention Fund	286,784
Tele-Communication Grant Fund	96,231
Building Better Communities	193,240
WIA	38,408
Capital Projects:	
Parking Garage Construction Fund	3,728

These deficits are a result of expenses exceeding revenues or the deferral of revenue recognition. The City plans to eliminate these deficits by reducing costs, identifying other funding sources, using operating transfers, revisiting user charges, etc. in the near future.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 2. PROPERTY TAXES

Property taxes (ad valorem taxes) are assessed on January 1 and are billed and payable November 1, with discounts of one to four percent if paid prior to March 1 of the following calendar year. All unpaid taxes on real and personal property become delinquent on April 1 and accrue interest charges from April 1 until a tax sale certificate is sold at auction. Assessed values are established by the Miami-Dade County Property Appraiser at approximately fair market value. The County bills and collects all property taxes for the City. Under Florida law, the assessment of all properties and the collection of all county, municipal, school district and special district property taxes are consolidated in the offices of the County Property Appraiser and County Tax Collector. The City is permitted by Article 7, Section 8 of the Florida Constitution to levy taxes up to \$10 (10 mills) per \$1,000 of assessed valuation for general governmental services (other than the payment of principal and interest on general obligation long-term debt). In addition, unlimited amounts may be levied for the payment of principal and interest on general obligation long-term debt, subject to a limitation on the amount of debt outstanding. The millage rate to finance general governmental services for the year ended September 30, 2011 was 6.540 mills per \$1,000 of assessed valuation.

NOTE 3. CASH AND INVESTMENTS

Cash

In addition to insurance provided by the Federal Deposit Insurance Corporation, all deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. Accordingly, all amounts reported as deposits are deemed as insured or collateralized with securities held by the entity or its agent in the entity's name.

Investments

As required by Florida Statutes, the City has adopted a written investment policy, which may, from time to time, be amended by the City. City administration is authorized to invest in those instruments authorized by the Florida statutes and the City's By Laws. Investments consist of the Florida Municipal Investment Trust administered by the Florida League of Cities, Inc., and investments held by the City's retirement funds. The investments held in the Retirement Plans may be invested in obligations of the U.S. Government or its agencies, first mortgages or first mortgage bonds, corporate bonds, and common and preferred stock. Investments are carried at fair value as determined by quoted market prices.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk exists when there is possibility that changes in interest rates could adversely affect an investment's fair value. In accordance with its investment policy, the City places no limit on the amount that may be invested in securities of the U.S. Government or its agencies. Interest rate risk disclosures are required for all debt investment as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a 2a7-like pool.

	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
<b>City of Hialeah Employees' Retirement System's</b>					
U.S. Treasuries	\$ 31,379,151	\$ 4,924,450	\$ 13,887,161	\$ 11,691,946	\$ 875,574
U.S. Agencies/instrumentalities	10,860,434	1,832,646	9,027,788	-	-
Corporate Bonds	67,179,200	4,219,708	31,661,660	28,980,462	2,317,350
Mortgage Backed Securities	85,661,860	-	431,136	18,764,699	66,466,025
Asset Backed Securities	18,375,092	-	17,889,645	412,864	72,583
Sub-total	213,456,737	10,976,804	72,897,410	60,849,901	69,731,532
Real estate investment trusts	9,333,222	-	-	-	-
Common stocks	261,855,323	-	-	-	-
Sub-total	474,644,282	-	-	-	-

	Investment Maturities (in Years)				
	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
<b>Elected Officials Retirement Plan</b>					
Vanguard-bond mutual funds	3,110,582	-	3,110,582	-	-
Sub-total	3,110,582	-	3,110,582	-	-
Vanguard-equity funds	3,703,426	-	-	-	-
Sub-total	6,814,008	-	-	-	-
<b>Primary Government</b>					
Money market funds	11,766,042	11,766,042	-	-	-
FMI/VT-bond mutual funds	39,454,626	29,818,885	9,635,741	-	-
Sub-total	39,454,626	29,818,885	9,635,741	-	-
Total	\$ 524,023,496	-	-	-	-

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

Concentration Credit Risk

GASB Statement No. 40 requires disclosure of investments in any one issuer that represents 5% or more of the total of the City's investments. Conversely, investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosure requirement.

As of September 30, 2011, concentration of the City of Hialeah Employees' Retirement System's investments was as follows:

Freddie Mac Reference REMIC	6.09%
FNMA Pool MA0654	6.13%
WI Treasury Security	6.42%

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the City of Hialeah Employees' Retirement System's (the "Plan") investment policy, the investments are held by the Plan's custodial bank and registered in the Plan's name.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of the investment or a deposit. The City of Hialeah Employees' Retirement System has exposure to foreign currency fluctuations as follows:

Currency	Holdings Valued in U.S. Dollars
International Equities	
CANADIAN DOLLAR	\$ 625,145
EURO CURRENCY	7,819,516
HONG KONG DOLLAR	1,214,949
JAPANESE YEN	1,970,249
NORWEGIAN KRONE	368,715
POUND STERLING	4,284,536
SINGAPORE DOLLAR	899,655
SWEDISH KRONA	439,232
SWISS FRANC	1,859,053
	\$ 19,481,050

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 3. CASH AND INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City has an investment policy that limits investments to the highest ratings by nationally recognized statistical rating organizations (NRSPO) - (Standard and Poor's, Moody's Investors Services and Fitch Ratings). Excess funds are also invested daily with the Florida Municipal Investment Trust (FMI/VT).

As of September 30, 2011, the City's investments consisted of the following:

Investment Type	Fair Value	Credit Rating
<b>City of Hialeah Employees' Retirement System's</b>		<b>Moody's Rating</b>
U.S. Treasuries	504,845	AAA
U.S. Treasuries	30,874,307	NR
U.S. Agencies/instrumentalities	10,860,434	Aaa
Mortgage Backed Securities	80,379,126	AAA
Mortgage Backed Securities	1,440,960	Aaa
Mortgage Backed Securities	3,841,774	NR
Asset Backed Securities	15,275,073	Aaa
Asset Backed Securities	3,100,019	NR
Corporate Bonds	505,525	AAA
Corporate Bonds	7,567,840	A1
Corporate Bonds	12,078,226	A2
Corporate Bonds	9,807,932	A3
Corporate Bonds	7,087,674	AA2
Corporate Bonds	5,153,645	AA3
Corporate Bonds	9,340,341	BAA1
Corporate Bonds	10,214,014	BAA2
Corporate Bonds	3,222,601	BAA3
Corporate Bonds	2,101,501	NR
Sub-total	213,456,737	
<b>Elected Officials Retirement Plan</b>		<b>Moody's Rating</b>
Inter-Term Bond Index Adm	1,867,690	Aa2/Aa3
Short-Term Bond Index Adm	519,467	Aa2/Aa3
GNMA Fund Admiral Shares	723,425	Aaa
Sub-total	3,110,582	
<b>Primary Government</b>		<b>Fitch Rating</b>
Florida Municipal Investment Trust:		
0-2 Year High Quality Bond	29,818,885	AAAV1
1-3 Year High Quality Bond	1,033,967	AAAV2
Intermediate High Quality Fund	4,305,018	AAAV3
Broad Market High Quality Fund	4,296,756	AAAV4
Sub-total	39,454,626	
Total	256,020,946	

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 4. SECURITIES LENDING TRANSACTIONS

State statutes do not prohibit the Plan from participating in securities lending transactions. The City of Hialeah Employees' Retirement System (the "Plan"), pursuant to a Securities Lending Authorization Agreement, has authorized State Street Bank and Trust Company ("State Street") to act as the Plan's agent in lending the Plan's securities to approved borrowers. State Street, as agent enters into Securities Loan Agreements with borrowers. Cash collateral received in respect to the Plan's securities lent to approved borrowers was invested at the direction of the Plan, in the Quality D Duration and Quality Investment Fund D (the "Fund") which are comprised of liquidity pools and duration pools. Please note the following:

- Method for Determining Fair Value. The fair value of investments held by the Fund is based upon valuations provided by a recognized pricing service.
- Policy for Utilizing Amortized Cost Method. As the Fund is not a mutual fund and does not otherwise meet the requirements of the Investment Company Act of 1940 pursuant to which amortized cost accounting may be permissible, State Street has valued the Fund's investments at fair value for reporting purposes.
- Regulatory Oversight. The Fund is not registered with the Securities and Exchange Commission. State Street and the investment vehicles it sponsors (including the Fund) are subject to oversight by the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the Plan's position in the Fund is equal to the value of the Fund shares.
- Involuntary Participation. There was no involuntary participation in an external investment pool by the Plan for the Fiscal Year.
- Necessary Information. Not Applicable.
- Income Assignment. No income from one fund was assigned to another fund by State Street during the fiscal year.

During the fiscal year, State Street lent, on behalf of the Plan, certain securities of the Plan held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify the Plan in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration and notice of Default of the Borrower.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 4. SECURITIES LENDING TRANSACTIONS (Continued)

During the fiscal year, the Plan and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. As of September 30, 2011, such investment pool had an average duration of 22.45 days and an average weighted final maturity of 59.36 days for USD collateral. As of this date the duration pool had an average duration of 36.65 days and an average weighted final maturity of 501.49 days for USD collateral. Because the securities lending transactions were terminable at will their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

GASB Statement No. 28, Accounting and Financial Reporting for Securities Lending Transactions, establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets unless the entity did not have the ability to pledge or sell collateral securities absent a borrower default as the case with the Plan. Cash received as collateral and investments made with that cash must also be reported as assets. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them. On September 30, 2011, the Plan had no credit risk exposure to borrowers. The market values of collateral held and the market value (USD) of securities on loan for the Plan as of September 30, 2011, was \$148,572,091. The \$148,572,091 was cash and securities collateral and has been reported in the statement of net assets as an asset of the Plan along with the liability of \$148,572,091 for obligations under security lending.

NOTE 5. RECEIVABLES

Receivables as of September 30, 2011 for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Water & Sewers	Nonmajor Governmental Funds	Total
<b>Receivables:</b>				
Billed	\$ -	\$ 12,032,033	\$ 2,282,345	\$ 14,314,378
Unbilled	-	4,187,600	-	4,187,600
Franchise and utility	4,568,732	-	-	4,568,732
Intergovernmental	2,258,961	-	2,117,252	4,376,213
Grants	277,721	-	10,139,344	10,417,065
Note	1,934,181	4,800,000	-	6,734,181
Other	1,195,122	1,032,484	-	2,227,606
Sales taxes	2,254,539	-	-	2,254,539
Gross receivables	12,489,256	22,052,097	14,539,941	49,081,294
Less: allowances for uncollectibles	-	1,031,312	1,053,254	2,084,566
Net total receivables	\$ 12,489,256	\$ 21,020,785	\$ 13,486,687	\$ 46,996,728

Approximately 36% or \$9,318,762 of the \$25,974,943 in governmental activities receivable is due from Miami Dade County.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 5. RECEIVABLES (Continued)

Governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned.

Revenues of the Fire Prevention and Rescue Transportation fund are reported net of uncollectible amounts. Total amount charged to the provision related to revenues of the current period was \$344,704.

At the end of the current fiscal year, deferred or unearned revenue reported in the governmental funds was as follows:

Occupational licenses	\$ 2,128,827
Grants and other deferred revenues	2,015,962
Community Development Block Grant (CDBG)	2,481,619
State Housing Initiative Program (SHIP)	847,870
Notes receivable (see note 6)	1,934,181
	<u>\$9,408,459</u>

NOTE 6. NOTES RECEIVABLE

Note Receivable- Palm Centre

The Hialeah Housing Authority (the "Authority") assumed a Housing Development Grant ("HODAG Loan") awarded on July 12, 1989 to a developer through the City in the amount of \$2,843,097 through the purchase of the Palm Centre Project (the "Project"). The HODAG Loan bears interest at 10.125% and is payable in full, including interest, on May 1, 2025 unless the Project is sold or transferred, or due to a violation of the grant covenants with HUD. Interest does not accrue unless the Project's revenues exceed the sum of the Project's net operating income (after payment of debt service in the Palm Centre Bonds) plus a cumulative return to the Authority of twelve percent (12%) per annum on the Authority's equity contribution. The HODAG loan is secured by a Second Mortgage issued to the City and is subordinated to Hialeah Housing Authority Bonds.

The Project was constructed on land leased from the City of Hialeah for a period of 49 years (starting December 26, 1985) with an option to renew for an additional 50 years. The Authority as part of the acquisition of the Project assumed the lease with the City. The lease agreement requires for lease payments to the City based on annual rent revenues generated by the property. In 2006, the City and the Authority amended the land lease agreement and the City accepted a payment of \$500,000 as payment in full of all past due rents due from the Authority.

The amended land lease agreement provides for the following terms:

1. Provides free tenant selection services to the City for City owned housing units.
2. Provides the City each year a minimum of six thousand five hundred (6,500) square feet of commercial space in the Palm Centre, free of charge, and
3. Provides forty-two (42) affordable lower-income housing units to be rented at below market rents for the term of the HODAG loan

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 6. NOTES RECEIVABLE (Continued)

Note Receivable- Palm Centre (Continued)

The future minimum receivable and net present value of these minimum payments as of September 30, 2011 were

Long-term receivable	\$3,578,872
Less present value	(1,644,691)
Present value of future receivable payments	<u>\$1,934,181</u>

In connection with the construction of the Hialeah Housing Project mentioned above, the United States Department of Housing and Urban Development ("HUD") has challenged the manner in which certain of the proceeds of the HODAG Loan were used. HUD has claimed that \$999,039 of the HODAG Loan was expended for nonqualified purposes (the "Claim"). The City has challenged the Claim. The Authority has agreed that the City will not be responsible for payment of any such challenged cost in the event it is required to fully indemnify the City for any payments to HUD regarding the claim. In a subordination agreement, the Authority and the City have agreed that, in the event that litigation is instituted by HUD regarding payment of the Claim, the City will fully cooperate with the Authority to resolve the litigation, and that the City will not foreclose on the Second Mortgage in the event the Claim is not paid on demand.

The City has recorded the note receivable in its governmental-wide financial statements as of September 30, 2011. No allowance against the note receivable is deemed necessary at September 30, 2011. The note receivable was also recorded in the City's general fund and offset by deferred revenues since the proceeds of the receivables are not considered to be available to liquidate liabilities of the current period.

Note Receivable- Villas Hialeah

Pursuant to a "Reaffirmation of HODAG Note Obligation and Extension of Maturity Date with Interest" agreement (the "Reaffirmation Agreement") dated November 25, 2009, the City recorded a note receivable of \$4,800,000 due from a developer. The developer through a Subordination and Assumption Agreement dated December 23, 2002 (Subordination Agreement) had assumed a Housing Development Grant ("HODAG Note") awarded on November 25, 1987 to an unrelated developer through the City in the amount of \$4,800,000 with payment due in full on November 25, 2009. No payment of principal and interest was due on the HODAG Note until the first loan is paid in full or with proceeds from the re-financing of the property. The HODAG Note is secured by a Second Mortgage issued to the City and is subordinate to the loan provided to the developer in the amount of \$15,793,850 to purchase the property from the original owner. The HODAG Note matures on November 25, 2009 and the City through the Reaffirmation Agreement has extended the maturity to November 25, 2011 in exchange for an interest payment of 5% with the option to extend the maturity for an additional one year period for a 6% interest payment.

In 2010, the \$4,800,000 note receivable was sold to the Water & Sewer Department of the City of Hialeah. The general fund recognized \$4,800,000 from the proceeds of the sale of a long-term asset.

Subsequent to year end the City's Water & Sewer Department collected the \$4,800,000.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 7. INTERFUND ACTIVITY

The amounts due from/to other funds at September 30, 2011 were as follows:

	Receivables	Payables
General Fund	\$21,110,212	\$16,817,164
Non-Major Governmental Funds	17,202,276	13,118,800
Major Proprietary Type Funds		
Water and Sewer	507,603	9,993,875
Solid Waste	3,969,269	2,859,541
Total Major Proprietary Type Funds	4,476,872	12,853,416
	<u>\$42,789,380</u>	<u>\$42,789,380</u>

- Amounts due from the Non-Major Governmental Funds to the general fund are for advances made to those funds to cover expenditures until the receivables on those funds are collected.
- Amounts due to the Non-Major Governmental Funds from the general fund are for amounts due to those funds for amounts collected on their behalf.
- Amounts due to the Solid Waste are for receivables collected by the Water & Sewer fund before year end which are owed to those funds
- Amounts due from the water and sewer fund to the solid waste fund, and general fund are for waste fees collected and utility taxes collected at year end

As of September 30, 2011, major fund and non-major fund activity was as follows:

	Transfer in	Transfer out
Major Governmental Funds		
General Fund	\$ -	\$ 41,258
Total Major Governmental Funds	-	41,258
Non-Major Governmental Funds	67,788	26,510
	<u>\$ 67,788</u>	<u>\$ 67,768</u>

The general fund transfers to the non-major governmental funds were made to provide additional resources for current operations, and the transfers from the non-major governmental funds to other non-major governmental funds were made to provide additional resources for current operations.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 8. RESTRICTED ASSETS

Restricted assets consist of the cash restricted for debt service, capital projects, advances, public safety and customer deposits at September 30, 2011:

<b>Water and Sewers Fund</b>	
Customers' deposit - cash and investments	\$7,548,985
Restricted for Miami-Dade County DERM - DERM Fee	4,013,160
Reverse Osmosis Plant- Bond Proceeds	40,562,646
Reverse Osmosis Plant- Joint Participation Agreement	<u>7,810,250</u>
Total restricted cash water and sewers fund	<u>99,935,041</u>
<b>Other restricted assets</b>	
Customer accounts - Solid Waste Fund	2,507,386
Customer accounts - Stormwater Fund	814,630
Customer accounts - City Utility Tax	<u>493,731</u>
Total other restricted assets water and sewers fund	<u>3,815,747</u>
<b>Total restricted assets water and sewers fund</b>	<b><u>63,750,788</u></b>
<b>Governmental Funds</b>	
General fund- capital projects	\$429,809
Capital Project Funds- Capital Improvement Construction Fund	14,577
Capital Project Funds- 300 Units Development Fund	<u>2,375</u>
Total Restricted for Capital Projects	<u>446,764</u>
<b>Debt Service Fund- Fire Admin. Debt Service Fund</b>	<b><u>19,031</u></b>
Total Restricted for Debt Service	<u>19,031</u>
<b>Special Revenue Funds</b>	
Rescue Transportation	\$372,296
Fire Prevention	83,571
State Law Enforcement Trust	301,571
Federal Law Enforcement Trust	<u>154,533</u>
Total Restricted for Public Safety	<u>911,971</u>
<b>Total Restricted Assets</b>	<b><u>\$85,128,554</u></b>

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 9. CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs of the City as follows:

<b>Governmental activities:</b>	
General government	\$ 2,020,435
Police	1,501,861
Fire	1,319,785
Streets	10,284,446
Recreation	<u>1,518,448</u>
Total depreciation expense - governmental activities	<u>\$16,544,975</u>
<b>Business-type activities:</b>	
Water and sewer	\$ 4,225,315
Solid waste	<u>834,859</u>
Total depreciation expense - business-type activities	<u>\$ 5,060,274</u>

NOTE 10. CAPITAL LEASES

The City has entered into several lease agreements for equipment totaling \$1,820,626. The lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of the future minimum lease payments as of the inception date in the capital assets section and the related liability in the governmental-wide financial statements.

Capital assets acquired through the issuance of capital leases are as follows:

		<b>Governmental</b>
		<b>Activities</b>
Equipment-Energy Efficiency Retrofits	\$	875,500
Equipment- Fire Pumper		362,768
Equipment- Fire Engine		368,788
Vehicles- Ford Trucks		212,560
Less: accumulated depreciation		<u>(858,211)</u>
	\$	<u>861,425</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2011 were:

	<b>Fiscal Year End</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$	223,011	\$ 20,473	\$ 243,484
2013		225,800	12,933	238,733
2014		<u>148,061</u>	<u>5,116</u>	<u>153,177</u>
	\$	<u>696,872</u>	<u>\$ 38,622</u>	<u>\$ 635,394</u>

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 9. CAPITAL ASSETS

A summary of the City's capital assets at September 30, 2011 is as follows:

	Beginning			Ending
	Balance	Additions	Deletions	Transfers
				Balance
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 29,343,154	\$ 356,472	\$ -	\$ -
Construction in Progress	17,752,987	11,893,253	-	(12,127,786)
Total capital assets not being depreciated	<u>47,096,121</u>	<u>12,219,825</u>	<u>-</u>	<u>(12,127,786)</u>
Capital assets being depreciated:				
Buildings	100,022,462	177,740	-	-
Improvements other than buildings	25,766,807	187,989	-	-
Furniture, fixtures, machinery and equipment	45,104,738	1,688,311	-	-
Infrastructure	321,730,173	212,828	-	12,127,786
Total capital assets being depreciated	<u>492,624,181</u>	<u>2,187,868</u>	<u>-</u>	<u>12,127,786</u>
Less accumulated depreciation for:				
Buildings	21,349,360	2,271,853	-	-
Improvements other than buildings	13,353,045	1,275,734	-	-
Furniture, fixtures, machinery and equipment	30,481,638	2,927,088	-	-
Infrastructure	157,874,038	10,070,300	-	-
Total accumulated depreciation	<u>223,058,081</u>	<u>16,544,975</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated, net	<u>269,566,100</u>	<u>(14,377,107)</u>	<u>-</u>	<u>12,127,786</u>
Governmental activities capital assets, net	<u>\$ 316,682,220</u>	<u>\$ (2,157,282)</u>	<u>\$ -</u>	<u>\$ -</u>
	Beginning			Ending
	Balance	Additions	Deletions	Transfers
				Balance
<b>Business-type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 329,358	\$ -	\$ -	\$ -
Construction in progress	10,595,061	10,559,133	-	(42,360)
Total capital assets not being depreciated	<u>10,924,417</u>	<u>10,559,133</u>	<u>-</u>	<u>(42,360)</u>
Capital assets being depreciated:				
Buildings and utility plant	4,322,741	663,227	-	-
Improvements to other than building	320,533	-	-	-
Machinery and equipment	19,216,248	1,683,091	-	-
Infrastructure	189,516,104	4,330,078	-	42,360
Total capital assets being depreciated	<u>\$ 193,375,626</u>	<u>\$ 6,676,396</u>	<u>\$ -</u>	<u>\$ 42,360</u>
Less accumulated depreciation for:				
Buildings and utility plant	2,324,270	153,915	-	-
Improvements other than building	237,743	30,166	-	-
Machinery and equipment	15,504,192	1,147,277	-	-
Infrastructure	70,802,550	3,728,816	-	-
Total accumulated depreciation	<u>88,868,755</u>	<u>5,060,274</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated, net	<u>104,506,871</u>	<u>1,616,120</u>	<u>-</u>	<u>42,360</u>
Business-type activities capital assets, net	<u>\$ 115,434,288</u>	<u>\$ 12,175,253</u>	<u>\$ -</u>	<u>\$ -</u>

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 11. LONG-TERM DEBT

Revenue Bonds

On December 16, 2007, the City issued \$2,283,000 of Capital Improvement Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds") the Series 2007 bonds mature in December 2018 and bear interest at 4.33%. The Series 2007 Bonds are secured by a lien upon revenues derived by rescue transport service fees. The City will budget non-ad valorem revenues if such revenue is not adequate to pay debt service costs.

The net proceeds of \$2,283,000 were used to advance refund the Series 1993 Bonds with a total principal amount of \$2,610,000 and an interest rate ranging from 3.1% to 5.5%. Proceeds from the Series 1993 Bonds were used to finance construction of a new fire administration building, fund the debt service account and pay certain issuance costs.

The advance refunding reduced debt payments in the short-term. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of approximately \$200,000.

	<b>Fiscal Year End</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$	200,250	\$ 70,320	\$ 270,570
2013		209,387	61,184	270,570
2014		218,732	51,839	270,570
2015		228,493	42,077	270,570
2016		238,598	31,972	270,570
2017-2019		<u>576,717</u>	<u>32,066</u>	<u>608,783</u>
	\$	<u>1,672,177</u>	<u>\$ 289,458</u>	<u>\$ 1,961,635</u>

State of Florida Loan Payable

In fiscal year 1977, the Water and Sewers Fund borrowed \$43,490,000 from the State of Florida toward the construction of the East Side Sewer System. Construction of the East Side Sewer System was completed during 1980. Interest on the loan from the State of Florida, amounting to approximately \$5,602,000, has been capitalized and included in construction costs and will be expensed over the estimated useful life of the system (50 years).

The loan agreement provides that the State will deposit the loan proceeds in a restricted, interest-bearing investment account to be used by the Water and Sewers Fund as debt service reserves and for future construction requirements. Interest earned on the construction funds during the time the East Side Sewer was being built, which is credited to the Water and Sewers Fund, has been deferred and is being amortized to income over the same period that the related capitalized interest is being expensed (50 years). At September 30, 2011, the unamortized deferred interest balance was \$1,490,716. The City paid off the State of Florida loan in 2008.

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**CITY OF HIALEAH, FLORIDA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 11. LONG-TERM DEBT (Continued)**

**Notes Payable**

**1) Bank of America Promissory Note Series 2011 (Refi-1999 FMLC Loan Payable)**

On August 20, 2011 the City entered into a loan agreement with Bank of America (Bank of America Loan) to refinance the outstanding loan from the Florida Municipal Loan Council Revenue Bonds, Series 1999 Bonds and to pay interest on the loan for up to three years. The proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 1999 were used to fund major roadway improvements and infrastructure projects. The City will budget non-ad valorem revenues if such revenue is not adequate to pay debt service costs. The Bank of America Loan matures on April 1, 2019 with options to extend to April 1, 2026 and 2031. Interest payments are due semi-annually at a rate of 2.74% with annual principal payments due April 1.

Annual debt service requirements to maturity for the Bank of America Loan are as follows:

Fiscal Year End	Principal	Interest	Total
2012	\$ 954,127	\$ 268,327	\$ 1,222,453
2013	2,063,297	381,607	2,444,904
2014	2,115,829	329,076	2,444,904
2015	2,169,698	275,207	2,444,904
2016	2,224,938	219,966	2,444,904
2017-2019	7,022,112	314,211	7,336,322
	<u>\$ 16,550,000</u>	<u>\$ 1,788,393</u>	<u>\$ 18,338,393</u>

**2) Florida Municipal Loan Council Revenue Bond Series 2003- Loan Payable**

On May 1, 2003, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$48,135,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2003A, for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$40,995,000 and calls for annual payments due on May 1, commencing on May 1, 2004 through May 1, 2033 and bears interest at varying rates ranging from 2.0% to 5.25%.

Annual debt service requirements to maturity for the Series 2003 loan payable are as follows:

Fiscal Year End	Principal	Interest	Total
2012	\$ 1,055,000	\$ 2,047,588	\$ 3,102,588
2013	1,110,000	1,994,838	3,104,838
2014	1,165,000	1,938,563	3,101,563
2015	1,230,000	1,875,400	3,105,400
2016	1,295,000	1,810,626	3,105,626
2017-2021	7,655,000	7,961,600	15,516,600
2022-2026	9,630,000	5,888,775	15,518,775
2027-2031	12,185,000	3,329,750	15,514,750
2032-2033	5,770,000	436,250	6,206,250
	<u>\$ 40,995,000</u>	<u>\$ 27,281,588</u>	<u>\$ 68,276,588</u>

**CITY OF HIALEAH, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 11. LONG-TERM DEBT (Continued)**

**Notes Payable (Continued)**

**3) Florida Municipal Loan Council Revenue Bond Series 2005- Loan Payable**

On February 15, 2005, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$29,090,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2005A, for major roadway improvements and infrastructure projects. The loan has an outstanding balance of \$25,810,000 and calls for annual payments due on February 1, commencing on February 1, 2006 through February 1, 2035 and bears interest at varying rates ranging from 3.0% to 5.0%. The arbitrage rebate requirement generally requires issuers of tax-exempt debt to rebate to the U.S. Treasury that investment income arising from the proceeds of tax-exempt debt to the extent that such income results from investments yields in excess of the bond yield. There is no arbitrage rebate liability in connection with the Revenue Bonds at September 30, 2011.

Annual debt service requirements to maturity for the Series 2005 note payable are as follows:

Fiscal Year End	Principal	Interest	Total
2012	\$ 620,000	\$ 1,226,540	\$ 1,846,540
2013	640,000	1,202,357	1,842,357
2014	665,000	1,176,594	1,841,594
2015	690,000	1,151,904	1,841,904
2016	715,000	1,124,710	1,839,710
2017-2021	4,090,000	5,087,023	9,177,023
2022-2026	5,225,000	3,917,009	9,142,009
2027-2031	6,600,000	2,510,969	9,110,969
2032-2035	6,565,000	890,382	7,255,382
	<u>\$ 25,810,000</u>	<u>\$ 18,087,106</u>	<u>\$ 43,897,106</u>

**4) Community Development Block Grant Section 108 Loan**

On June 14, 2000, the City executed a loan agreement with the U.S. Department of Housing and Urban Development (HUD) under HUD's Community Development Block Grant (CDBG) Section 108 Loan Program. The loan totaled \$4,400,000 and calls for semi-annual principal and interest payments at varying interest rates commencing on August 1, 2000 through August 1, 2019. The loan is payable to a bank as the trustee and registered holder of the note, guaranteed by HUD and collateralized by future CDBG funds granted to the City. The loan had an outstanding balance of \$2,455,000 at September 30, 2011.

The City granted all of the guaranteed loan funds to a local business to finance economic development activities, including the purchase of machinery and equipment for the local business warehousing and distributing facilities and corporate headquarters. A grant agreement was also executed with the local business and the City obtained a first priority security interest in the local business machinery and equipment as stipulated in the grant agreement. The City paid the local business \$4,000,000 of the loan amount and has designated the additional \$400,000 net of transaction fees in the City's CDBG special revenue fund.

**CITY OF HIALEAH, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 11. LONG-TERM DEBT (Continued)**

**Notes Payable (Continued)**

**4) Community Development Block Grant Section 108 Loan (Continued)**

Annual debt service requirements to maturity for the CDBG note payable are as follows:

Fiscal Year End	Principal	Interest	Total
2012	\$ 240,000	\$ 182,435	\$ 422,435
2013	265,000	174,060	429,060
2014	275,000	154,399	429,399
2015	295,000	133,064	428,064
2016	310,000	110,031	420,031
2017-2019	1,080,000	175,488	1,255,488
	<u>\$ 2,455,000</u>	<u>\$ 939,497</u>	<u>\$ 3,394,497</u>

**5) Revolving Loan**

On May 11, 2001, the City entered into a revolving loan agreement with the State of Florida Department of Environmental Protection for the purpose of providing financial assistance for planning and designing water and sewer system improvements. At September 30, 2011 the project had not been completed and the amount of the loan available for the project was \$2,997,370 of which the City had withdrawn \$2,779,844. The loan shall be repaid in 18 semiannual loan payments of \$110,945 beginning September 15, 2007, which is based on the total amount owed. The amount due as of September 30, 2011 was \$2,027,067, which includes capitalized interest and other costs.

**6) City of Hialeah Affordable Housing Note, Series 2011 (TD Bank Note)**

On March 23, 2011 City issued the City of Hialeah Affordable Housing Note, Series 2011 (the TD Bank Note) in the principal amount of \$14,489,840 to refund and extend the maturity of the Amended and Restated Bond Anticipation Refunding Note, Series 2010 and pay-off the mortgage payable due to the Miami-Dade Housing Agency. The proceeds of the Series 2010 note were used for the purpose of financing the construction of a 300-unit affordable housing project in the City of Hialeah. The TD Bank Note is secured by a pledge of net rental income and a covenant to budget and appropriate non-ad valorem revenues sufficient to pay the principal and interest due on the note for the fiscal year. At September 30, 2011, the TD Bank Note had an outstanding balance of \$14,292,352. Annual debt service requirements to maturity for the TD Bank Note are as follows:

Fiscal Year End	Principal	Interest	Total
2012	\$ 338,043	\$ 620,638	\$ 958,679
2013	351,005	605,573	956,579
2014	366,634	589,945	956,579
2015	382,858	573,621	956,479
2016	400,009	556,570	956,579
2017-2021	2,283,599	2,499,295	4,782,894
2022-2026	2,839,314	1,943,580	4,782,894
2027-2031	3,530,262	1,252,632	4,782,894
2032-2036	3,802,828	398,442	4,200,870
	<u>\$ 14,292,352</u>	<u>\$ 9,040,184</u>	<u>\$ 23,332,546</u>

**CITY OF HIALEAH, FLORIDA**

**NOTES TO BASIC FINANCIAL STATEMENTS**  
(Continued)

**NOTE 11. LONG-TERM DEBT (Continued)**

**Notes Payable (Continued)**

**7) Florida Municipal Loan Council Revenue Bond Series 2011D- Loan Payable**

On May 1, 2011, the City executed a loan agreement with the Florida Municipal Loan Council to borrow \$48,235,000 from the proceeds of the Florida Municipal Loan Council Revenue Bonds, Series 2011D, for construction, expansion and improvements of the City's sewer treatment plant. The loan has an outstanding balance of \$48,235,000 and calls for annual principal payments due on October 1, commencing on October 1, 2012 through October 1, 2041 and semi-annual interest payments commencing on October 1, 2011 at varying rates of interest ranging from 3.0% to 5.5%. The arbitrage rebate requirement generally requires issuers of tax-exempt debt to rebate to the U.S. Treasury that investment income arising from the proceeds of tax-exempt debt to the extent that such income results from investments yields in excess of the bond yield. The City has pledged the net revenues (gross revenues after reduction of the cost of operation and maintenance of the project). There is no arbitrage rebate liability in connection with the Revenue Bonds at September 30, 2011.

Annual debt service requirements to maturity for the Series 2011D note payable are as follows:

Fiscal Year End	Principal	Interest	Total
2012	\$ -	\$ 875,586	\$ 875,586
2013	310,000	2,406,188	2,716,188
2014	320,000	2,396,888	2,716,888
2015	580,000	2,387,288	2,967,288
2016	850,000	2,369,888	3,219,888
2017-2021	5,110,000	11,400,213	16,510,213
2022-2026	6,250,000	10,281,288	16,531,288
2027-2031	7,935,000	8,611,750	16,546,750
2032-2036	10,285,000	6,290,090	16,575,090
2037-2041	13,440,000	3,154,975	16,594,975
2042	3,155,000	173,625	3,328,625
	<u>\$ 48,235,000</u>	<u>\$ 50,367,635</u>	<u>\$ 98,602,635</u>

**8) Loan Payable- Recycling Containers**

On October 28, 2010 the City executed an equipment purchase agreement to borrow \$1,808,500 for the purchase of recycling containers. The loan calls for sixty monthly principal and interest payments commencing November 1, 2011 and bears interest rates of 3.15%.

Annual debt service requirements to maturity for the loan payable are as follows:

Fiscal Year End	Principal	Interest	Total
2012	\$ 361,700	\$ 34,887	\$ 396,587
2013	361,700	34,887	396,587
2014	361,700	34,887	396,587
2015	361,700	34,887	396,587
2016	361,700	34,887	396,587
	<u>\$ 1,808,500</u>	<u>\$ 174,434</u>	<u>\$ 1,982,934</u>

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 11. LONG-TERM DEBT (Continued)

Changes in Long-Term Liabilities

The following is a summary of changes in the long-term debt for the year ended September 30, 2011:

	Balance September 30, 2010	Additions	Reductions	Balance September 30, 2011	Due Within One Year
<b>Governmental activities:</b>					
Revenue bonds-2007	\$ 1,864,083	\$ -	\$ (191,886)	\$ 1,672,177	\$ 200,250
<b>Notes:</b>					
CSBG Sec 108	2,680,000	-	(225,000)	2,455,000	240,000
FMLC 1999 Loan Payable	16,660,000	-	(16,660,000)	-	-
Bank of America (ref-FMLC 1999)	-	16,550,000	-	16,550,000	954,127
FMLC 2003 Loan Payable	42,000,000	-	(1,205,000)	40,795,000	1,055,000
FMLC 2005 Loan Payable	26,405,000	-	(995,000)	25,410,000	620,000
Bond Anticipation Loan	14,583,870	-	(14,583,870)	-	-
TB Bank (ref-bond anticipation loan)	-	14,489,840	(197,489)	14,292,352	336,043
Notes payable	102,328,870	31,039,840	(33,286,359)	100,192,352	3,205,170
<b>Less deferred amounts:</b>					
Loan costs	(1,274,994)	-	66,574	(1,208,420)	(66,574)
Discount	(42,922)	-	5,050	(37,872)	(5,050)
Premium	2,136,653	-	(92,283)	2,044,370	62,293
Notes payable net	819,037	-	(20,659)	798,378	20,659
Notes payable net	103,147,907	31,039,840	(33,287,017)	100,900,730	3,225,829
<b>Capital Leases</b>					
Capital Leases	527,520	212,560	(143,208)	596,872	223,011
Lease- Charter School	90,000	-	(90,000)	-	-
Mortgage payable	117,969	-	(117,969)	-	-
Claims payable	42,119,176	25,127,841	(20,136,546)	47,111,571	9,422,314
Compensated absences	20,012,779	11,193,718	(11,373,422)	19,833,075	3,030,542
OPEB liability	30,819,362	10,751,638	-	41,571,000	-
Net Pension Obligation	41,127,905	692,752	-	41,820,657	-
Total Governmental activities	\$ 239,826,081	\$ 79,019,449	\$ (65,339,048)	\$ 253,505,482	\$ 16,101,946
<b>Business-type activities:</b>					
Revolving loan	\$ 1,705,629	\$ 467,374	\$ (145,936)	\$ 2,027,067	\$ 221,890
Loan payable	-	1,808,500	-	1,808,500	361,700
FMLC 2010 Loan Payable	-	48,235,000	-	48,235,000	310,000
Notes payable	1,705,629	50,510,874	(145,936)	52,070,567	893,590
<b>Less deferred amounts:</b>					
Loan costs	-	1,355,052	(19,562)	1,335,440	-
Notes payable net	1,705,629	51,855,876	(164,498)	53,407,007	893,590
Claims payable	6,043,622	2,679,255	(2,610,713)	6,112,364	141,889
OPEB liability	4,246,468	1,140,998	-	5,387,466	-
Compensated absences	2,115,508	841,753	(1,478,524)	1,478,737	231,611
Total Business-type activities	\$ 14,111,427	\$ 56,626,882	\$ (4,253,735)	\$ 66,384,674	\$ 1,257,290

Claims and judgments, compensated absences, net pension obligations and net OPEB obligations are generally liquidated by the General Fund for the governmental activities.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Charter School Agreements

On April 17, 2008, the City executed a contract with the School Board of Miami-Dade County, Florida that provides for The City of Hialeah Education Academy (the "HEA") to (1) provide a high-quality career-oriented curriculum for 21<sup>st</sup> Century occupations; (2) prepare students for productive employment within a multilingual work environment; and (3) prepare students for successful progression into postsecondary studies. The contract ends on June 30, 2013 but provides for a renewal of up to 15 years by mutual agreement of both parties.

During 2011, the City executed a charter school agreement with the School Board of Miami-Dade County for the City of Hialeah Construction, Architecture, and Design Academy ("CAD"). The contract is effective for the CAD's 2011-2012 fiscal year and ends June 30, 2016.

The City has entered into an agreement with Academica Dade LLC to provide administrative and educational services for HEA. The agreement terminates on June 30, 2013 with an option for renewal for two additional years.

Water and Sewers Fund- Agreements with Miami-Dade County

The Department of Water and Sewers has entered into two agreements with the Miami-Dade Water and Sewer Department (the "County"), whereby the County will sell treated water and provide wastewater treatment and disposal services to the extent required by the City. Rates paid by the City of Hialeah vary depending on usage and costs incurred by the County. The charges to operations under these agreements for the year ended September 30, 2011 were \$14,347,823 for water services and \$13,868,197 for wastewater treatment and disposal services.

Water and Sewers Fund- Administrative Consent Agreement

The Department of Water and Sewers (the "Department") entered into an "Administrative Consent Agreement" with the Miami-Dade County Department of Environmental Resources Management ("DERM") pursuant to Section 24-7(15)(c), of the Miami-Dade County Code (the "MDCC"). Pursuant to this agreement the City has agreed to correct deficiencies for thirty five (35) pump stations within the City's sewer collection and transmission system that were not in conformance with the requirements of MDCC Section 24-42.2. The agreement required the City to have corrected all the deficiencies noted in the SESS Phase III Report by September 30, 2010. The City has reached an agreement with DERM for a two year extension to comply with the agreement to September 30, 2012 and with an optional third year. Of the 35 basins identified in need of repairs the Department has completed 26 basins with 19 basins remaining. It is estimated that repairs will cost the Department approximately \$4 to \$6 million to correct (depending on the complexity of the problems identified) the remaining pump stations to meet the requirements of the agreement.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 12. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City is self-insured for general liability, automobile, workers' compensation, and health. The City also purchases stop loss coverage on its health insurance program. For all other coverage the City carries commercial insurance. The City currently reports all of its risk management activities in its General Fund, except those related to Enterprise Funds, which are reported in those funds.

Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNR). Claims liabilities are actuarially determined using historical and recent claim settlement trends. There were no significant reductions in insurance coverage from coverage in the prior year, and there were no settlements that exceeded insurance coverage for each of the past three years.

The City only records the current portion of claims payable within the General Fund if there is a settled claim which is due and payable at year end and is outstanding. The long-term portion is reported in the statement of net assets. Amounts payable from proprietary funds are accounted for within those funds.

	2011	2010	2009
Unpaid claims, beginning	\$48,162,998	\$45,727,217	\$46,003,644
Incurred claims (including IBNR)	27,807,196	28,644,623	29,292,555
Claims payments	(22,746,250)	(26,208,858)	(29,568,982)
Unpaid claims, ending	\$53,223,935	\$48,162,998	\$45,727,217

NOTE 13. COMMITMENTS AND CONTINGENCIES

Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Hialeah Branch Courthouse Lease

On November 4, 1996, the City entered into a lease with Miami-Dade County for two parcels of land owned by the City and reimbursement of design, construction and financing of a courthouse. The lease was amended in 2000 and extended to 2030 with annual payments from the County of \$500,000.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Joint Participation Agreement- Reverse Osmosis Water Treatment Plant

On December 27, 2007, (as amended on August 2009) the City entered into a Joint Participation agreement with Miami-Dade County (the "County") for the design, construction and operation of a 17.5 MGD reverse osmosis water treatment plant (the "Plant"). The City and the County have equal 50% ownership of the Plant, exclusive of land which is owned by the City, but inclusive of structures, facilities and appurtenances to be situated in the Annexation Area of the City, having an initial operational capacity of 10 MGD expandable to 17.5 MGD. The Plant shall operate to supply potable water to the Annexation Area of the City and upon agreement of the City and the County, to supply potable water to adjacent areas of unincorporated Miami-Dade County and Hialeah Gardens. At all times during the operation of the Plant, the County and City shall each receive 50% of the water production produced; however, either party will be able to purchase a portion of the other party's 50% share.

The term of the Agreement shall coincide with the later of two dates: (1) The expiration date of the original issuance of any bond related to the Plant issued by the County; and (2) The expiration date of the original issuance of any bond related to the Plant issued on behalf of the City. In no event shall the agreement expire before February 1, 2029. Upon termination, each party shall maintain a fifty percent interest in the WTP.

The County has and continues to contribute for 50% of the planning, design and construction and construction management (the "design and construction") costs for the Plant, in an amount not less than \$80 million, and the City has and continues to contribute for 50% of the design and construction costs of the Plant, in an amount not less than \$80 million based on an estimate. If the design and construction is accomplished for less than \$160 million, the County and the City shall bear half of such actual costs, and shall not be required to contribute amounts in excess of its share of the actual costs.

The County shall receive a credit for the fair market value of the land being conveyed by the County to the City that will be provided for the location of the Plant, minus 10 feet for right-of-way for the construction of NW 97 Avenue, minus 55 feet for right-of-way for the construction of NW 107 Avenue and minus 80 feet for right-of-way for the construction of NW 102 Avenue, as part of the County's contribution to the design and construction costs. To the extent that the City is liable for a wetlands mitigation payment, each party shall pay 50% of the amount of such payment. The City also receives a credit towards its contribution for administrative costs and financing costs as part of the City's contribution to the planning, design and construction costs. The County shall also receive a credit towards its contribution for its financing costs as part of the County's contribution to the planning, design and construction costs. Additional funds that exceed the total design and construction estimate of \$160 million and cost overruns shall be shared equally by the City and the County. If the City determines that design and construction of the Plant will or will likely require a County contribution in excess of \$80 million, the City shall advise the County of same in writing, within 30 calendar days of such determination.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Joint Participation Agreement- Reverse Osmosis Water Treatment Plant (Continued)

The City and the County acknowledge that the \$160 million estimate for the design and construction of the Plant does not include additional capital costs for the procurement of additional land, if necessary. The City and the County shall share equally in these additional expenses, if necessary. In the event, that either the City or the County secure grants to design or construct the Plant, said grants shall be applied to the overall construction of the Plant, and the contribution required from each party shall be accordingly equally adjusted.

The County provided \$9.5 million at the time the Agreement was executed. The County continues to provide incremental payments as set forth in the in the Cash Flow Agreement between the County and the City. During 2011, the City issued the \$48,235,000 Florida Municipal Loan Council Revenue Bonds, Series 2011D (City of Hialeah Series) to fund its share of the costs to construct the Plant. The schedule below provides a reconciliation of the construction in progress, as of September 30, 2011 and the total contributions from the County. As of September 30, 2011, the County's 50% ownership share of the Plant has been recorded as a contra account to the construction in progress totaling \$20,290,427. Reimbursements provided by the County and the County's 50% share of the grants from the South Florida Water Management District in excess of the 50% required County contribution totaling \$1,056,665 have been recorded as Other Liabilities - RO Plant.

	October 1, 2010	Additions	Deletions	September 30, 2011
Construction in Progress- RO Plant	\$ 20,305,000	\$ 20,275,855	\$ -	\$ 40,580,855
Contra Account (Miami Dade County)	(10,152,500)	(10,137,827)	-	(20,290,427)
	<u>10,152,500</u>	<u>10,137,828</u>	<u>-</u>	<u>20,290,428</u>
Other Liabilities - Miami Dade County	\$ 1,227,855	\$ 9,968,737	\$ (10,137,827)	\$ 1,056,665
Total Contributed by Miami Dade County				
Advances to the City	\$ 19,038,237			
50% Share of grants from SFWMD		2,308,855		
		<u>21,347,092</u>		
Total in contra account	\$ 20,290,427			
Total in other liabilities-Miami Dade County		1,056,665		
		<u>21,347,092</u>		

Construction Commitments

At September 30, 2011, the City had in process various construction projects that were not completed with a remaining balance totaling approximately \$28,150,000. Funding of these projects is to be made primarily through the proceeds of loans, tax revenues and grants.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Membership in the Plan as of October 1, 2010 consisted of the following:

Inactive employees:	
Retirees and beneficiaries currently receiving benefits	1,267
Terminated employees entitled to benefits but not yet receiving them	<u>83</u>
Subtotal	<u>1,350</u>
Active employees:	
General employees	608
Police officers and firefighters	<u>656</u>
Subtotal	<u>1,264</u>
Total members	<u>2,614</u>

Loans to Members

The Employees' Retirement System Plan permits members to borrow from the Plan assets (subject to the rules of the Internal Revenue Service) at rates determined by the Plan Trustees. Interest charged on loans is 1.5% above the Wall Street Journal prime rate (4.75% as of September 30, 2011). Such loans are limited to and fully secured by the respective member's annuity savings account. Loan payments are deducted directly from the member's bi-weekly payroll.

Administrative Expenses

Administrative expenses incurred by the Plans are absorbed by the City.

Funding Policy

Plan members are required to contribute 7% of their basic compensation to the Annuity Savings Fund. The City is required to contribute at an actuarially determined rate. Plan participants are permitted to purchase a maximum of four years of membership credit service time. The contribution requirements of the plan members and the City are established and may be amended by the Employees' Retirement System Board of Trustees.

On August 25, 2009, the City passed Ordinance 09-54, which established a minimum City contribution ("floor") to the Plan equal to 22% of the member payroll. Once every five years, the City may increase or decrease the floor up to 2% of member payroll, if supported by an actuarial study. The floor shall not be less than 16% or more than 28% of member payroll. The new provisions also indicates that the floor is subject to Section 70-168(b) which specifies the contribution shall be computed as a level percent of payroll in accordance with generally recognized actuarial principles and the provisions of Chapter 112 of the Florida Statutes. Provisions under Chapter 112 of the Florida Statutes will take precedence in the event the required City contribution calculated under Chapter 112 exceeds the 28% of member payroll.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 13. COMMITMENTS AND CONTINGENCIES (Continued)

Litigation

The City is a defendant in various lawsuits incidental to its operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City attorney that resolution of these matters will not have a material adverse effect on the financial condition of the City.

Unfair Labor Practice Charge

On August 27, 2010, Florida Public Employees Council 79, American Federation of State, County and Municipal Employees, AFL-CIO (AFSCME) (collectively referred to as the Union) filed an unfair labor practice charge with the State of Florida Public Employees Relations Commission (PERC) alleging that the City violated Section 447.51(1)(a) and (c), Florida Statutes (2010), by the manner in which it conducted itself during the impasse resolution procedure. On March 4, 2011, PERC concluded that the City engaged in an unfair labor practice violating Section 447.51(1)(a) and (c), Florida Statutes (2010). The PERC order did not require the City to make a monetary reimbursement to the employees. On April 4, 2012 the Third District Court of Appeal affirmed PERC's opinion. This matter is not concluded to the extent that AFSCME has not filed an enforcement action and the City will vigorously contest any request for monetary relief.

If the City is required to return concessions previously implemented it could potentially cost the City the 10% pre-tax health contribution taken from AFSCME bargaining unit members from July 13, 2010 to March 4, 2011 which represents approximately \$2.4 million. This amount does represent a cash outlay but could be distributed in the additional hours placed in employee individual time banks. However, it is the opinion of the City attorney that the only cost to the City would be the requirement to pay the fees for litigation of the charging parties' attorneys, estimated to be \$35,000 for the administrative proceeding and \$20,000 for appellate fees.

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS

EMPLOYEES' RETIREMENT SYSTEM

The following brief description of the Plan is provided for general information purposes only. Participants should refer to the City of Hialeah Employees' Retirement System Plan document for more complete information.

Plan Description

The City is the administrator of a single-employer Public Employee Retirement System (PERS) established to provide pension, annuity, death, and disability benefits through a defined benefit and a defined contribution pension plan that covers substantially all of the employees of the City. Cost of living adjustments of 2% annually (excluding beneficiaries and those members who are receiving a Deferred Retirement Allowance), are made to members for Basic and Service Pensions. The City of Hialeah Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Hialeah Employees' Retirement System, 501 Palm Avenue, Hialeah, Florida, 33010.

CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

EMPLOYEES' RETIREMENT SYSTEM (Continued)

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the current year are as follows:

Annual required contribution	\$21,470,324
Interest on net pension obligation	3,316,745
Adjustment to annual required contribution	<u>(2,505,865)</u>
Annual pension cost	22,281,204
Contributions made	<u>(21,920,464)</u>
Increase in net pension obligation	360,740
Net pension obligation, beginning of year	<u>41,459,317</u>
Net pension obligation, end of year	<u>\$ 41,820,057</u>

The annual required contribution for the current year was determined as part of the October 1, 2010 actuarial valuation using the entry age normal method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary increases ranging from 3.5% to 12% per year. Both (a) and (b) included an inflation component of 3.5%. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using 5-year smoothed expected vs. actual returns method. The unfunded actuarial accrued liability is being amortized using the level percent open basis. The remaining amortization period was 30 years.

Fiscal Year Ending	Three-Year Trend Information		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
9/30/2009	\$18,812,640	103%	\$39,905,248
9/30/2010	\$21,005,831	94%	\$41,459,317
9/30/2011	\$22,281,204	96%	\$41,820,057

DROP Plan

Effective March 1, 2007, the City established a deferred retirement option plan (DROP) for Police and Firefighters. An active participant of the City's retirement system may enter into the DROP, on the first day of the month following completion of 25 years of membership service credit, provided that the sum of the member's age and years of service is 70 points or more. Upon entry into the DROP, a member's monthly retirement benefits, which would have been payable had the member elected to cease employment and receive a normal retirement benefit, shall be paid into the member's DROP account. The maximum duration for participation in the DROP shall not exceed thirty-six (36) months. As of September 30, 2011, there were eighty-eight (88) DROP participants.

CITY OF HIALEAH, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

**ELECTED OFFICIALS' RETIREMENT SYSTEM**

**Plan Description**

The City of Hialeah Elected Officials' Retirement System (EORS) is a single employer defined benefit pension plan administered by the City of Hialeah. The EORS was established by City Ordinance effective June 1998. The Plan is considered part of the City's financial reporting entity and is included in the City's financial statements as a pension trust fund. All qualified elected officials and city attorneys are eligible to participate in the plan. The Plan does not issue a stand alone financial report. Employer contribution requirements for the year ended September 30, 2011 were based on the October 1, 2010 valuation. Benefit and contribution provisions are established by City ordinance and may be amended only by the City Council.

Membership in the Plan as of October 1, 2010, the date of the most recent actuarial valuation, was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	13
Current employees:	
Vested	13
Non-vested	—
Total	13

**Pension Benefits**

Participants earn one vesting credit for each year of service completed. A participant is considered fully vested after 8 years of credited service. After 8 years of credited service, the participant need not render any further service as an employee of the City, in order to begin receiving a pension benefit upon attaining eligibility.

A participant is eligible for normal retirement benefits when the participant has attained age 65 and 8 vesting credits or has attained 20 vesting credits regardless of age.

Normal retirement benefits are based on 3% of average final compensation multiplied by the years of service for each year of prior service.

**Contributions and Funding Policy**

The Plan's funding policy provides for actuarially determined periodic employer contributions sufficient to pay the benefits provided by the Plan when they become due. The actuarial cost method used for determining the contribution requirements of the Plan is the individual entry age method. This method allocates the actuarial present value of each member's projected benefits on a level basis over the member's pensionable compensation between the entry age of the member and the assumed exit age.

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CITY OF HIALEAH, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

**ELECTED OFFICIALS' RETIREMENT SYSTEM** (Continued)

**Basis of Accounting**

The financial statements of the Plan are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plans.

**Method Used to Value Investments**

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Net appreciation in fair value of investments includes realized and unrealized gains and losses. Interest and dividends are reported as investment earnings. Realized gains and losses are determined on the basis of specific cost. Purchases and sales are recorded on the trade-date basis.

**Annual Pension Cost and Net Pension Obligation (Asset)**

The City's annual pension cost and net pension asset for the current year are as follows:

Annual required contribution	\$ 315,863
Interest on net pension obligation	(124,538)
Adjustment to annual required contribution	91,680
Annual pension cost	282,995
Contributions made	313,841
Increase in net pension obligation (asset)	(30,846)
Net pension obligation (asset), beginning of year	(2,075,640)
Net pension obligation (asset), end of year	\$(2,106,486)

**Three-Year Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
9/30/2009	350,048	143%	(1,901,565)
9/30/2010	325,925	153%	(2,075,640)
9/30/2011	282,995	111%	(2,106,486)

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CITY OF HIALEAH, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

**ELECTED OFFICIALS' RETIREMENT SYSTEM** (Continued)

The annual required contribution for the current year was determined as part of the October 1, 2010 actuarial valuation, using the individual entry age normal method. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 6% per year compounded annually, (b) projected salary increases of 8% per year compounded annually, and (c) the assumption that benefits will not increase after retirement. The actuarial value of assets was determined using techniques, which express it as a percentage of the actuarial accrued liability. The unfunded actuarial accrued liability is being expressed as a percentage of covered payroll which approximately adjusts for the effects of inflation and aids analysis of the progress being made in accumulating sufficient assets to pay benefits when due. The unfunded actuarial accrued liability is being amortized using the level percent of payroll closed basis. The remaining amortization period at September 30, 2011 was 30 years.

The statement of net assets and statement of changes in net assets for the Elected Officials' Retirement System are presented below:

**STATEMENT OF NET ASSETS**  
SEPTEMBER 30, 2011

<b>ASSETS</b>	
Cash and cash equivalents	\$380,691
Investments, at fair value:	
Mutual Funds – Bonds	3,110,582
Mutual Funds – Equity	3,703,426
Total Investments, at fair value	6,814,008
Total assets	7,194,699
<b>LIABILITIES AND NET ASSETS</b>	
Accounts payable and accrued liabilities	435,464
Net assets held in trust for pension benefits	\$6,759,235

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CITY OF HIALEAH, FLORIDA  
NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

**ELECTED OFFICIALS' RETIREMENT SYSTEM** (Continued)

**STATEMENT OF CHANGES IN NET ASSETS**  
FISCAL YEAR ENDED SEPTEMBER 30, 2011

<b>ADDITIONS</b>		
Contributions:		
Employer		\$ 313,841
Investment income:		
Net appreciation in fair value of investment		41,349
		41,349
Less investment expenses		25,961
Net investment income		15,388
Total additions		329,229
<b>DEDUCTIONS</b>		
Pension benefits		166,290
Net increase		162,939
Net assets held in trust for pension benefits:		
Beginning		6,596,296
Ending		\$6,759,235

**Funded Status and Funding Progress (Both Plans)**

The funded status of the Plans as of October 1, 2010, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	<b>EMPLOYEES' RETIREMENT SYSTEM</b>					UJAL as a Percentage of Covered Payroll (b-a)/c
	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UJAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	
10/1/2010	\$520,812,767	\$684,539,088	\$163,726,321	76.1%	\$72,614,908	225.5%
<b>ELECTED OFFICIALS' RETIREMENT SYSTEM</b>						
10/1/2010	\$6,293,694	\$6,439,651	\$145,957	97.7%	\$1,113,794	13.1%

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CITY OF HIALEAH, FLORIDA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

NOTE 14. EMPLOYEES' AND ELECTED OFFICIALS' RETIREMENT SYSTEMS (Continued)

**Funded Status and Funding Progress (Both Plans) (Continued)**

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

	<u>Employees' Retirement System</u>	<u>Elected Officials' Retirement System</u>
Valuation date	October 1, 2010	October 1, 2010
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent dollar	Level percent of payroll, closed
Remaining amortization period	30 years	20 Years
Asset valuation method	5-year smoothed market vs actual returns	Smooth market value
Actuarial assumptions:		
Investment rate of return*	8%	6%
Projected salary increases*	3.5% to 12.0%	8%
* Includes inflation at:	3.5%	4%
Cost of living adjustment	2.0%	N/A

NOTE 15. DEFINED CONTRIBUTION PLANS

The City of Hialeah has two defined contribution plans; the City of Hialeah Police Pension Fund and the City of Hialeah Firemen's Relief and Pension Fund. The Plans were created on March 27, 1984 by Ordinance 1781 as amended by Ordinance 84-43 and on May 26, 1981 by Ordinance 631 as amended by Ordinance 81-62, respectively. The purpose of these Plans is to provide a means whereby police officers and firefighters of the City may receive benefits from funds provided for that purpose by contributions of the City through state contributions provided by Chapter 175/185 of the Florida Statutes. The participants do not contribute to the Plans. These funds are a supplement to and in no way affect police officer and firefighter benefits under the City of Hialeah Employees' Retirement System. The City no longer receives passed-through State contributions for the police officers or firefighters. The City under Chapter 185 of the Florida Statutes has provided authorization to the State for the direct contribution of benefits to the Police Pension Fund. The City's Employment Retirement System received passed-through contributions from the two defined contribution plans totaling \$461,877 for the fiscal year ended September 30, 2011.

Both funds issue publicly available financial reports that include financial statements and required supplementary information. These reports may be obtained by writing to Hialeah Employees' Retirement Department, 501 Palm Avenue, Hialeah, Florida, 33010.

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CITY OF HIALEAH, FLORIDA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS (Continued)

**Funded Status and Funding Progress**

As of October 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$243,161,545, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$243,161,545. The covered payroll (annual payroll of active employees covered by the plan) was \$83,673,089, and the ratio of the UAAL to the covered payroll was 290.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the October 1, 2009, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4% investment rate of return and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 4.5% after ten years. Both rates included a 3.5% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at October 1, 2009, was thirty years.

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CITY OF HIALEAH, FLORIDA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

NOTE 16. OTHER POST EMPLOYMENT BENEFITS

**Plan Description**

The City of Hialeah sponsors a defined benefit OPEB plan. Retirees who meet certain age and service requirements may elect coverage for themselves and dependents. Self-funded and fully insured options are available. The employer currently charges no contribution for retirees with single coverage, and the single funding rate for double (employee plus spouse) coverage. Self funded management retirees pay less for double coverage. Disabled contributions vary between plans.

**Funding Policy**

The OPEB obligation is funded on a pay-as-you-go basis.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Plan:

Annual required contribution	\$ 19,235,889
Interest on net OPEB obligation	1,402,633
Adjustment to annual required contribution	<u>(1,215,615)</u>
Annual OPEB cost	19,422,907
Contributions made	<u>(7,531,172)</u>
Increase in net OPEB obligation	11,891,735
Net OPEB obligation, beginning of year	<u>35,065,830</u>
Net OPEB obligation, end of year	<u>\$46,957,565</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost (AOC)	Percentage of AOC Contributed	Net OPEB Obligation
9/30/2009	\$17,854,000	31.3%	\$23,504,266
9/30/2010	18,439,561	37.3%	35,065,830
9/30/2011	19,422,907	38.8%	46,957,565

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CITY OF HIALEAH, FLORIDA  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 (Continued)

NOTE 17. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

**GASB Statement 54 Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)**, was implemented during the fiscal year ended September 30, 2011. See Note 1 d (9) for additional information regarding the impact on the reporting of the City's fund balances.

**GASB Statement 59 Financial Instruments Omnibus (GASB 59)**, updated existing standards regarding financial reporting of certain financial instruments and external investment pools. The City implemented GASB 59 during fiscal year 2011. Its implementation did not have a material impact on the City's financial statements.

**GASB Statement 60, Accounting and Financial Reporting for Service Concession Arrangements (GASB 60)**, addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. The requirements of GASB 60 are effective in fiscal year 2013. The City is currently evaluating the impact, if any, that GASB 60 may have on its financial statements.

**GASB Statement 61, The Financial Reporting Entity: Omnibus (GASB 61)**, amends GASB 14 and GASB 34 to modify certain requirements for inclusion of component units in the financial reporting entity, to amend the criteria for reporting component units as if they were part of the primary government (i.e. blending) in certain circumstances, and clarifies the reporting of equity interests in legally separate organizations. The requirements of GASB 61 are effective in fiscal year 2013. The City is currently evaluating the impact, if any, that GASB 61 may have on its financial statements.

**GASB Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (GASB 62)** incorporates into GASB's authoritative literature, certain accounting and financial reporting guidance that is included in pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The requirements of GASB 62 are effective for fiscal year 2013. The City is currently evaluating the impact, if any, that GASB 62 may have on its financial statements.

**GASB Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63)** was issued to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The requirements of GASB 63 are effective for fiscal year 2013. The City is currently evaluating the impact, if any, that GASB 63 may have on its financial statements.

**GASB Statement 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53 (GASB 64)** was issued to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. GASB 64 sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The requirements of GASB 64 are effective for fiscal year 2012. GASB 64 is not expected to have a material impact on the City's financial statements.

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CITY OF HIALEAH, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS  
(Continued)

NOTE 18. SUBSEQUENT EVENTS

Subsequent to year end the City ratified a new Collective Bargaining Agreement with the Hialeah Civil Service Employees Association, AFSCME, Local 161, (AFSCME) for a period from April 1, 2012 through September 30, 2014. The new collective bargaining agreement closes membership to the City of Hialeah Employees' Retirement System defined benefit plan and DROP plan for all general employees hired after April 1, 2012. New general employees will instead participate in a new defined contribution plan.

On April 5, 2012, the City issued "The City of Hialeah Taxable Promissory Note, Series 2012" for \$6,000,000 to provide bridge financing for the City's payments for its Employees' Retirement System defined benefit plan.

On April 5, 2012, the City issued "The City of Hialeah Promissory Note, Series 2012A" and entered into an equipment term loan agreement for \$1,850,000 to refinance existing financed purchases of two E-One Pumps and recycling containers.

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CITY OF HIALEAH, FLORIDA  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Ad valorem taxes	\$ 48,155,183	\$ 48,155,183	\$ 48,550,595	\$ 395,412
Utility taxes	21,894,872	21,894,872	22,212,359	317,487
Franchise fees	10,813,279	10,813,279	10,500,154	(313,125)
Licenses and permits	6,115,000	6,115,000	7,051,941	936,941
State and local shared revenues	19,884,126	19,884,126	21,521,902	1,637,776
Fines and forfeitures	1,003,241	1,004,241	1,300,881	296,640
Interest	71,890	71,890	17,159	(54,731)
Government grants and other revenues	8,593,700	9,220,214	9,138,210	(84,004)
Total revenues	116,531,291	117,158,805	120,280,901	3,132,096
Other financing sources				
Issuance of debt	-	236,019	1,249,025	1,013,006
Appropriation of prior year fund balance	6,188,380	6,550,437	-	(6,550,437)
Total financing sources	6,188,380	6,786,456	1,249,025	(5,537,431)
Total revenues and other financing sources	122,719,671	123,945,261	121,530,926	(2,405,335)
Expenditures:				
Current:				
Police	\$ 38,374,385	\$ 38,626,011	\$ 41,668,007	\$ (1,941,996)
Fire	30,891,597	30,890,648	31,677,255	(786,609)
911 Communications division	3,232,308	3,232,308	3,057,996	174,312
Fleet maintenance	2,097,493	2,103,493	1,968,394	137,099
Construction and maintenance	3,317,597	3,425,743	3,288,194	157,549
Recreation and community services	8,833,342	8,899,546	8,567,138	302,408
Planning and development	2,014,201	2,026,638	1,809,454	117,082
Education and community services	2,012,187	2,107,672	1,750,844	356,828
Law	1,055,631	1,058,195	730,159	328,036
Risk management	741,149	827,212	877,824	(50,612)
Human resources	785,978	792,432	752,723	39,709
City Clerk's office	926,512	926,512	813,123	113,389
Office of Management and Budget	578,008	578,008	578,963	(943)
Office of the Mayor	694,732	694,748	532,856	161,930
Communications and special events	817,887	861,840	747,618	114,022
Employee retirement	504,250	504,250	463,361	40,889
Library	1,308,770	1,527,914	1,492,344	35,570
Compliance division	540,810	542,019	447,585	94,434
Finance	945,986	945,986	879,174	66,812
Division of licenses	324,595	324,595	288,569	38,026
General government	21,189,122	20,514,626	24,230,921	(3,716,295)
Information systems	1,534,535	1,534,535	1,608,453	(74,018)
Total expenditures	122,719,671	123,945,261	128,233,854	(4,288,593)
Net change in fund balance	-	-	(6,693,928)	(6,693,928)
Fund balances - beginning	-	-	20,684,173	-
Fund balances - ending	\$ -	\$ -	\$ 13,990,245	\$ -

See notes to budgetary comparison schedule.

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REQUIRED SUPPLEMENTARY INFORMATION  
(Other Than MD&A)

CITY OF HIALEAH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2011

NOTE 1. BUDGETS AND BUDGETARY ACCOUNTING

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The City follows the procedures below in establishing the budgetary data reflected in the accompanying financial statements.

- Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the General Fund for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to October 1, the budget is legally enacted through passage of an ordinance.
- At any time, the Mayor may transfer any unencumbered appropriation balance or portion thereof between classifications of expenditures within an office or department. At the request of the Mayor and within the last 6 months of the fiscal year, the City Council may transfer, by resolution, any unencumbered appropriation balance or portion thereof from one office or department to another. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations. The legal level of control is at the department level for the general fund and at the fund level for all other funds.
- The reported budgetary data represents the final approved budget after amendments adopted by the City Council. Unencumbered appropriations lapse at fiscal year end.
- The City Council may make supplemental appropriations during the fiscal year. Supplemental appropriations were \$1,225,590 for the general fund, (\$172,334) for the Streets Fund, \$43,320 for the Stormwater Utilities Fund, \$4,135 for the Law Enforcement Trust-Federal Fund, \$254,403 for the Law Enforcement Trust-State Fund, \$14,489,840 for the Affordable Housing Fund, \$43,696 for the Children's Trust Fund, \$305,218 for the Urban Areas Security Initiative Grant, (\$200,000) for the Streets 3 Cents Optional Gas Tax Fund, \$2,634 for the Metro Medical Response System Fund, \$17,500 for the Hialeah Circulator Fund, \$239,771 for the City of Hialeah Education Academy Fund, \$20,986 for the Buffer Zone Protection Grant, \$118,351 for the JAG Grant Fund, \$685,812 for the E-911 Phone Upgrade Fund, \$80,000 for the Prevent Childhood Obesity Grant, \$1,318,705 for the Homeless Prevention Rapid Re-Housing Grant Fund, \$2,852,783 for the CITT Debt Service Fund, \$20,004 for the Milander Park Construction Fund, \$28,134 for the Milander Auditorium Fund, \$246,709 for the Palm Center Fund, \$1,621,015 for the FDOT 138<sup>th</sup> Street 57-67<sup>th</sup> Ave. Fund, \$3,142,501 for the FDOT 138<sup>th</sup> Street 57-67<sup>th</sup> Ave. Fund, \$324,687 for the CDBG-R W. 18<sup>th</sup> Ave. From 56-64 St. Fund, \$111,170 for the GOB J. Edgar Hall Special Population Fund, \$63,500 for the West 16<sup>th</sup> Ave. From 76 to 84<sup>th</sup> Street Fund, \$42,262 for the Sparks Park Fund, \$883,153 for the SR 93/Interstate 75 & 138 St. Interchange Fund, \$506,092 for the C.E.I. - 138 St. 57-76 Ave. Fund, \$710,452 for the Stimulus W. 53 from 4-8 Ave. fund, \$181,520 for the Stimulus W. 53 from 8-12 Ave. Fund, \$454,204 Stimulus E. 4<sup>th</sup> Avenue from 25-32 St. Fund, \$114,608 for the Stimulus W. 29 St. from 4<sup>th</sup> Ave. to Oiveschobee Fund, \$46,843 for the Stimulus Palm Ave. from 45<sup>th</sup> to 47<sup>th</sup> St. Fund, \$121,478 for the Stimulus W. 68<sup>th</sup> St. from 17-19 Cl. Fund, \$52,738 for the Intersection W. 3<sup>rd</sup> Ave. and 18<sup>th</sup> St. Fund, \$304,592 for the GOB Goodlet Park Fund, \$420,253 for the Stimulus W. 36<sup>th</sup> Ave. from 76-84 St. Fund, \$126,263 from the W. 53 St. From 12-16<sup>th</sup> St. Fund, and \$554,670 for the E. 4<sup>th</sup> from Hialeah Dr. to 21<sup>st</sup> St. Fund during fiscal year ended September 30, 2011.

All governmental funds with legally adopted budgets have been included as either a budgetary comparison schedule in the required supplementary information section or as a schedule of revenues and expenditures and fund balance - budget vs actual in the combining fund statements section.

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CITY OF HIALEAH, FLORIDA

NOTES TO BUDGETARY COMPARISON SCHEDULE

FISCAL YEAR ENDED SEPTEMBER 30, 2011

(CONTINUED)

NOTE 2. For fiscal year ended September 30, 2011, expenditures exceeded appropriations in the following departments for the General Fund.

For fiscal year ended September 30, 2011, expenditures exceeded appropriations in the following departments for the General Fund.

	Final Budget	Actual	Amount in Excess of Final Budget
Police	\$39,626,011	\$41,568,007	\$1,941,996
Fire	30,890,646	31,677,255	786,609
Risk management	827,212	877,824	50,612
General government	20,514,826	24,230,921	3,716,295
Information systems	1,534,535	1,608,553	74,018

These excess of expenditures in those departments were funded with surpluses in other departments.

For fiscal year ended September 30, 2011, expenditures exceeded appropriations in the following non-major governmental funds.

	Final Budget	Actual	Amount in Excess of Final Budget
Streets Transportation Fund	\$2,843,013	\$2,851,485	\$208,472
Urban Area Security Grants	355,103	355,637	534
MDCPW 138 <sup>th</sup> Street	1,621,015	1,998,688	377,673

These excess were funded with excess revenues received in the current fiscal year or available fund balance.

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CITY OF HIALEAH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS

SEPTEMBER 30, 2011

Fiscal Year Ended September 30,	EMPLOYEES' RETIREMENT SYSTEM		ELECTED OFFICIALS' RETIREMENT	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2006	\$ 15,084,481	102%	\$ 250,416	160%
2007	15,855,063	88%	240,475	208%
2008	18,298,037	99%	263,369	180%
2009	17,861,709	111%	288,006	174%
2010	20,557,338	96%	358,028	153%
2011	21,470,324	105%	315,853	100%

The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	October 1, 2010	October 1, 2010
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent open	Level percent of pay, closed
Remaining amortization period	30 years	20 years
Asset valuation method	5-year smoothed market vs actual returns	Smooth market value
Actuarial assumptions:		
Investment rate of return*	8%	6%
Projected salary increases*	3.5% to 12.0%	8%
* Includes inflation at:	3.5%	4%
Cost of living adjustment	2.0%	N/A

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CITY OF HIALEAH, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

SEPTEMBER 30, 2011

(UNAUDITED)

EMPLOYEES' RETIREMENT SYSTEM

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/2005	\$ 462,096,761	\$ 507,134,721	\$ 45,037,960	91.1%	\$ 60,364,488	74.6%
10/1/2006	500,501,442	556,486,863	55,985,221	89.9%	66,835,565	83.7%
10/1/2007	522,796,029	595,379,468	72,583,439	87.8%	75,461,003	96.2%
10/1/2008	526,091,435	627,530,393	101,438,958	83.8%	77,006,760	131.7%
10/1/2009	531,939,481	661,893,533	129,954,052	80.4%	79,860,936	162.7%
10/1/2010	520,812,767	684,539,088	163,726,321	76.1%	72,614,908	225.5%

ELECTED OFFICIALS' RETIREMENT SYSTEM

10/1/2005	\$ 3,455,014	\$ 3,810,238	\$ 355,224	90.7%	\$ 1,043,850	34.0%
10/1/2006	3,920,986	4,568,219	647,233	85.8%	986,381	65.6%
10/1/2007	4,507,879	5,044,765	536,886	89.4%	1,116,589	48.1%
10/1/2008	4,839,784	5,589,488	749,704	86.6%	1,200,461	62.5%
10/1/2009 +	5,766,656	5,809,976	43,320	99.3%	1,206,773	3.6%
10/1/2009 *	5,530,202	6,284,075	753,873	88.0%	1,206,773	62.5%
10/1/2010	6,293,694	6,439,651	145,957	97.7%	1,113,794	13.1%

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+ Prior Assumptions/Prior Methods  
\* Current Assumptions/Current Methods

OTHER POST EMPLOYMENT BENEFITS

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

(UNAUDITED)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
10/1/2006	\$ -	\$ 281,918,000	\$ 281,918,000	0.0%	\$ 74,287,000	379.5%
10/1/2009	-	243,161,545	243,161,545	0.0%	83,673,089	290.6%

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**APPENDIX H**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY  
APPLICABLE ONLY TO THE INSURED BONDS**

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# MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer



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