

In the opinion of Bond Counsel, assuming compliance with certain covenants in the Indenture (as hereinafter defined), interest on the Bonds is excluded from gross income for purposes of federal income taxation and the Bonds are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes. See, however, "Tax Matters" herein for a description of certain federal minimum and other special taxes that may affect the tax treatment of interest on the Bonds.

\$15,650,000
FLORIDA MUNICIPAL LOAN COUNCIL
Revenue Bonds,
Series 2004A-2

Dated: Date of Delivery

Due: December 1, as shown on the inside cover

The Revenue Bonds, Series 2004A-2 (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 June 1 and December 1, commencing December 1, 2004. The principal of, premium, if any, and interest on the Bonds will be paid through Wachovia Bank, National Association, as Trustee. 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 extraordinary redemption at par 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 Longboat Key Beach Erosion Control District A (the "Borrower"), a dependent special district of the Town of Longboat Key (the "Town"), a State of Florida municipality, pursuant to a loan agreement between the Issuer and the Borrower (the "Loan Agreement") for the purposes of (i) providing funds to finance a beach renourishment project of the Borrower and (ii) paying costs and expenses related to the issuance of the Bonds, including the premium for the municipal bond insurance policy.

Payments made by the Borrower in repayment of the loan (the "Loan Repayments") will be assigned by the Issuer to Wachovia Bank, National Association, as Trustee, pursuant to a Trust Indenture, dated as of July 1, 2004 between the Issuer and the 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 the (i) payments to be made by the Borrower pursuant to the Loan Agreement (as defined herein) (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, any proceeds of the Bond Insurance Policy (as defined in the Indenture) and 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 to pay principal, premium and interest (the "Basic Payment" obligation) pursuant to the Loan Agreement with the Issuer are general obligations of the Borrower, which are secured by the full faith, credit and ad valorem taxing power of the Borrower. The Bonds are not a debt, liability or obligation of the State of Florida, the Town, or any political subdivision or entity thereof other than the Issuer.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.



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., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel Kraig A. Conn, Esq. counsel to the Issuer, as assistant general counsel to the Florida League of Cities, Inc., for the Insurer by its counsel Kutak Rock, LLP, Omaha, Nebraska, and for the Underwriter by its counsel, Moyle, Flanigan, Katz, Raymond & Sheehan, P.A., West Palm Beach, Florida. Waters and Company, LLC, Birmingham, Alabama 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 July 14, 2004.

Banc of America Securities LLC

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES

\$15,650,000 Serial Bonds

| <u>Maturity</u> <u>(December 1)</u> | <u>Amount</u> | <u>Interest</u> <u>Rate</u> | <u>Price</u> |
|--|---------------|--------------------------------|--------------|
| 2005 | \$2,440,000 | 2.000% | 100.000% |
| 2006 | 2,485,000 | 3.000 | 100.915 |
| 2007 | 2,560,000 | 3.000 | 100.414 |
| 2008 | 2,635,000 | 3.100 | 99.551 |
| 2009 | 2,720,000 | 3.250 | 99.119 |
| 2010 | 2,810,000 | 3.500 | 99.093 |

Florida Municipal Loan Council

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

Directors

Raul Martinez, Chairman, Mayor, City of Hialeah
Dottie K. Reeder, Vice-Chair, Mayor, City of Seminole
Lizbeth Benaquisto, Council Member, Village of Wellington
H.L. (Roy) Tyler, Commissioner, City of Haines City
Larry Ady, Commissioner, City of Belle Isle

Attorney

Kraig A. Conn, Esq.
Tallahassee, Florida

Bond Counsel

Bryant Miller and Olive P.A.
Tampa, Florida

Financial Advisor

Waters and Company, LLC
Birmingham, Alabama

Program Administrator

Florida League of Cities, Inc.
Tallahassee, Florida

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.

THE INFORMATION SET FORTH HEREIN HAS BEEN OBTAINED FROM PUBLIC DOCUMENTS, RECORDS AND OTHER SOURCES WHICH ARE BELIEVED TO BE RELIABLE, BUT IT IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY AND IS NOT TO BE CONSTRUED AS A REPRESENTATION OF THE UNDERWRITER. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN CONTAINED ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL UNDER ANY CIRCUMSTANCES CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER OR THE BORROWER SINCE THE DATE HEREOF.

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 RESPECTIVE 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.

TABLE OF CONTENTS

(The Table of Contents for this Official Statement is for convenience of reference only and is not intended to define, limit or describe the scope or content of any provisions of this Official Statement.)

| | <u>Page</u> |
|--|--|
| INTRODUCTION | 1 |
| THE BONDS | 3 |
| General Description | 3 |
| Redemption Provisions | 3 |
| Book-Entry Only System | 4 |
| THE ISSUER | 7 |
| THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT | 8 |
| The Administrator | 8 |
| The Administration Agreement | 8 |
| THE BORROWER | 8 |
| PURPOSE OF THE BONDS | 10 |
| In General | 10 |
| Estimated Sources and Uses | 10 |
| SECURITY AND SOURCES OF PAYMENT | 10 |
| Limited Obligations; Trust Estate | 10 |
| Additional Bonds; Permitted Parity Indebtedness | 14 |
| The Borrower; Ad Valorem Tax Information | 14 |
| FINANCIAL GUARANTY INSURANCE | 15 |
| General | 15 |
| Financial Guaranty Insurance | 15 |
| DEBT SERVICE REQUIREMENTS | 18 |
| TAX MATTERS | 18 |
| General | 18 |
| Tax Treatment of Bond Premium | 19 |
| Tax Treatment of Original Issue Discount | 19 |
| LITIGATION | 20 |
| VALIDATION | 20 |
| LEGAL MATTERS | 20 |
| RATINGS | 21 |
| UNDERWRITING | 21 |
| FINANCIAL ADVISOR TO THE ISSUER | 21 |
| CONTINUING DISCLOSURE | 21 |
| ENFORCEABILITY OF REMEDIES | 22 |
| MISCELLANEOUS | 22 |
| | |
| APPENDIX A -- | Form of Continuing Disclosure Agreement for Borrower |
| APPENDIX B -- | Form of Continuing Disclosure Agreement for Issuer |
| APPENDIX C -- | Form of the Indenture |
| APPENDIX D -- | Form of the Loan Agreement |
| APPENDIX E -- | Form of Opinion of Bond Counsel |
| APPENDIX F -- | Specimen Financial Guaranty Insurance Policy |
| APPENDIX G -- | Financial Information Regarding Town of Longboat Key |

[THIS PAGE INTENTIONALLY LEFT BLANK]

OFFICIAL STATEMENT

Relating To

\$15,650,000

FLORIDA MUNICIPAL LOAN COUNCIL

Revenue Bonds

Series 2004A-2

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 \$15,650,000 Florida Municipal Loan Council Revenue Bonds, Series 2004A-2 (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 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. Gadsden County, Florida, Jackson County, Florida and Leon County, Florida have each joined in the Interlocal Agreement subsequent to December 1, 1998.

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 and April 13, 2004 and a Trust Indenture (the "Indenture"), dated as of July 1, 2004, between the Issuer and Wachovia Bank, National Association, as trustee (the "Trustee").

The Bonds are being issued to provide funds to make a loan to Longboat Key Beach Erosion Control District A (the "Borrower"). The Borrower is a dependent special district of the Town of Longboat Key (the "Town"), a State of Florida municipality. 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 July 1, 2004, between the Issuer and the Borrower (the "Loan Agreement"). The Borrower will use proceeds of the loan (the "Loan") made to it by the Issuer to finance, refinance or reimburse itself for the cost of a beach renourishment project of the Borrower (the "Project") and to pay the costs of issuance of the Bonds. The Project is briefly described herein under the caption "Purpose of the Bonds."

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 when due. The Basic Payments correlate to the debt service on the Bonds, and the scheduled Basic Payments under the Loan Agreement equals the scheduled payments of principal and interest on the Bonds. The debt service requirements for the Bonds, and thus the Basic Payments for the Borrower 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 other fees, including any rebate obligation with respect to the Bonds.

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

The Basic Payment obligations (the obligations to pay principal, premium, if any, and interest) of the Borrower constitute a general obligation of the Borrower, for which the full faith, credit and ad valorem taxing power of the Borrower is pledged. In the Loan Agreement, the Borrower covenants that in each year while the Loan is outstanding, it shall levy and collect a tax without limitation as to rate or amount on all assessable property within its geographic jurisdiction, sufficient in amount to pay the Basic Payments under the Loan Agreement, as the same shall become due, after applying any other funds which may be available for such Basic Payment and which shall actually be so applied. For the payment of the Additional Payments under the Loan Agreement, the Borrower agrees to budget and appropriate Non-Ad Valorem Revenues (hereinafter defined) sufficient to pay such Additional Payments. The full faith and credit and ad valorem taxing power of the Borrower is not pledged to the Additional Payments under the Loan Agreement. "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.

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 (the "Revenues"), (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) any proceeds of the Bond Insurance Policy (as defined in the Indenture) and 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 to pay principal, premium and interest (the "Basic Payment" obligation) pursuant to the Loan Agreement with the Issuer are general obligations of the Borrower, which are secured by the full faith, credit and ad valorem taxing power of the Borrower. 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.

Payment of the principal of and interest on the Bonds when due will be insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation (the "Insurer") simultaneously with the delivery of the Bonds.

There follow in this Official Statement descriptions of the Bonds, the Issuer, the Insurer, 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 1640 Gulf-to-Bay Boulevard, FL2-020-01-04, Clearwater, Florida 33755 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 June 1 and December 1 (each, an "Interest Payment Date"), commencing December 1, 2004.

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 (initially, Charlotte, North Carolina) of Wachovia Bank, National Association, as Trustee (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 are not subject to optional redemption prior to maturity, except as described below under "Extraordinary Optional Redemption at Par."

Extraordinary Optional Redemption at Par. The Bonds are subject to redemption at the option of the Issuer at any time on or before December 31, 2007, at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date, provided that (i) not more than \$4,000,000 principal amount of Bonds may be redeemed pursuant to this provision, and (ii) the principal amount of Bonds redeemed may not exceed the amount of proceeds received by the Borrower from grants from the State of Florida and the United States of America made to offset the cost of the Project. **The Borrower expects that it will receive grants that will result in the redemption of approximately \$4,000,000 of the Bonds pursuant to this provision; the date of receipt of such grant funds cannot be predicted with certainty.**

Extraordinary Mandatory Redemption. The Bonds are also subject to extraordinary mandatory redemption as a result of acceleration of the Loan pursuant to the Loan Agreement at any time, in whole and not in part, at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date, without premium, but only with the approval of the Insurer, from all Liquidation Proceeds or Insurance Proceeds received by the Trustee as a result of an acceleration of any Loan. "Liquidation Proceeds" means amounts received by the Trustee or the Issuer 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. "Insurance Proceeds" means amounts which are deposited

by the Insurer with the Trustee pursuant to Article IX of the Indenture as a condition of the direction of acceleration of all or a portion of the Bonds by the Insurer.

Whenever any Event of Default shall have occurred with respect to the Loan Agreement, the Issuer or the Trustee, shall, with the written consent of the Insurer, or upon the direction of the Insurer, accelerate the Loan. Such Events of Default include, but are not limited to, failure by the Borrower to timely pay any Loan Repayment, a failure by the Borrower to observe and perform any covenant, condition or agreement contained in the Loan Agreement, subject to certain provisions regarding notice and an opportunity to cure, bankruptcy of the Borrower and other events. See "Appendix C - Form of the Indenture" and "Appendix D - Form of the Loan Agreement," for a further description of the events which might trigger an acceleration.

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 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 any 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.

Effect of Calling for Redemption. 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 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, as hereinafter described, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The 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 fully registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC or with the Trustee on behalf of DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participant's accounts, thereby eliminating 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard and Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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 (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 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.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no 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.

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, defaults and proposed amendments to Bond documents. Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent only to Cede & Co. for so long as it is the registered owner of the Bonds. If less than all of the Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds. 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).

Payments of principal, premium, if any, and interest 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 on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on the payable date. Payments by Direct or Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or 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 of principal, premium, if any, and interest to DTC is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

NONE OF THE ISSUER, THE BORROWER OR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSON 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. THE ISSUER CANNOT AND DOES NOT GIVE ANY ASSURANCES 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.

The Issuer and the Trustee have entered into a letter of representations (the "Book-Entry Agreement") with DTC providing for such book-entry only system. However, the book-entry only system may be terminated upon the happening of either of the following: (a) DTC discontinues providing its services as securities depository by giving reasonable notice to the Issuer or the Trustee, or (b) the Issuer, elects to terminate the book-entry only system by notice to DTC. If the Issuer does not replace DTC, the Trustee shall notify DTC of the availability of definitive or temporary Bond certificates (the "Replacement Bonds") to Beneficial Owners requesting the same in an aggregate outstanding amount representing the interest of each such Beneficial Owner, making such adjustments and allowances as the Trustee may find necessary or appropriate as to accrued interest and previous payments of principal. Definitive Replacement Bonds shall

be issued only upon surrender to the Trustee of the Bonds of each maturity by DTC, accompanied by registration instructions for the definitive Replacement Bonds for such maturity from DTC. Neither the Issuer nor the Trustee shall be liable for any delay in delivery of such instructions and conclusively may rely on and shall be protected in relying on such instructions of DTC.

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 (the "Interlocal Agreement"), initially by and among the City of Stuart, Florida, the City of Deland, Florida and the City of Rockledge, Florida. Gadsden County, Florida, Jackson County, Florida and Leon County, Florida have each joined in the Interlocal Agreement subsequent to December 1, 1998.

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 Bonds are being issued in furtherance of the Issuer's program (the "Program") of making loans to participating governmental units. Pursuant to the Interlocal Agreement, the Issuer has the power to issue, from time to time, in various series, bonds, notes or other obligations to finance and re-finance loans to participating governmental entities.

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. While membership in the Issuer is open to other governmental entities, membership in the Issuer is not a pre-condition to becoming a Borrower under the Program.

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 Program remains outstanding.

The Bonds constitute the twelfth series of bonds to be issued by the Issuer. On the same day as the Bonds are being issued, the Issuer is also issuing its Revenue Bonds, Series 2004A-1. The Series 2004A-1 Bonds are secured separately from the Bonds.

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

| <u>Name</u> | <u>Elected Position</u> |
|--------------------|---------------------------------------|
| Raul Martinez | Mayor, City of Hialeah |
| Dottie K. Reeder | Mayor, City of Seminole |
| Lizbeth Benaquisto | Council Member, Village of Wellington |
| H.L. (Roy) Tyler | Commissioner, City of Haines City |
| Larry Ady | Commissioner, City of Belle Isle |

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 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 160 full-time employees and an annual operating budget of approximately \$17 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 semi-annual fee based upon the principal balance of the Loan outstanding. The annual amount of the fee does not exceed 1/10 of one percent of the par amount of the Loan.

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 a dependent special district of the State of Florida. The Borrower was created by an ordinance enacted by the Town of Longboat Key (the "Town") in 1992 and the existence of the Borrower was reconfirmed in 1999. The sole purpose of the Borrower is to maintain the Town's beachfront. The governing board of the Borrower consists of the members of the Town Commission of the Town. **Although the Borrower is a dependent district of the Town, the Town is not obligated in any manner with respect to the Loan or the Bonds.**

Although the Borrower is a legal entity separate and distinct from the Town, separate financial statements of the Borrower are not prepared, and the Borrower's financial information is blended into the Town's financial statements. Financial information with respect to the Town and the Borrower is contained in Appendix G hereof. **Although the Borrower is a dependent special district of the Town of Longboat Key, neither the Bonds nor the Loan Payment obligations or any other obligations of the Borrower with respect to the Bonds are obligations in any manner of the Town of Longboat Key.**

The population of the Town fluctuates seasonally, from a high of approximately 23,000 in the winter months to a low of approximately 7,000 during the summer. While the Borrower does not maintain any records relative to the population within the confines of the Borrower, the Borrower believes a reasonable estimate is that 35% of the population of the Town resides within the Borrower.

The Town encompasses 4.75 square miles of land, approximately 35% of which is within the boundaries of the Borrower. The Borrower's jurisdiction generally consists of the western portion of the Town, which is the portion that abuts the Gulf of Mexico. Further information concerning the Borrower is contained under the caption "Security and Sources of Payment--The Borrower; Ad Valorem Tax Information."

The Town has created another dependent district known as "Longboat Key Beach Erosion Control District B" ("District B") which encompasses the balance of the Town, which is the area to the east of the Borrower and is the portion of the Town that abuts the Sarasota Bay. The general theory behind the creation of the two erosion control districts is that the area within the Borrower generally receives a different benefit from beach erosion control projects than does the area within District B or the Town as a whole. Because ad valorem taxes are required to be levied by government at a uniform rate throughout the jurisdiction of the government, had the Town not created the erosion control districts, all property within the Town would have paid taxes at the same rate for the services which are provided by the Borrower and District B. However, through the use of the Borrower and District B, the Town, the Borrower and District B may each levy ad valorem taxes at a separate and distinct rate within their respective boundaries. For example, a particular project might be determined to benefit only the gulf-front property in the Town; through the use of the Borrower it would be possible to tax only the benefitted property.

In 1992 the voters within the Borrower approved the issuance of \$14 million of general obligation bonds to finance beach renourishment projects; such bonds were retired in 2003.

Although the Borrower is receiving the Loan and is obligated to make the Loan Payments, the Borrower and District B have entered into an Interlocal Agreement whereby District B agrees that it will levy ad valorem taxes upon the property within its jurisdiction at the rate of 20% of the sum of the rates levied

by the Borrower and District B (i.e., District B levies at the rate of 25% of the Borrower), and that it will pay such taxes when received to the Borrower to be used by the Borrower to make the Loan Payments. The obligations of District B were approved by the voters within District B.

PURPOSE OF THE BONDS

In 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) finance or refinance the costs of the Project and (ii) pay costs and expenses related to the issuance of the Bonds, including the premium for the Bond Insurance Policy described below.

Under the terms of the Indenture, an amount sufficient to pay the costs of issuance of the Bonds will be deposited into the Costs of Issuance Fund and the balance of the proceeds of the Bonds will be deposited into the Project Loan Fund, to be disbursed upon requisition therefor to the Borrower. Although not actually disbursed to the Borrower, the Borrower is responsible for repayment of the costs of issuance through its debt service payments.

The annual debt service on the Loan is set forth below 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 | \$15,650,000.00 |
| Net Original Issue Discount | <u>(27,944.90)</u> |
| TOTAL SOURCES: | \$15,622,055.10 |
| USES OF FUNDS: | |
| Deposit to Project Loan Fund | \$15,411,402.86 |
| Costs of Issuance(1) | <u>210,652.24</u> |
| TOTAL USES: | \$15,622,055.10 |

(1) This includes legal fees, underwriter's discount, bond insurance premium, costs of printing 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 (the "Revenues"), (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) any proceeds of the Bond Insurance Policy (as defined in the Indenture) and 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 to pay principal, premium and interest (the "Basic Payment" obligation) pursuant to the Loan Agreement with the Issuer are general obligations of the Borrower, which are secured by the full faith, credit and ad valorem taxing power of the Borrower. 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. 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 when due. The Basic Payments correlate to the debt service on the Bonds, and the scheduled Basic Payments under the Loan Agreement equals the scheduled payments of principal and interest on the Bonds. The debt service requirements for the Bonds, and thus the Basic Payments for the Borrower are set forth herein under the caption "Debt Service Requirements."

The Basic Payment obligations (the obligations to pay principal, premium, if any, and interest) of the Borrower constitute a general obligation of the Borrower, for which the full faith, credit and ad valorem taxing power of the Borrower is pledged. In the Loan Agreement, the Borrower covenants that in each year while the Loan is outstanding, it shall levy and collect a tax without limitation as to rate or amount on all assessable property within its geographic jurisdiction, sufficient in amount to pay the Basic Payments under the Loan Agreement, as the same shall become due, after applying any other funds which may be available for such Basic Payment and which shall actually be so applied.

For the payment of the Additional Payments under the Loan Agreement, the Borrower agrees to budget and appropriate Non-Ad Valorem Revenues (hereinafter defined) sufficient to pay such Additional Payments. The full faith and credit and ad valorem taxing power of the Borrower is not pledged to the Additional Payments under the Loan Agreement. "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.

General Information Regarding Ad Valorem Taxes. In Florida, counties, municipalities, school districts and various other special taxing districts are authorized to levy ad valorem taxes subject to certain limitations. Ad valorem taxes are generally levied upon real and personal property located within the jurisdiction of the taxing authority. The rate of ad valorem taxation is generally uniform for all properties subject to taxation by a particular taxing entity, and is generally expressed in terms of a "millage" rate. The "millage" rate refers to the amount of ad valorem taxes expressed in terms of dollars of taxes per thousand dollars of assessed valuation of property subject to taxation (i.e., one "mill" is one dollar of taxes per thousand dollars of assessed value).

While there are certain limitations applicable to the rate at which ad valorem taxes may be levied, there is no limitation as to the rate or amount of taxes that may be levied to pay debt service on bonds or other indebtedness, the issuance of which was approved by a majority of the votes cast in a bond referendum election.

Within each county there is a property appraiser, one function of which is to determine the assessed valuation of all property within the county subject to ad valorem taxes. Property valuations are established

each year as of January 1. Each taxpayer whose property is subject to taxation is given notice of the assessed valuation of such property, and the property owner has the right to file an appeal. Upon completion of the hearing of all appeals, an assessment roll is completed.

Each person who has the legal or equitable title to real estate in the State of Florida and maintains thereon the permanent residence of the owner, or another legally or naturally dependent upon the owner, is entitled to an exemption (the "Homestead Exemption") from ad valorem taxation in an amount up to the assessed valuation of \$25,000 on such property. Other exemptions from the ad valorem tax include property owned by certain permanently and totally disabled persons; renewable energy sources improvements; inventory; property used by hospitals, nursing homes, homes for special services and property used by homes for the aged; educational property; property owned and used by labor organizations; community centers; governmental property; historic property; space laboratories; property owned by not-for-profit sewer and water companies; and the first \$500 of property of every widow, blind person or disabled person. Under Florida law, local jurisdictions also have the option of granting an additional homestead exemption for low-income senior citizens. Chapter 196, Florida Statutes, contains a further description of exemptions from ad valorem taxes.

Each taxing authority imposing ad valorem taxes annually determines its millage rate, which is then multiplied by the assessed value of taxable property to determine the amount of taxes due. In general, each taxing entity provides the property appraiser with information concerning the rate of taxation being imposed by such taxing entity. The property appraiser then prepares a tax roll listing, for all property to be subject to taxation, the amount of taxes due to the various taxing entities. The property appraiser then provides this tax roll to the county tax collector who is charged with responsibility for collection of the taxes due.

Upon receipt of the certified tax roll, the tax collector is required to mail to each taxpayer appearing on the tax roll a tax notice stating, among other things, the amount of current taxes due from the taxpayer. In general, each taxpayer is required to pay all taxes shown in the tax notice without preference in payment of any particular increment of the tax bill. Upon receipt of the taxes, the tax collector is required to forward to each taxing authority its portion of such taxes.

The statutes relating to the enforcement of ad valorem taxes provide that such taxes become due and payable on November 1 of the year in which assessed or as soon thereafter as the certified tax roll is received by the tax collector. Depending upon the date of payment, taxpayers may receive a discount of up to 4% of the taxes levied by paying taxes prior to delinquency.

Florida law provides a method for prepayment of estimated taxes by installment. If this method is used, all taxes are payable at varying times prior to delinquency (as discussed in the following paragraph) and the taxpayer receives discounts ranging from 6% to zero. Prepayments of taxes are required to be invested by the tax collector, and such prepaid taxes and interest earnings thereon are allocated among the various taxing authorities and paid to them at the same time as taxes which were not prepaid.

All taxes become delinquent on April 1 following the tax year in which they are assessed or immediately after sixty (60) days have expired from the mailing of the original tax notice, whichever is later. The tax collector is required to collect taxes prior to the date of delinquency and to institute statutory procedures upon delinquency to collect assessed taxes. Delay in the mailing of tax notices to taxpayers results in a delay throughout the process.

The collection of delinquent taxes upon real property is based upon the sale by the tax collector of "tax certificates" and remittance of the proceeds of such sale to the various governmental entities levying taxes for the payment of the taxes due. The demand for tax certificates is dependent upon various factors,

including the interest which can be earned by ownership of such certificates and the value of the land which is the subject of such certificates and which, as described herein, may be subject to sale at the demand of the certificate holder. Therefore, the underlying market value of the land subject to the taxes may affect the demand for such certificates and therefore the successful collection of the taxes.

A landowner cannot be sued personally for failure to pay taxes, but taxes are a lien on the property against which they are assessed from January 1 of the year of assessment until paid or barred by operation of law (statute of limitations). The lien of the taxes is of equal dignity with the liens for state and county taxes and other taxes which are of equal dignity upon land, and thus is a first lien, superior to all other liens including mortgages.

In the event of a delinquency in the payment of taxes on real property, the tax collector is required to offer tax certificates on such property for sale to the person or entity who pays the delinquent taxes and interest and certain costs and charges relating thereto, and who accepts the lowest interest rate per annum to be borne by the certificates (which shall in no event be more than eighteen percent (18%) per annum). Delinquent taxes may be paid by a taxpayer prior to the date of sale of a tax certificate by the payment of such taxes, together with interest and all costs and charges relating thereto. Tax certificates are sold by public bid, and in case there are no bidders, the certificate is issued to the county in which the assessed lands are located, and the county, in such event, does not pay any consideration for such tax certificate. Proceeds from the sale of tax certificates are required to be used to pay taxes, interest, costs and charges on the land described in the certificate.

In the event a tax certificate is sold on property with delinquent taxes, proceeds from the sale of the tax certificate will be sufficient to pay the delinquent taxes as to that parcel.

While, as described above, upon the sale of a tax certificate delinquent taxes are paid, the willingness of persons to purchase tax certificates may be affected by the rights inherent of ownership of a tax certificate. For that reason, the following discussion of the rights associated with ownership of a tax certificate is provided.

County-held tax certificates may be purchased, and any tax certificate may be redeemed, in whole or in part, by any person or entity at any time before a tax deed is issued or the property is placed on the list of lands available for sale, at a price equal to the face amount of the certificate or portion thereof, together with all interest, costs, and charges due. The proceeds of such a redemption are paid to the tax collector who transmits to the holder of the certificate such proceeds less a service charge, and the certificate is cancelled.

After an initial period ending two (2) years from April 1 of the year of issuance of a certificate, the holder of a certificate may apply for a tax deed to the subject land. Any holder, other than the county, of a tax certificate which has not been redeemed has seven (7) years from the date of issuance of the tax certificate during which to act against the land that is the subject of the tax certificate. The applicant is required to pay to the tax collector all amounts required to redeem or purchase all outstanding tax certificates not held by the applicant covering the land, any omitted taxes or delinquent taxes, current taxes, and interest, if due, covering the land. If the county holds a tax certificate and has not succeeded in selling it, the county must apply for a tax deed two (2) years after April 1 of the year of issuance. The county pays costs and fees to the tax collector but not any amount to redeem any other outstanding certificates covering the land. Thereafter, the property is advertised for public sale. Any outstanding certificates will be satisfied from the proceeds received at such public sale.

In any such public sale, the private holder of the tax certificate who is seeking a tax deed is deemed to submit a minimum bid established by statute. The opening bid on a privately held certificate on

non-homestead property includes, in addition to the amount of money paid to the tax collector by the certificate-holder at the time of application, the amount required to redeem the applicant's tax certificate and all other costs and fees paid by the applicant. The opening bid on county-held certificates on non-homestead property is the sum of the value of all outstanding certificates against the land, plus omitted years' taxes, delinquent taxes, interest, and all costs and fees paid by the county. The opening bid on property assessed on the latest tax roll as homestead property includes, in addition to the amount of money required for an opening bid on non-homestead property, an amount equal to one-half of the latest assessed value of the homestead. If there are no higher bidders, the holder receives title to the land and the amounts paid for the certificate and in applying for a tax deed are credited towards the purchase price. If there are higher bidders, the holder may enter the bidding. The highest bidder is awarded title to the land. The portion of proceeds of such sale needed to redeem the tax certificate (and all other amounts paid by such holder in applying for a tax deed), plus interest, are forwarded to the holder thereof or credited to such holder if such holder is the successful bidder. Excess proceeds are distributed first to satisfy governmental liens against the land and then to the former title holder of the property (less service charges), lienholders of record, mortgagees of record, vendees of recorded contracts of deeds, and other lienholders and any other person to whom the land was assessed on the tax roll for the year in which the land was assessed, all as their interests may appear.

If there are no bidders at the public sale, the county may, at any time within ninety (90) days from the date of offering for public sale, purchase the land for a statutorily prescribed minimum bid. After ninety (90) days have passed, any person or governmental unit may purchase the land by paying the amount of the minimum bid. Three (3) years from the date of offering for public sale, unsold lands escheat to the county, and all tax certificates and liens, including the lien of taxes, if applicable, against the property are cancelled.

The issuance of a tax deed, in general, has the effect of canceling liens against or upon the property that is the subject of the tax deed, except for certain liens in favor of municipal or county government, and except for certain restrictions and covenants limiting the use of property, the type, character and location of buildings, covenants against nuisances and the like. Issuance of a tax deed, therefore, has the effect of canceling mortgages upon the affected property. For this reason (to prevent cancellation of the mortgage), under certain circumstances mortgagees may pay delinquent taxes on property upon which they hold a mortgage, but there is no requirement that mortgagees do so.

The incurrence of the Loan was approved by the voters of the Borrower in a bond referendum held in 2000 for such purpose.

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 borrowers), 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.

The Borrower; Ad Valorem Tax Information

The Borrower has levied ad valorem taxes since 1993, and has historically enjoyed a collection rate of approximately 100%. Set forth below is information concerning the historical rate of taxation and assessed valuation of taxable property within the Borrower. Information concerning taxes levied by the Town and other taxing authorities is contained in Appendix G.

Longboat Key Beach Erosion Control District A
Ad Valorem Tax Information, FYE 2000-2004

| Fiscal Year Ended/Ending September 30 | Millage Rate | Total Assessed Value of Taxable Property |
|--|--------------|---|
| 2000 | 1.107 | \$1,546,317,786 |
| 2001 | 0.988 | \$1,739,820,594 |
| 2002 | 0.8635 | \$1,997,206,060 |
| 2003 | 1.0415 | \$2,410,774,299 |
| 2004 | 0.6929 | \$2,775,156,658 |

FINANCIAL GUARANTY INSURANCE

General

Payment of the principal of and interest on the Bonds will be insured by a Financial Guaranty Insurance Policy (the "Policy") to be issued by MBIA Insurance Corporation simultaneously with the delivery of the Bonds.

Financial Guaranty Insurance

The following information has been furnished by MBIA Insurance Corporation (the "Insurer") for use in this Official Statement. Reference is made to Appendix F for a specimen of the Insurer's Policy.

The Insurer's Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the Insurer's Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law (a "Preference").

The Insurer's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond. The Insurer's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to clauses (i) through (iii) of this paragraph. The Insurer's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting

from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

The Insurer is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the "Company"). The Company is not obligated to pay the debts or claims against the Insurer. The Insurer is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. The Insurer has three branches, one in the Republic of France, one in the Republic of Singapore and one in the Kingdom of Spain. New York has laws prescribing minimum capital requirements, limiting classes and concentrations of investments and requiring the approval of policy rates and forms. State laws also regulate the amount of both the aggregate and individual risks that may be insured, the payment of dividends by the Insurer, changes in control and transactions among affiliates. Additionally, the Insurer is required to maintain contingency reserves on its liabilities in certain amounts and for certain periods of time.

The Insurer does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and the Insurer set forth under the heading "Financial Guaranty Insurance." Additionally, the Insurer makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Financial Guaranty Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The following documents filed by the Company with the Securities and Exchange Commission (the "SEC") are incorporated herein by reference:

- (1) The Company's Annual Report on Form 10-K for the year ended December 31, 2003; and
- (2) The Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004.

Any documents filed by the Company pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Official Statement and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof. Any statement contained in a document incorporated or deemed to be

incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

The Company files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of the SEC filings (including (1) the Company's Annual Report on Form 10-K for the year ended December 31, 2003, and (2) the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2004) are available (i) over the Internet at the SEC's web site at <http://www.sec.gov>; (ii) at the SEC's public reference room in Washington D.C.; (iii) over the Internet at the Company's web site at <http://www.mbia.com>; and (iv) at no cost, upon request to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504. The telephone number of MBIA is (914) 273-4545.

As of December 31, 2003, the Insurer had admitted assets of \$9.9 billion (audited), total liabilities of \$6.2 billion (audited), and total capital and surplus of \$3.7 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of March 31, 2004, the Insurer had admitted assets of \$10.3 billion (unaudited), total liabilities of \$6.5 billion (unaudited), and total capital and surplus of \$3.8 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

Moody's Investors Service, Inc. rates the financial strength of the Insurer "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of the Insurer "AAA."

Fitch Ratings rates the financial strength of the Insurer "AAA."

Each rating of the Insurer should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of the Insurer and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. The Insurer does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be reversed or withdrawn.

The insurance provided by the Insurer's Policy is not covered by the Florida Insurance Guaranty Association created under Chapter 631, Florida Statutes.

DEBT SERVICE REQUIREMENTS

The following table sets forth the total annual scheduled debt service requirements for the Bonds (and the Basic Payment obligations of the Borrower).

| Year Ending December 1 (Inclusive) | <u>Principal</u> | <u>Interest</u> | <u>Total Annual Debt Service</u> |
|--|------------------|-----------------|--------------------------------------|
| 2004 | -- | \$178,322.63 | \$178,322.63 |
| 2005 | \$2,440,000.00 | 468,585.00 | \$2,908,585.00 |
| 2006 | 2,485,000.00 | 419,785.00 | 2,904,785.00 |
| 2007 | 2,560,000.00 | 345,235.00 | 2,905,235.00 |
| 2008 | 2,635,000.00 | 268,435.00 | 2,903,435.00 |
| 2009 | 2,720,000.00 | 186,750.00 | 2,906,750.00 |
| 2010 | 2,810,000.00 | 98,350.00 | 2,908,350.00 |
| Total | \$15,650,000.00 | \$1,965,462.63 | \$17,615,462.63 |

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery 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 the aforementioned 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 alternative minimum tax when any Bond is held by a corporation. The 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. In addition, in the opinion of Bond Counsel the Bonds are exempt from all present intangible personal property taxes imposed pursuant to Chapter 199, Florida Statutes.

Except as described above, Bond Counsel will express no opinion regarding the 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 a branch profits tax, (iv) the inclusion of interest on 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 purposes of determining whether such benefits are included in gross income for Federal income tax purposes.

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

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 Bonds and their market value. No assurance can be given that legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Bonds.

Tax Treatment of Bond Premium

The Bonds maturing in the years 2006 and 2007, were offered at a price in excess of the principal amount thereof. Under the Code, the excess of the cost basis of a bond over the principal amount of the bond (other than for a bondholder who holds a bond as inventory, stock in trade, or for sale to customers in the ordinary course of business) is generally characterized as "bond premium." For federal income tax purposes, bond premium is amortized over the term of the bonds. A bondholder will therefore be required to decrease his basis in the Bonds by the amount of the amortizable bond premium attributable to each taxable year he holds such Bond. The amount of the amortizable bond premium attributable to each taxable year is determined on an actuarial basis at a constant interest rate compounded on each interest payment date. The amortizable bond premium attributable to a taxable year is not deductible for federal income tax purposes.

Holders of the Bonds described above should consult their own tax advisors with respect to the precise determination for federal income tax purposes of the treatment of bond premium upon sale, redemption, or other disposition of such Bonds.

Tax Treatment of Original Issue Discount

Under the Code, the difference between the principal amount of the Bonds maturing in the years 2008, 2009 and 2010 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 Bonds of the same maturity was sold is "original issue discount." Original issue discount will accrue over the term of such Bonds at a constant interest rate compounded periodically. A purchaser who acquires such 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 holds such Bonds, and will increase his adjusted basis in such Bonds by the amount of such accruing discount for purposes of

determining taxable gain or loss on the sale or other disposition of such Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the 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. Owners of such 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 Bonds and with respect to the state and local tax consequences of owning and disposing of such Bonds.

LITIGATION

On the date of delivery of the Bonds, counsel to the Borrower will render an opinion 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 such counsel's knowledge after due inquiry threatened, against or affecting the Borrower wherein an unfavorable decision, ruling or finding would 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, counsel to the Issuer will render an opinion 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 his knowledge, after due inquiry of the Issuer, threatened against or affecting the Issuer, wherein an unfavorable decision, ruling or finding would 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.

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 and 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 fairness and accuracy 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 its counsel, 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, Moyle, Flanigan, Katz, Raymond & Sheehan, P.A. Certain legal matters will be passed upon for the Borrower by its counsel.

Bond Counsel, counsel to the Issuer 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. have assigned ratings of "AAA" and "AAA," respectively, to the Bonds with the understanding that upon delivery of the Bonds, a financial guaranty insurance policy will be issued by the Insurer. In addition, S&P has assigned a rating of "A+" to the Bonds without regard to the insurance policy. 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 has 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

Banc of America Securities LLC, the Underwriter, has agreed, subject to certain customary conditions precedent, to purchase the Bonds at a price of \$15,528,311.60 (which includes net original issue discount of \$27,944.90 and underwriter's discount of \$93,743.50), 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 their operations, 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.

FINANCIAL ADVISOR TO THE ISSUER

The Issuer has retained Waters and Company, LLC, Birmingham, Alabama, 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 each Borrower have entered into a covenant (each, a "Continuing Disclosure Covenant") that constitutes the written undertaking for the benefit of the holders 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.

Pursuant to the Rule, the Borrower agreed to provide certain annual financial information with respect to the Borrower's General Obligation Bonds, Series 1996. The Borrower did not file the annual financial information or operating data as required by the Rule for the fiscal years ended September 30, 1996 through and including 2001. The Borrower notified the MSRB of its failure to timely file the information in 2002. The Borrower's failure to timely file the required information was inadvertent and the Borrower intends to comply with all of its undertakings pursuant to the Rule. Except as described above, the Borrower has complied with its continuing disclosure obligations

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/ Raul Martinez
Its Chairman

APPENDIX A

CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** dated as of July 1, 2004 (the "Continuing Disclosure Agreement") is executed and delivered by Longboat Key Beach Erosion Control District A, a Florida special district ("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 provided to each Repository or filed with the SEC or, if by reference to the Final Official Statement, filed with the MSRB 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 \$ _____ Florida Municipal Loan Council Revenue Bonds, Series 2004A-2.

"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.

"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 as of July 1, 2004 by and between Florida Municipal Loan Council, as Issuer, and Wachovia Bank, National Association, as Trustee.

"Insurer" means MBIA Insurance Corporation.

"Issuer" means Florida Municipal Loan Council.

"Loan Agreement" means the Loan Agreement dated as of July 1, 2004, 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.

"NRMSIR" means, as of the date of determination, any Nationally Recognized Municipal Securities Information Repository for purposes of paragraph (b)(5) of the Rule.

"Offering" shall have 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 Banc of America Securities LLC.

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

"Repository" or "Repositories" means the NRMSIRs and the SIDs, either individually or collectively, as the context requires.

"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, as of the date of determination, any public or private repositories or entities which are designated by the State of Florida as state information depositories for purposes of paragraph (b)(5) of the Rule and recognized as such by the SEC.

"Trustee" means Wachovia Bank, National Association, 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 Report Date and of the Borrower's obligation hereunder not more than 60 and not less than 30 days prior to each 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 each

Repository, 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 each Repository 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, the Repositories, 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 of 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 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 or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to the rights of the holders of the Bonds;
- (viii) optional, contingent or unscheduled redemption calls;
- (ix) defeasances;
- (x) release, satisfaction or sale of property securing repayment of the Bonds; and
- (xi) rating changes;

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.

(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 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 each Repository, 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 each Repository 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 each Repository, 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 each Repository, 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 each Repository 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 one or more members of 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 the Repositories of any such amendment and shall provide the Repositories 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.

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; and

(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.

Longboat Key Beach Erosion Control District
A, 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 Longboat Key Beach Erosion Control District A, a Florida special district, 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 July 1, 2004 (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 Master 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 the Repositories or filed with the SEC or, in the case of a reference to a Final Official Statement, has been filed with the MSRB.

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 _____, ____.

Longboat Key Beach Erosion Control District
A, as Borrower

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.
301 Bronough Street
Tallahassee, Florida 33401

The undersigned duly authorized signatory of Longboat Key Beach Erosion Control District A (the "Borrower") hereby certifies on behalf of the Borrower pursuant to the Continuing Disclosure Agreement dated as of July 1, 2004 (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 _____

(b) Operating Data _____

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 1st day of July 1, 2004.

Longboat Key Beach Erosion Control District A, as
Borrower

By: _____
Its: _____

Acknowledgment of Receipt:

Florida League of Cities, Inc., as
Dissemination Agent

By: _____
Its: _____

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX B

CONTINUING DISCLOSURE AGREEMENT FOR ISSUER

This **CONTINUING DISCLOSURE AGREEMENT** dated as of July 1, 2004 (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 provided to each Repository or filed with the SEC or, if by reference to the Final Official Statement, filed with the MSRB 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 \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2004A-2.

"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.

"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 July 1, 2004, by and between the Issuer and Wachovia Bank, National Association, as Trustee.

"Insurer" means MBIA Insurance Corporation.

"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.

"NRMSIR" means, as of the date of determination, any Nationally Recognized Municipal Securities Information Repository for purposes of paragraph (b)(5) of the Rule.

"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 Banc of America Securities LLC.

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

"Repository" or "Repositories" means the NRMSIRs and the SIDs, either individually or collectively, as the context requires.

"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, as of the date of determination, any public or private repositories or entities which are designated by the State of Florida as state information depositories for purposes of paragraph (b)(5) of the Rule and recognized as such by the SEC.

"Trustee" means Wachovia Bank, National Association, 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 Report Date and of the Issuer's obligation hereunder not more than 60 and not less than 30 days prior to each 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 each Repository, 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 each Repository 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 Repositories, 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 of the Issuer) 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 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 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 or events affecting the tax-exempt status of the Bonds;
- (vii) modifications to the rights of the holders of the Bonds;
- (viii) optional, contingent or unscheduled redemption calls;
- (ix) defeasances;
- (x) release, satisfaction or sale of property securing repayment of the Bonds; and
- (xi) rating changes;

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.

(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 each Repository, 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 each Repository 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 each Repository, 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 each Repository, the Insurer, the Rating Agencies and the Trustee. The Dissemination Agent shall provide the Issuer written confirmation that such notice was provided to each Repository 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 the Repositories of any such amendment and shall provide the Repositories 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 July 1, 2004 (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 Master 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 the Repositories or filed with the SEC or, in the case of a reference to a Final Official Statement, has been filed with the MSRB.

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 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 ___ day of _____, ____.

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
Wachovia Bank, National Association
Jacksonville, Florida
Florida Municipal Loan Council
Tallahassee, Florida
Banc of America Securities LLC
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 July 1, 2004 (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 \$ _____ Florida Municipal Loan Council Revenue Bonds, Series 2004A-2.
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 1st day of July, 2004.

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX C

FORM OF INDENTURE

THIS TRUST INDENTURE is made and entered into as of July 1, 2004, 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 WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association, 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 of Florida, including particularly Part I of Chapter 163, Florida Statutes, as amended (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 Borrowers in the State in order to finance, refinance or reimburse the cost of qualified Projects of Borrowers, such bonds to be secured by instruments evidencing and securing loans to said Borrowers and to be payable solely out of the payments made by such Borrowers pursuant to Loan Agreements entered into between the Borrowers 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 participating Borrowers to finance, refinance or reimburse the cost of qualifying Projects pursuant to Loan Agreements between the respective Borrowers 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 participating Borrowers; and

WHEREAS, the Council has now determined to issue its \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2004A-2 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 Borrowers have covenanted or pledged in the Loan Agreements to (i) budget and appropriate legally available non-ad valorem funds of the Borrowers sufficient for that purpose, (ii) pay from ad valorem funds of the Borrowers or (iii) pay from specific revenues of the Borrowers; 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 Agreements (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 Borrowers to comply with the rebate provisions of Section 148(f) of the Code) if, as and when entered into by the Borrowers and any documents securing payment thereunder, including all extensions and renewals of any of the terms of the Loan Agreements 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 Agreements, 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 Agreements; and

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 Agreements 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.

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.

“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, 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 a Borrower which is a municipality, means the person performing the functions of the Mayor or Deputy or Vice Mayor thereof and, when used with reference to a Borrower which is a County means the person performing the functions of the Chairman or Vice Chairman of the Board of County Commissioners of such Borrowers, 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 of the Loan Agreement.

“Board” means the governing body of the Borrower.

“Bond Counsel” means Bryant Miller & Olive P.A., Tampa, 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 financial guaranty insurance policy of the Bond Insurer which insures payment when due of the principal of and interest on the Bonds as provided therein.

“Bond Insurance Premium” with respect to the Bonds, means the premiums payable to the Bond Insurer for the Bond Insurance Policy.

“Bond Insurer” means MBIA Insurance Corporation, and any successor thereto.

“Bonds” means the \$_____ Florida Municipal Loan Council Revenue Bonds, Series 2004A-2 issued hereunder.

“Bond Service Requirement” for any Bond Year shall mean the sum of: (1) the amount required to pay the interest becoming due on the Bonds during such Bond Year, (2) the amount required to pay the principal of the Bonds maturing in such Bond Year, and (3) the amount required to pay the Amortization Installment becoming due during such Bond Year.

“Bond Year” means a 12-month period beginning on July 2, ending on and including the following July 1, except for the first period which begins on July ___, 2004.

“Borrower” means Longboat Key Beach Erosion Control District A 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 “Cost” as defined in the Act.

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

“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.

“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.

“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 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.

“Florida Municipal Investment Trust” means the investment trust administered by the Florida League of Cities, Inc., which consists of U.S. Treasuries, federal agency securities, instrumentalities and high grade corporate securities.

“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 July 1, 2004 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.

“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 June 1 and December 1 of each year, beginning December 1, 2005.

“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 of the following investments:

- A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations, the principal of and interest on which are unconditionally guaranteed by the United States of America.
- B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are permitted only if they have been stripped by the agency itself):
 - I. U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
 - 2. Farmers Home Administration (FMHA)
Certificates of beneficial ownership
 - 3. Federal Financing Bank
 - 4. Federal Housing Administration Debentures (FHA)
 - 5. General Services Administration
Participation certificates

6. Government National Mortgage Association (GNMA or “Ginnie Mae”)
 - GNMA-guaranteed mortgage-backed bonds
 - GNMA-guaranteed pass-through obligations
 - (not acceptable for certain cash-flow-sensitive issues.)
 7. U.S. Maritime Administration
 - Guaranteed Title XI financing
 8. U.S. Department of Housing and Urban Development (HUD)
 - Project Notes
 - Local Authority Bonds
 - New Communities Debentures-U.S. government guaranteed debentures
 - U.S. Public Housing Notes and Bonds-U.S. government guaranteed public housing notes and bonds
- C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are permitted only if they have been stripped by the agency itself):
1. Federal Home Loan Bank System
 - Senior debt obligations
 2. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
 - Participation Certificates
 - Senior debt obligations
 3. Federal National Mortgage Association (FNMA or “Fannie Mae”)
 - Mortgage-backed securities and senior debt obligations
 4. Student Loan Marketing Association (SLMA or “Sallie Mae”)
 - Senior debt obligations
 5. Resolution Funding Corp. (REFCORP) obligations
 6. Farm Credit System
 - Consolidated systemwide bonds and notes
- D. Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m,” or “AAA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2.”
- E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above, Such certificates must be issued by commercial banks, savings and loan associations or

mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

- F. Certificates of deposit, savings accounts, deposit accounts or money market deposits that are fully insured by FDIC, including BIF and SAIF.
- G. Investment Agreements, including GIC's, acceptable to the Bond Insurer.
- H. Commercial paper rated, at the time of purchase, "Prime - 1 by Moody's and "A-1" or better by S&P.
- I. Bonds or notes issued by any state or municipality that are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.
- J. Federal funds or bankers acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unwarranted obligation rating of "Prime - 1," or "M" or better by Moody's and "A- 1" or "A" or better by S&P.
- K. Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

Repurchase Agreements must satisfy the following criteria or be approved by the Bond Insurer:

- 1. Repos must be between the municipal entity and a dealer bank or securities firm
 - a. Primary dealers on the Federal Reserve reporting dealer list that are rated "A" or better by S&P and Moody's, or
 - b. Banks rated "A" or above by S&P and Moody's .
- 2. The written repo contract must include the following:
 - a. Securities that are acceptable for transfer are:
 - (i) Direct U.S. governments, or
 - (ii) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA and FHLMC)

- b. The term of the repo may be up to 30 days
 - c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneously with payment (perfection by possession of certificated securities)
 - d. Valuation of Collateral
 - (i) The securities must be valued weekly. marked-to-market at current market price plus accrued interest
 - (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.
3. Legal opinion that must be delivered to the municipal entity:
- a. Repo meets guidelines under state law for legal investment of public funds.
- 12. The Florida Municipal Investment Trust 1 - 3 year High Quality Bond Fund.
 - 13. The Local Government Surplus Funds Trust Fund created pursuant to Chapter 218, Part IV, Florida Statutes for which Florida State Board of Administration acts as custodian.
 - 14. The Florida Municipal Investment Trust Enhanced Cash Portfolio
 - 15. Any other investment in which proceeds of the Bonds may be invested under Florida law, provided that such investments are approved in writing by the Bond Insurer.

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

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

“Loans” means all loans made by the Council under this Indenture to Borrowers.

“Loan Agreement” or “Loan Agreements” means the Loan Agreement or Loan Agreements between the Council and the Borrower(s) participating in the Program 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 such participating Borrower(s) from proceeds of a Series of Bonds and establishing the terms and conditions upon which such Loans are to be made.

“Loan Repayment Date” means December 20, 2004 and thereafter each June 20th and December 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 the Loan Agreement.

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

“Moody’s” means Moody’s Investors Service and its successors and assigns.

“Non-Ad Valorem Revenues” means, with respect to certain Borrowers, 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.

“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.

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

“Proportionate Share” means, at the time such calculation is made, with respect to any Borrower, a fraction the numerator of which is the outstanding principal amount of the Loan of such Borrower made from proceeds of the Bonds and the denominator of which is the outstanding principal amount of all Loans made from proceeds of the Bonds.

“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, Moody’s 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 fifteenth 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.

“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 respective Accounts of the Borrowers 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 related Loan Agreement.

“S&P” means Standard & Poor’s, a division of The McGraw-Hill Companies, Inc., 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 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.

“Term Bonds” shall mean the Bonds which are subject to Amortization Installments, and are designated as Term Bonds.

“Trustee” means Wachovia Bank, National Association, 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.

(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.

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 Borrowers. The Bonds shall be designated as “Florida Municipal Loan Council Revenue Bonds, Series 2004A-2”. 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 amount of _____ Dollars (\$_____). 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 of the Series. 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 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 as of _____, 2004. 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:

\$_____ Serial Bonds

| <u>Maturity</u> <u>(July 1)</u> | <u>Amount</u> | <u>Interest Rate</u> |
|------------------------------------|---------------|----------------------|
| 2004 | | |
| 2005 | | |
| 2006 | | |
| 2007 | | |
| 2008 | | |
| 2009 | | |
| 2010 | | |
| 2011 | | |
| 2012 | | |
| 2013 | | |
| 2014 | | |
| 2015 | | |
| 2016 | | |
| 2017 | | |
| 2018 | | |
| 2019 | | |

\$_____ % Term Bond Due July 1, 20__

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, 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. So long as the Bond Insurance Policy shall be in full force and effect, the Council and the Trustee hereby agree to comply with the following provisions:

A. In the event that, on the second Business Day, and again on the Business Day prior to the payment date on the Bonds, the Trustee has not received sufficient moneys to pay all principal of, and interest on the Bonds due on the second following, or next following as the case may be, Business Day, the Trustee shall immediately notify the Bond Insurer or its designee on the same Business Day by telephone or telegraph confirmed in writing by registered or certified mail, of the amount of the deficiency.

B. If the deficiency is made up in whole or in part prior to or on the payment date, the Trustee shall so notify the Bond Insurer or its designee.

C. In addition, if the Trustee has notice that any Bondholder has been required to disgorge payments of principal, or interest on the Bonds to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

D. The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Holders of the Bonds as follows:

1. If and to the extent there is a deficiency in amounts required to pay interest on the Bonds, the Trustee shall (a) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing the Insurer as agent for such Holders in any legal proceeding related to the payment of such interest and an assignment to the Bond Insurer of the claims for interest to which such deficiency relates and which are paid by the Bond Insurer, (b) receive as designee of the respective Holders (and not as Paying Agent) in accordance with the tenor of the Bond Insurance Policy (the "Bond Insurance Policy") payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (c) disburse the same to such respective Holder; and

2. If and to the extent of a deficiency in amounts required to pay principal of the Bonds, the Trustee shall (a) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing the Insurer as agent for such Holder in any legal proceeding relating to the payment of such principal and an assignment to the Bond Insurer of any of the Bond surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (b) receive as designee of the respective Holders

(and not as Trustee) in accordance with the tenor of the Bond Insurance Policy payment therefor from the Insurance Paying Agent, and (c) disburse the same to such Holders.

E. Payments with respect to claims for interest on and principal of Bonds disbursed by the Trustee from proceeds of the Bond Insurance Policy shall not be considered to discharge the obligation of the Issuer with respect to such Bonds, and the Bond Insurer shall become the owner of such unpaid Bonds and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

F. Irrespective of whether any such assignment is executed and delivered, the Council and the Trustee hereby agree for the benefit of the Bond Insurer that:

1. They recognize that to the extent the Bond Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of principal of or interest on the Bonds, the Bond Insurer will be subrogated to the rights of such Holders to receive the amount of such principal and interest from the Council, with interest thereon as provided and solely from the sources stated in this Indenture and the Bonds; and

2. They will accordingly pay to the Bond Insurer the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in this Indenture and the Bonds, but only from the sources and in the manner provided herein for the payment of principal of and interest on the Bonds to Holders, and will otherwise treat the Bond Insurer as the owner of such rights to the amount of such principal and interest.

G. Copies of any amendments made to the documents executed in connection with the issuance of the Bonds which are consented to by the Bond Insurer shall be sent to S&P.

H. The Bond Insurer shall receive notice of the resignation or removal of the Trustee and the appointment of a successor thereto.

I. The Bond Insurer shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Borrower's audited financial statements and annual budget.

J. The Council agrees to reimburse the Bond Insurer immediately and unconditionally upon demand, to the extent permitted by law, for all reasonable expenses, including attorneys' fees and expenses, incurred by the Bond Insurer in connection with (i) the enforcement by the Bond Insurer of the Council's obligations, or the preservation or defense of any rights of the Bond Insurer, under this Indenture and any other document executed in connection with the issuance of the Bonds, and (ii) any consent, amendment, waiver or other action with respect to the Indenture or any related document, whether or not granted or approved, together with interest on all such expenses from and including the date incurred to the date of payment at Citibank's Prime Rate plus 3% or the maximum interest rate permitted by law, whichever is less. In addition, the Bond Insurer reserves the right to charge a fee in connection with its review of any such consent, amendment or waiver, whether or not granted or approved.

K. The Council agrees not to use the Bond Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the Bond Insurer's prior consent. In the event that the Council is advised by counsel that it has a legal obligation to disclose the Bond Insurer's name in any press release, public announcement or other public document, the Council shall provide the Bond Insurer with at least three (3) business days' prior written notice of its intent to use the Bond Insurer's name together with a copy of the proposed use of the Bond Insurer's name and of any description of a transaction with the Bond Insurer and shall obtain the Bond Insurer's prior consent as to the form and substance of the proposed use of the Bond Insurer's name and any such description.

L. The Council shall not enter into any agreement nor shall it consent to or participate in any arrangement pursuant to which Bonds are tendered or purchased for any purpose other than the redemption and cancellation or legal defeasance of such Bonds without the prior written consent of the Bond Insurer.

Any notice that is required to be given to a holder of the Bonds or to the Trustee pursuant to this 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 113 King Street, Armonk, New York 10504, Attention: Surveillance.

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 Bonds pursuant to the terms of the Bond Insurance Policy and the 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 Bondholders 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 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 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 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).

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Optional Redemption of the Bonds.

(a) The Bonds are not subject to optional redemption prior to maturity, except as described below in subparagraph (b).

(b) The Bonds are subject to redemption at the option of the Council at any time on or before December 31, 2007, at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest to the redemption date, provided that (i) not more than \$4,000,000 principal amount of Bonds may be redeemed pursuant to this provision, and (ii) the principal amount of Bonds redeemed may not exceed the amount of proceeds received by the Borrower from grants from the State of Florida and the United States of America made to offset the cost of the Project.

SECTION 3.02. Mandatory Redemption of Bonds.

The Bonds that mature on December 1, 20__ 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, on December 1, 20__ and on each December 1 thereafter, in the following principal amounts in the following years:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| | \$ |

*Maturity

The Bonds are subject to extraordinary mandatory redemption as a result of acceleration of any Loan pursuant to a 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, but only with the approval of the Bond Insurer, from all Liquidation Proceeds or Insurance Proceeds received by the Trustee as a result of an acceleration of any Loan or Loans. To the extent that all Loans are not being accelerated, Bonds to be redeemed shall be selected by the Registrar by lot or in such other manner as the Council in its discretion may deem appropriate; provided, however, that only such Bonds which correspond in terms of amount and scheduled maturity date to the principal loan payment obligations of the Loan or Loans being accelerated are subject to such extraordinary mandatory redemption, and provided further that, in the event Liquidation Proceeds are not sufficient to redeem all such corresponding Bonds, the portion of the corresponding Bonds to be so redeemed shall be selected on a pro-rata basis based upon the ratio

of Liquidation Proceeds to the total amount of Bonds which correspond to the Loan or Loans being accelerated.

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 any 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 any person necessary to ensure compliance by the Council with applicable rules and regulations regarding such notices.

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.

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 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.

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 of Florida 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 of Florida or any political subdivision or any municipal corporation thereof except the Trust Estate, in the manner provided herein and in the Loan Agreements. The Loan Agreements do not represent joint liabilities of the Borrowers executing Loan Agreements with the Council, and shall be payable solely as provided in such Loan Agreements.

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 Project Loan Fund, with an Account relating to each Borrower therein, (2) the Principal Fund, with an Account relating to each Borrower, (3) the Revenue Fund, with an Account relating to each Borrower therein (4) the Cost of Issuance Fund, with an Account relating to each Borrower therein, and (5) the Rebate Fund.

SECTION 4.03. Project Loan Fund. Moneys in the Project Loan Fund shall be segregated at Closing into separate Accounts for each Loan to a Borrower as provided in Section 4.07(iii) upon the submission of the documents by Borrowers as required by, and upon the terms and conditions specified in, Article V hereof. Interest earnings on investments in each Account of the Project Loan Fund shall be held in and credited to such Account. 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 Account of the Project Loan Fund relating to such Borrower and not yet disbursed to the defaulting Borrower, if any, shall be transferred by the Trustee to the Principal Fund and applied in accordance with the second paragraph of Section 4.04 hereof.

SECTION 4.04. Principal Fund. Upon the receipt of Loan Repayments, Liquidation Proceeds or Insurance Proceeds, the Trustee shall deposit in the appropriate Account of the respective Borrower 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. Such moneys shall be segregated at Closing into separate accounts for each Borrower. All investment earnings on amounts in the Funds and Accounts (except the Rebate Fund and the Project Loan Fund) shall be deposited in the appropriate account of the respective Borrower in the Revenue Fund as received. Any amounts received by the Trustee hereunder which are not required to be deposited elsewhere shall also be deposited in the appropriate account of the respective Borrower in the Revenue Fund.

Amounts in all separate accounts of 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 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 relevant Loan Agreement and amounts which will be credited against the relevant Borrower's next Loan Repayments, shall be deposited in the Principal Fund, as provided in Section 5.04 of the Loan Agreements.

SECTION 4.06. Cost of Issuance Fund. Moneys in the Cost of Issuance Fund shall be segregated at Closing into separate accounts for each Borrower. Such moneys shall be used to pay costs of issuing the Bonds to the extent not paid from other sources, which costs may include, all printing expenses in connection with this Indenture, the Loan Agreements, 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 premium; administrative expenses of the Council; 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 December 1, 2004 shall be transferred to the Revenue Fund and be credited on a pro rata basis toward each Borrower's obligation to pay Loan interest, taking into consideration the discount at which such Loans were made as specified in Section 3.01 of each Loan Agreement.

SECTION 4.07. Application of Bond Proceeds. The proceeds of the Series 2004A-2 Bonds in the sum of \$_____ shall be deposited with the Trustee as follows:

- (i) In the Cost of Issuance Fund, the total sum of \$_____;
- (ii) In the Revenue Fund, the sum of \$_____, which represents capitalized interest for the _____;
- (iii) In the Borrower's account in the Project Loan Fund, the total sum of \$_____, allocated as follows.

The Council understands that \$_____ is being transmitted by the Banc of America Securities LLC, as Underwriter, directly to Bond Insurer.

SECTION 4.08. [Reserved]

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. Such 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 or such Account therein 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.

SECTION 4.11. Reports From Trustee. Unless otherwise advised in writing, the Trustee shall furnish monthly to the Council, the Bond Insurer and to any 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.

ARTICLE V

PROJECT LOANS

SECTION 5.01. Terms and Conditions of Loans. The Council will make Loans to Borrowers in order to (i) finance the acquisition, installation and construction of Projects by Borrowers and (ii) refund or refinance debt incurred by Borrowers, or reimburse funds previously expended by Borrowers, to acquire, install and construct Projects, all in accordance with provisions more fully set forth in the Loan Agreements.

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 Agreements are submitted to the Council.

SECTION 5.03. Disbursement to Borrowers 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 Borrowers 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 such Borrower is not then in default under this Indenture or their Loan Agreement or the other Bond documents and 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 therein and shall be retained in the possession of the Trustee, subject at all times to the inspection by the Council, the Borrowers and their agents and representatives thereof.

ARTICLE VI

SERVICING OF LOANS

The Trustee shall be responsible for calculating payments due in respect of the Loans, holding collateral pledged in respect of the Loans, if any, and enforcing the Loans; 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.

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 any 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. Notwithstanding the foregoing, Loan Repayments may not be invested in investments described under Section 1.01 hereof, "Investment Securities" sections L, M and N.

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).

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 Accounts in the Project Loan Fund shall be credited to such Account.

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 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.

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 or the Financial Guaranty Agreement 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 any outstanding Loans related to the Bonds; provided that if the Bonds are paid from the proceeds of refunding bonds, the Loans 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, nonpresentment 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.

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

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 of or interest on such Bond until the amount of such principal or interest, together with interest thereon provided for herein and in the 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 becoming effective under this Indenture, (i) the Bond Insurer shall have received an opinion of Counsel, satisfactory to the Bond Insurer, to the effect that the proceeds of any deposit to effectuate such defeasance shall not constitute a voidable preference in a case commenced under the Federal Bankruptcy Code by or against the Council or any applicable Borrower, (ii) 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 (iii) the Bond Insurer shall have received (a) the final official statement delivered in connection with the refunding bonds, (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. The opinion required by (i) above may be waived in the discretion of the Bond Insurer at the time of such defeasance.

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 of or interest on any Bond 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, 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 related Loan Agreements.

(b) Subject to Bond Insurer approval, 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 related Loan Agreements as the Trustee shall deem necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the related Loan Agreements, including the sale of part or all of the related Loan Agreements.

(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 has occurred and is continuing, the Bond Insurer shall, subject to the provisions in the following sentence, have the right to direct the Trustee to declare immediately due and payable the principal amount of the Outstanding Bonds, provided that as a condition to such direction of acceleration the Bond Insurer shall have deposited Insurance Proceeds with the Trustee in an amount equal to principal of and interest accrued and to accrue (to a date not less than 30 days following the Bond Insurer's notice of direction to the Trustee of acceleration) on the Bonds Outstanding which are due as a result of such acceleration. **NOTWITHSTANDING THE FOREGOING OR ANY PROVISION HEREIN TO THE CONTRARY, IN THE EVENT AN EVENT OF DEFAULT HAS OCCURRED BECAUSE OF A DEFAULT UNDER LESS THAN ALL OF THE RELATED LOAN AGREEMENTS, THE BOND INSURER SHALL ONLY HAVE THE RIGHT TO DIRECT THE TRUSTEE TO DECLARE IMMEDIATELY DUE AND PAYABLE A PRINCIPAL AMOUNT OF THE OUTSTANDING BONDS IN AN AMOUNT EQUAL TO THE PRINCIPAL AMOUNT OF THE LOAN OR LOANS THEN IN DEFAULT.** In such event, the Bond Insurer shall direct the Trustee as to which of the Outstanding Bonds shall be declared immediately due and payable. In making such declaration, the Council and the Bond Insurer may only declare Bonds immediately due and payable which correspond in terms of amount and scheduled maturity date to the related Loan Repayments. When the Trustee is directed that payment with respect to such Bonds is to be accelerated by the Bond Insurer pursuant to this Section and when the Bond Insurer, in connection with acceleration of such Bonds by the Trustee, shall have elected in its discretion to deposit Insurance Proceeds in an amount sufficient to pay all amounts of principal and interest due on such Bonds including principal due by reason of acceleration and has so notified the Trustee, the Trustee shall mail notice to the registered Owners of such Bonds not less than fifteen days prior to the date (the "Insurance Payment Date") to which interest accrued and to accrue on such Bonds has been provided by the Bond Insurer, which notice shall state the manner in which such Bonds may be assigned to the Bond Insurer or to an agent or designee thereof in exchange for payment thereon and shall state that from and after the Insurance Payment Date, interest shall cease to accrue on such Bonds for the benefit of such registered Owners (provided that an amount equal to such interest shall continue to accrue on such Bonds assigned to the Bond Insurer as aforesaid).

If an Event of Default shall have occurred, and if requested so to do by the Bond Insurer or by the owners of 25% or more in aggregate principal amount of Outstanding Bonds and 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 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 Sections 4.05(3); and

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 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 or the Bond Insurer 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 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 Bonds 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 maturity of all the Bonds affected thereby (except an acceleration of maturity of all or a portion of such Bonds directed by the Bond Insurer) 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 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 (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.

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; 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 Bonds for all purposes except for the purpose of payment of the principal of and premium, if any, and interest on the Bonds prior to the payment by the Bond Insurer of the principal of and interest on the 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 Agreements, and no acceleration of the Bonds shall be permitted, and no event of default shall be waived, without the Bond Insurer's consent. All rights to collect, receive and dispose of such collateral shall be independent of any rights to effect acceleration of the Bonds.

(b) The Bond Insurer shall be subrogated to any and all of the rights of the Owners of any and all of the Bonds insured by the Bond Insurer (unless the Bond Insurer is in default under 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 Agreements or the initiation by Bondholders of any action to be undertaken by the Trustee at the Bondholder's request. In addition, the Bond Insurer's consent to any Supplemental Indenture and any amendment, change or modification of any 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 Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the Bondholders for the benefit of the Bondholders under this Indenture.

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

(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 Agreements 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 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.

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 Agreements.

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 \$75,000,000 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 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 Trustee may be removed at any time, by an instrument or concurrent instruments in writing delivered to the Trustee and to the Council and signed 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, for any breach of trust set forth herein, provided, that all amounts owing to the Trustee shall be paid simultaneous with or prior to such removal.

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, the Bond Insurer may appoint a temporary Trustee to fill such vacancy 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 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. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where this Indenture shall have been filed or recorded. 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 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.

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 the Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, is not to the material prejudice of the 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

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 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 any Loan Agreement.

ARTICLE XII

AMENDMENT OF LOAN AGREEMENTS

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 any Loan Agreement 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 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 a 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 Bonds, provided, however, that the Bond Insurer shall not be entitled to consent to a reduction in, or postponement of, the payment due the Bondholders or any change that affects the exclusion of interest on the Bonds from gross income of the Holders thereof for purposes of Federal income taxation.

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.

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 Loan Agreements, to assign the Loan Agreements 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 Agreements, 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 Agreements.

SECTION 13.04. Rights Under the Loan Agreements. The Loan Agreements, the form of which has been filed with the Trustee and duly executed counterparts of each of which will be retained by the Trustee, as required by Section 13.06 hereof, set forth the covenants and obligations of the Council and the Borrowers, including provisions that the Loan Agreements 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 Agreements for a detailed statement of said covenants and obligations of the Borrowers under the Loan Agreements, 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

Borrowers under the Loan Agreements (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 Agreements. The Trustee shall retain possession of an executed copy of each 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 Agreements 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 any 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 Agreements 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 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.

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 Bonds and the amount or amounts, numbers and other identification of 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, 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
Tallahassee, Florida 32301

Bond Insurer: MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Trustee: Wachovia Bank, National Association
Corporate Trust Department, FL0122
225 Water Street, 3rd Floor
Jacksonville, Florida 32202
Attention: Stephanie Moore

For purposes of Bonds for transfer, exchange or payment:

Wachovia Bank, National Association
Wachovia Customer Information Center
Corporate Trust Operations
1525 West W.T. Harris Blvd., 3C3
Charlotte, North Carolina 28262-1153

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 of 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.

SECTION 14.09. Reporting Requirements. The Council will file or cause to be filed with the Bond Insurer any official statement issued by, or on behalf of, the Council in connection with the incurrence of any additional indebtedness by such Council.

[End of Form Trust Indenture; Exhibits Intentionally Omitted]

APPENDIX D

FORM OF THE LOAN AGREEMENT

This Loan Agreement (the "Loan Agreement" or the "Agreement") dated as of July 1, 2004 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 LONGBOAT KEY BEACH EROSION CONTROL DISTRICT A (the "Borrower"), a duly constituted special district under the laws of the State of Florida.

WITNESSETH:

WHEREAS, pursuant to the authority of the hereinafter defined Act, the Council desires to loan to the Borrower the amount necessary to enable the Borrower to finance, refinance or reimburse the cost of the Project, 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 (the "Projects") for the participating Borrowers; 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 Borrowers to finance Projects; and

WHEREAS, the Borrower is authorized under and pursuant to the Act, as amended, to enter into this Loan Agreement for the purposes set forth herein; 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 July 1, 2004, 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 each Borrower to the extent of their obligations under their respective Loan Agreements only), 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 Revenue Bonds, Series 2004A-2" (the "Bonds") as the same shall become due, 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 (other than each Borrower to the extent of their obligations under their respective Loan Agreements only) 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.

"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, 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 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., Tampa, 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.

"Bond Insurance" means the insurance policy of the Bond Insurer which insures payment of the principal of and interest on the Bonds when due.

"Bond Insurance Premium" means the premiums payable to the Bond Insurer for the Bond Insurance.

"Bond Insurer" means **[MBIA Insurance Corporation]** and any successors thereto.

"Bonds" means the Florida Municipal Loan Council Revenue Bonds, Series 2004A-2 issued pursuant to Article II of the Indenture.

"Bond Year" means a 12-month period beginning on _____ 2 and ending on and including the following _____ 1, except for the first period which begins on _____, 2004.

"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.

"Borrowers" means, collectively, the Borrower executing this Loan Agreement and the other governmental units, which have received loans from the Council made from proceeds of the Bonds.

"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 "Cost" as defined in the Act.

"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 Borrowers.

"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.

"District Interlocal Agreement" means that certain Interlocal Agreement by and between the Borrower, Longboat Key Beach Erosion Control District B, and the Town of Longboat Key, Florida dated as of June 1, 2004.

"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 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) direct and general obligations of the United States of America, or those which are unconditionally guaranteed as to principal and interest by the same, including interest on obligations of the Resolution Funding Corporation and (ii) pre-refunded municipal obligations meeting the following criteria:

(a) the municipal obligations may not be callable prior to maturity or, alternatively, the trustee has received irrevocable instructions concerning their calling and redemption;

(b) the municipal obligations are secured by cash or securities described in subparagraph (i) above (the "Defeasance Obligations"), which cash or Defeasance Obligations may be applied only to interest, principal, and premium payments of such municipal obligations;

(c) the principal and interest of the Defeasance Obligations (plus any cash in the fund) are sufficient to meet the liabilities of the municipal obligations;

(d) the Defeasance Obligations serving as security for the municipal obligations must be held by an escrow agent or a trustee; and

(e) 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 the Trust Indenture dated as of July 1, 2004 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.

"Interest Payment Date" means _____ 1 and _____ 1 of each year, commencing _____ 1, 2004.

"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.

"Loan" means the Loan made to the Borrower from Bond proceeds to finance certain Project(s) in the amount specified in Section 3.01 herein.

"Loans" means all loans made by the Council under the Indenture to the Borrowers.

"Loan Agreement" or "Loan Agreements" means this Loan Agreement and any amendments and supplements hereto.

"Loan Repayment Date" means _____ 20, 2004, and thereafter each _____ 20th and _____ 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 Additional 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, a Borrower or the Trustee and the Bond Insurer.

"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 IX 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.

"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 fund by that name 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.

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

"Proportionate Share" means, with respect to any Borrower, a fraction the numerator of which is the outstanding principal amount of the Loan of such Borrower made from proceeds of the Bonds and the denominator of which is the outstanding principal amount of all Loans made from proceeds of the Bonds and then outstanding.

"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.

"Reserve Fund" means the fund by that name created by Section 4.02 of the Indenture.

"Revenue Fund" means the fund by that name created by Section 4.02 of the Indenture.

"Revenues" means all Loan Repayments paid to the Trustee for the respective accounts of the Borrowers 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.

"S&P" means Standard & Poor's, a division of the McGraw-Hill Companies, Inc., 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 Wachovia Bank, National Association, as Trustee, or any successor thereto under the Indenture.

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 special district of the State and is a duly organized and validly existing Borrower;

(2) has all requisite power and authority to own and operate its properties and to carry on its activities as now conducted and as presently proposed to be conducted; and

(3) the Borrower represents that its governing body is the Town Commission of the Town of Longboat Key, Florida, acting ex officio on its behalf. Therefore the covenants and duties described herein are undertaken by and through such governing body.

(b) Full Disclosure. There is no fact that the Borrower knows of which has not been specifically disclosed in writing to the Council and the Bond Insurer that materially and adversely affects or, except for pending or proposed legislation or regulations that are a matter of general public information affecting State of Florida 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, Banc of America Securities LLC, as underwriter of the Bonds and the Bond Insurer 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, Banc of America Securities LLC, as underwriter of the Bonds and the Bond Insurer 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, Banc of America Securities LLC, as underwriter of the Bonds and the Bond Insurer, 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.

(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. 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 cost of the Project as set forth in Exhibit A hereto. 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 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. Notwithstanding the foregoing all such proceeds are expected to be expended prior to _____ 1, 2007.

(2) 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. Borrower will accordingly be responsible for repaying, through the Basic Payments portion of its Loan Repayments, the portion of the Bonds issued to fund only its Loan including the portion issued to fund the underwriting discount, original issue discount and other fees and costs of issuing the Bonds.

(3) 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.

(4) 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. The Project is permitted to be financed 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.

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. For the prompt payment of the Basic Payment as required under this Loan Agreement, the full faith, credit and taxing power of the Borrower are irrevocably pledged together with all moneys received pursuant to the District Interlocal Agreement. In each year while the Loan is outstanding, there shall be levied and collected a tax without limitation as to rate or amount on all assessable property within the Borrower, sufficient in amount, together with the funds received pursuant to the District Interlocal Agreement, to pay the Basic Payment, as the same shall become due, after applying any other funds which may be available for such Basic Payment and which shall become due, after applying any other funds which may be available for such Basic Payment and which shall actually be so applied. For the payment of the Additional Payments, the Borrower agrees to budget and appropriate legally available Non-Ad Valorem Revenues to pay Additional Payments. Such covenant is subject in all respects to the payment of obligations secured by a pledge of a lien upon such Non-Ad Valorem Revenues heretofore entered into.

(b) Delivery of Information to the Bond Insurer. Borrower shall deliver to the Bond Insurer and the Council 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) Ad-Valorem Taxes. In each fiscal year while the Loan is outstanding there shall be assessed, levied and collected the ad-valorem tax sufficient in amount, together with the

funds received pursuant to the District Interlocal Agreement, to pay the principal of and interest on the Loan as the same shall become due, after deducting therefrom any other funds which may be available for such principal and interest payment and which shall actually be so applied.

The Borrower will diligently enforce its rights to receive the ad-valorem tax as provided by law and will diligently enforce and collect such tax. The Borrower will not take any action that will impair or adversely affect its rights to levy, collect and receive the tax, or impair or adversely affect in any manner the pledge made herein, or the rights of the holders of the Bonds.

(e) 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.

(f) 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.

(g) 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.

(h) 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-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.

(i) 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.

(j) 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.

(k) Limited Obligations. Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder with respect to the Additional Payments 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 Trustee or the Bond Insurer, may compel the levy of ad valorem taxes with respect to the Additional Payments 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 Additional Payments by the Borrower of its obligations hereunder. 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. It is the intent of the parties hereto and they do hereby covenant and agree, that the liability of the Borrower hereunder is a several liability of the Borrower expressly limited to the Loan Repayments and the Borrower shall have no joint liability with any other Borrower or the Council for any of their respective liabilities, except to the extent expressly provided hereunder.

The Council and the Borrower understand that the amounts available to be budgeted and appropriated to make Additional 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.

(l) Reporting Requirements. (i) The Borrower will file or cause to be filed with the Bond Insurer and with the Council any official statement issued by, or on behalf of, the Borrower in connection with the incurrence of any additional indebtedness by the Borrower. 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.

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 \$_____ (\$_____ par amount of Bonds plus \$_____ reoffering premium). This amount includes an amount equal to _____% which reflect the Borrower's share of the cost of the initial issuance of the Bonds subject to the terms and conditions contained in this Loan Agreement and in the Indenture. The amounts advanced net of the cost of the initial issuance are to be used by the Borrower for the purposes of financing or refinancing the cost of, or receiving reimbursement for the equity in, the Project 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.

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 Borrowers pursuant to Section 5.03(b)(7) hereof) 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 resolution of the Borrower substantially in the form of Exhibit B attached hereto and the District Interlocal Agreement;

(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 and 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 _____ 1, 2007, 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.

(e) This executed Loan Agreement;

(f) 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 resolution 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

(g) Such other certificates, documents, opinions and information as the Council, the Bond Insurer, the Trustee 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.

ARTICLE V

LOAN REPAYMENTS

SECTION 5.01. Payment of Basic Payments. 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 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 _____ 20th and _____ 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing _____ 20, 200__, and extending through _____ 20, 20__, unless the due date of the Basic Payment 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) Borrower's Proportionate Share of: 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 (to the extent not previously paid from the Cost of Issuance Fund); the fees of the Program Administrator and the fees of the rating agencies (to the extent not previously paid from the Cost of Issuance Fund); and (ii) Borrower's equal share of the annual fees of the Trustee; and annual fees of the Registrar and Paying Agent.

(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 and the Council in connection with the Loan, this Loan Agreement and the enforcement thereof;
- (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) all reasonable fees and expenses of the Bond Insurer relating directly to the Loan; and
- (7) 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.

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, Borrower's share of 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 Borrower's share of 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 such defaulting 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 now non-defaulting Borrower from the past-due Loan Repayments.

(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) and (k) hereof, the obligations of 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 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 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. The Council agrees not to issue bonds or other debt obligations to refund the portion of the Bonds allocable to this Agreement 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.

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 Trustee or the Bond Insurer. Provided, however, if, at any time, the Borrower shall have paid, or 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 Non-Ad Valorem Revenues and the lien on the ad valorem taxes pledged 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, deposit of sufficient cash and/or Governmental Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Council in respect to which such Governmental Obligations, the principal and interest received will be sufficient (as reflected in an accountants verification report provided to the Trustee by the Borrower) to make timely payment of the principal, interest and redemption premiums, if any, on the Outstanding Bonds, shall be considered "provision for payment."

Nothing herein shall be deemed to require the Council to call any of the outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Council in determining whether to exercise any such option for early redemption.

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, 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 thirty-five (35) days' notice by certified or registered mail to the Council.

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.

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 thirty (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 sixty (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;

(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 sixty (60) days;

(h) Default under any agreement to which Borrower is a party evidencing, securing or otherwise respecting any indebtedness of the Borrower outstanding in the amount of One Hundred Thousand and No/100 Dollars (\$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 Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by Borrower or any governmental agency or authority, or if 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 Two Hundred Fifty Thousand and No/100 Dollars (\$250,000) or more is rendered against 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 ninety (90) days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) 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) Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes.

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 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 immediately due and payable, and upon notice to the Borrower the same shall become immediately due and payable by the Borrower 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 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).

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
Tallahassee, Florida 32301

Bond Insurer: MBIA Insurance Corporation
113 King Street
Armonk, New York 10504

Trustee: Wachovia Bank, National Association
Corporate Trust Department
225 Water Street, 3rd Floor
Jacksonville, Florida 32202

For purposes other than presentation of Bonds for transfer, exchange or payment:

Wachovia Bank, National Association
Corporate Trust Department
225 Water Street, 3rd Floor
Jacksonville, Florida 32202

Borrower: Longboat Key Beach Erosion Control District A
c/o Town of Longboat Key
501 Bay Isles Road
Longboat Key, Florida 34228
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 of Florida.

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. 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.

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.

[End of Form Loan Agreement; Exhibits Intentionally Omitted]

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds in definitive form, Bryant Miller & Olive P.A., Bond Counsel, propose to render their separate final approving opinion in substantially the following form:

[dated date of closing]

Florida Municipal Loan Council
Tallahassee, Florida

\$15,650,000
FLORIDA MUNICIPAL LOAN COUNCIL
REVENUE BONDS, SERIES 2004A-2

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the “Council”) of its \$15,650,000 Florida Municipal Loan Council Revenue Bonds, Series 2004A-2 (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 and a Trust Indenture dated as of July 1, 2004, between the Council and Wachovia Bank, National Association, as Trustee (the “Indenture”). All capitalized terms used herein which are not otherwise defined herein shall have the meanings ascribed in the Indenture.

The proceeds of the Bonds will be loaned to the Longboat Key Beach Erosion Control District A (the “Borrower”) for the purpose of financing, refinancing or reimbursing the cost of a beach renourishment project of such Borrower, and to pay certain costs of issuing the Bonds pursuant to 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 furnished to us, without undertaking to verify the same by independent investigation. We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Official Statement or other offering material related to the Bonds. This opinion should not be construed as offering material relating to the Bonds, but should be considered only for the opinions expressed herein. 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

underwriters with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Kraig A. Conn, Esquire, Counsel to the Issuer, as to the due creation and valid existence of the Council, the due authorization, 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 each 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 of the Council within the meaning of any constitutional, statutory or other limitation of indebtedness.

Based on our examination, we are of the opinion, as of the date of delivery of and payment for the Bonds, as follows:

1. The Council is duly created and validly existing as a separate legal entity of the State of Florida with the power to execute the Indenture and perform the agreements on its part contained therein and to issue the Bonds.

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. The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery 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. The Council has covenanted in the Indenture and the Borrower have covenanted in their Loan Agreement to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Bonds.

Subject to compliance by the Council and the Borrower with the aforementioned covenants, (a) interest on the Bonds is excluded from gross income of the owners thereof for purposes of federal income taxation and (b) interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax

imposed on such corporations. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. The Bonds are exempt from intangible taxes imposed pursuant to Chapter 199, Florida Statutes, as amended.

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.

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.

Very truly yours,

BRYANT MILLER & OLIVE P.A.

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX F

SPECIMEN OF FINANCIAL GUARANTY INSURANCE POLICY

THIS PAGE INTENTIONALLY LEFT BLANK

FINANCIAL GUARANTY INSURANCE POLICY

MBIA Insurance Corporation Armonk, New York 10504

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [INSERT NAME OF PAYING AGENT] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR]
[LEGAL NAME OF ISSUE]

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

The insurance provided by this policy is not covered by the Florida Insurance Guaranty Association created under chapter 631, Florida Statutes.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

COUNTERSIGNED:

Resident Licensed Agent

City, State

MBIA Insurance Corporation

President

Attest:

Assistant Secretary

STD-RCS-FL-6
4/95

THIS PAGE INTENTIONALLY LEFT BLANK

APPENDIX G

Financial Information Regarding Town of Longboat Key

THIS PAGE INTENTIONALLY LEFT BLANK

TOWN OF LONGBOAT KEY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FISCAL YEARS ENDED SEPTEMBER 30,

| | <u>2003</u> | <u>2002</u> |
|--|----------------------|----------------------|
| <u>REVENUES</u> | | |
| Property taxes | \$7,782,385 | \$7,049,902 |
| Other taxes | -- | -- |
| Licenses and permits | 1,253,797 | 1,061,274 |
| Intergovernmental | 1,333,995 | 1,422,263 |
| Charges for services | 1,303,288 | 1,222,387 |
| Franchise fees | 873,195 | 897,402 |
| Fines and miscellaneous | 218,454 | 286,360 |
| Income on investments | <u>98,324</u> | <u>122,805</u> |
| Total Revenues | <u>12,863,438</u> | <u>12,062,393</u> |
| Expenditures | | |
| Current | | |
| General Government | 4,911,865 | 4,607,393 |
| Public safety | 4,891,498 | 4,707,961 |
| Transportation | 495,011 | 502,514 |
| Culture and recreation | 620,067 | 587,995 |
| Debt Service | -- | 1,855 |
| Capital outlay | <u>726,417</u> | <u>972,836</u> |
| Total expenditures | <u>11,644,858</u> | <u>11,380,554</u> |
| Excess of revenues over/under expenditures | <u>1,218,580</u> | <u>681,839</u> |
| Other financing sources (uses) | | |
| Transfers in | 150,000 | 150,000 |
| Transfers out | <u>(1,219,638)</u> | <u>(1,108,432)</u> |
| Total other financing sources (uses) | <u>(1,069,637)</u> | <u>(958,432)</u> |
| Net change in fund balances | 148,943 | <u>(276,593)</u> |
| Fund balances - beginning as previously reported | -- | <u>3,920,389</u> |
| Fund balance - beginning | <u>3,643,796</u> | <u>3,920,389</u> |
| Fund balance - ending | <u>\$ 3,792,739</u> | <u>\$3,643,796</u> |

The Bonds are not an obligation of the Town of Longboat Key, Florida, and are solely obligations of the Borrower. The Borrower is a dependent special district of the Town of Longboat Key, Florida.

SHINN
COMPANY, P.A.

Certified Public Accountants and Consultants

1001 3rd Ave. W., Suite 500 ♦ Bradenton, Florida 34205

Tel (941) 747-0500 ♦ Fax (941) 746-0202 ♦ E-Mail cpa@sz.com

Byron E. Shinn, CPA
Michael T. Giles, CPA
Gregory C. Green, CPA
Mac Nicoll, CPA*
*Licensed in YT

MEMBER
Private Companies Practice Section
American Institute of Certified Public Accountants
Florida Institute of Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Honorable Members of the
Board of Town Commissioners
Town of Longboat Key, 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 Town of Longboat Key, Florida ("the Town") as of September 30, 2003 and for the year then ended, which collectively comprise the Town's basic financial statements, as listed in the table of contents. We also audited the fiduciary fund type of the Town as and for the year ended September 30, 2003, as displayed in the Town's basic financial statements. These financial statements are the responsibility of Town's management. Our responsibility is to express opinions on these 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 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 the 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 basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, as well as the fiduciary fund type, of the Town, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund, Infrastructure Surtax Special Revenue Fund, and the Beach District A Special Revenue Fund for the 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 a report dated March 15, 2004 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 – 12, as well as Pension Fund Data for general employees, police and firefighters on pages 47 – 49, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

The information presented in the introductory section and the statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.

Shinn + Company PA
CERTIFIED PUBLIC ACCOUNTANTS

March 15, 2004

TOWN OF LONGBOAT KEY, FLORIDA
STATEMENT OF NET ASSETS

| <u>ASSETS</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--------------------------------------|------------------------------------|-------------------------------------|----------------------|
| Current assets: | | | |
| Cash and cash equivalents | \$ 13,200,236 | \$ 4,486,463 | \$ 17,686,699 |
| Accounts receivables | 476,225 | 368,987 | 845,212 |
| Due from other governmental units | 574,105 | - | 574,105 |
| Inventory | 39,766 | 54,851 | 94,617 |
| Other assets | 3,967 | - | 3,967 |
| | <u>14,294,299</u> | <u>4,910,301</u> | <u>19,204,600</u> |
| Total current assets | | | |
| Noncurrent assets: | | | |
| Cash and cash equivalents-restricted | - | 2,057,024 | 2,057,024 |
| Deferred charges | - | 49,409 | 49,409 |
| Land and other nondepreciable assets | 24,913,116 | 2,815,285 | 27,728,401 |
| Capital assets, net of depreciation | 16,919,212 | 5,893,579 | 22,812,791 |
| | <u>41,832,328</u> | <u>10,815,297</u> | <u>52,647,625</u> |
| Total noncurrent assets | | | |
| | <u>\$ 56,126,627</u> | <u>\$ 15,725,598</u> | <u>\$ 71,852,225</u> |
| Total assets | | | |

The notes to the financial statements are an integral part of these statements.

| <u>LIABILITIES</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Current Liabilities: | | | |
| Accounts payable | \$ 503,408 | \$ 236,201 | \$ 739,607 |
| Wages and benefits payable | 409,627 | 11,738 | 421,365 |
| Compensated absences | 267,077 | 11,085 | 278,162 |
| Bonds, notes and loans payable | <u>545,000</u> | <u>225,000</u> | <u>770,000</u> |
| Total current liabilities | <u>1,725,110</u> | <u>484,024</u> | <u>2,209,134</u> |
| Current liabilities payable from restricted assets | | | |
| Interest payable | - | 29,503 | 29,503 |
| Bonds and loans payable | - | 75,000 | 75,000 |
| Deposits | - | <u>142,880</u> | <u>142,880</u> |
| Total current liabilities payable from restricted assets | <u>-</u> | <u>247,383</u> | <u>247,383</u> |
| Noncurrent liabilities: | | | |
| Bonds notes and loans payable (net) | <u>4,710,000</u> | <u>2,078,614</u> | <u>6,788,614</u> |
| Total liabilities | <u>6,435,110</u> | <u>2,810,021</u> | <u>9,245,131</u> |
| <u>NET ASSETS</u> | | | |
| Invested in capital assets, net of related debt | 36,577,328 | 5,426,423 | 42,003,751 |
| Restricted for | | | |
| Debt service | - | 952,159 | 952,159 |
| Connection fees | - | 2,773,788 | 2,773,788 |
| Unrestricted | <u>13,114,189</u> | <u>3,763,207</u> | <u>16,877,396</u> |
| Total net assets | <u>\$ 49,691,517</u> | <u>\$ 12,915,577</u> | <u>\$ 62,607,094</u> |

TOWN OF LONGBOAT KEY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | |
|----------------------------------|----------------------|-----------------------------|---|---|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Governmental activities: | | | | |
| General government | \$ 5,075,999 | \$ 2,070,307 | \$ 37,521 | \$ - |
| Public safety | 5,325,373 | 450,037 | 58,544 | - |
| Transportation | 740,988 | - | 590,682 | - |
| Culture and recreation | 2,514,081 | 273,272 | 35,000 | 436,124 |
| Interest on Long-term debt | 341,841 | - | - | - |
| Total governmental activities | <u>13,998,282</u> | <u>2,793,616</u> | <u>721,747</u> | <u>436,124</u> |
| Business-type activities: | | | | |
| Water and Sewer | <u>4,476,784</u> | <u>4,683,992</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 18,475,066</u> | <u>\$ 7,477,608</u> | <u>\$ 721,747</u> | <u>\$ 436,124</u> |

The notes to the financial statements are an integral part of these statements.

Net (Expense) Revenue and Changes in Net Assets

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|------------------------------|------------------------------------|-------------------------------------|----------------------|
| | \$ (2,968,171) | | \$ (2,968,171) |
| | (4,816,792) | | (4,816,792) |
| | (150,306) | | (150,306) |
| | (1,769,685) | | (1,769,685) |
| | <u>(341,841)</u> | | <u>(341,841)</u> |
| | <u>(10,046,795)</u> | | <u>(10,046,795)</u> |
| | | <u>207,208</u> | <u>207,208</u> |
| | <u>\$ (10,046,795)</u> | <u>\$ 207,208</u> | <u>(9,839,587)</u> |
| | | | |
| General Revenues: | | | |
| Property taxes | 11,252,602 | - | 11,252,602 |
| Gasoline taxes | 507,160 | - | 507,160 |
| Sales taxes | 679,026 | - | 679,026 |
| State revenue sharing | 553,484 | - | 553,484 |
| Tourist tax | 609,294 | - | 609,294 |
| Franchise tax | 873,195 | - | 873,195 |
| Interest income | 230,315 | 96,383 | 326,698 |
| Miscellaneous | <u>49,142</u> | <u>-</u> | <u>49,142</u> |
| Change in net assets | 4,707,423 | 303,591 | 5,011,014 |
| Total net assets - beginning | <u>44,984,094</u> | <u>12,611,986</u> | <u>57,596,080</u> |
| Total net assets - ending | <u>\$ 49,691,517</u> | <u>\$ 12,915,577</u> | <u>\$ 62,607,094</u> |

TOWN OF LONGBOAT KEY, FLORIDA
BALANCE SHEET - GOVERNMENT FUNDS

| | General Fund | Infrastructure Surtax Special Revenue Fund | Beach District A Special Revenue Fund |
|--------------------------------------|-----------------|---|--|
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 4,609,482 | \$ 1,831,830 | \$ 985,459 |
| Due from counties | 1,032 | - | 99 |
| Due from State of Florida | 90,078 | 50,163 | - |
| Due from other funds | - | - | - |
| Other receivable | 76,225 | - | - |
| Inventory | 39,766 | - | - |
| Other assets | 3,967 | - | - |
| Total assets | \$ 4,820,550 | \$ 1,881,993 | \$ 985,558 |
| <u>Liabilities and Fund Balances</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 351,107 | \$ - | - |
| Wages payable | 409,627 | - | - |
| Deferred revenue | - | - | - |
| Accrued compensated absences | 267,077 | - | - |
| Due to other funds | - | - | - |
| Total liabilities | 1,027,811 | - | - |
| Fund balances: | | | |
| Reserved for: | | | |
| Encumbrances | 429,845 | - | - |
| Sinking fund | - | - | - |
| Unreserved, reported in: | | | |
| General fund | 3,362,694 | - | - |
| Special revenue funds | - | 1,881,993 | 985,558 |
| Debt service funds | - | - | - |
| Capital projects funds | - | - | - |
| Total fund balances | 3,792,739 | 1,881,993 | 985,558 |
| Total liabilities and fund balances | \$ 4,820,550 | \$ 1,881,993 | \$ 985,558 |

The notes to the financial statements are an integral part of these statements.

| Durante Park Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|---|--------------------------------|--------------------------------|
| - | \$ 5,773,465 | \$ 13,200,236 |
| - | 360,331 | 361,462 |
| - | 72,402 | 212,643 |
| - | 250,913 | 250,913 |
| 400,000 | - | 476,225 |
| - | - | 39,766 |
| - | - | 3,967 |
| <u>\$ 400,000</u> | <u>\$ 6,457,111</u> | <u>\$ 14,545,212</u> |
| - | \$ 152,299 | \$ 503,406 |
| - | - | 409,627 |
| 400,000 | - | 400,000 |
| - | - | 267,077 |
| 134,275 | 116,638 | 250,913 |
| <u>534,275</u> | <u>268,937</u> | <u>1,831,023</u> |
| - | 1,117,886 | 1,547,731 |
| - | 136,833 | 136,833 |
| - | - | 3,362,894 |
| (134,275) | 2,270,281 | 5,003,557 |
| - | 9,815 | 9,815 |
| - | 2,653,359 | 2,653,359 |
| <u>(134,275)</u> | <u>6,188,174</u> | <u>12,714,189</u> |
| <u>\$ 400,000</u> | <u>\$ 6,457,111</u> | |

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. | 41,832,328 |
| Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds. | 400,000 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds | (5,255,000) |
| Net assets of governmental activities | <u>\$ 49,691,517</u> |

TOWN OF LONGBOAT KEY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

| | General Fund | Infrastructure Surtax Special Revenue Fund | Beach District A Special Revenue Fund |
|--|---------------------|---|--|
| | <u> </u> | <u> </u> | <u> </u> |
| Revenues: | | | |
| Property taxes | \$ 7,782,385 | \$ - | \$ 2,425,590 |
| Other taxes | - | - | - |
| Licenses and permits | 1,253,797 | - | - |
| Intergovernmental | 1,333,995 | 590,682 | - |
| Charges for services | 1,303,288 | - | - |
| Franchise fees | 873,195 | - | - |
| Fines and miscellaneous | 218,454 | - | - |
| Land acquisition fees | - | - | - |
| Grants | - | - | - |
| Contributions | - | - | - |
| Income on investments | 98,324 | 22,111 | 12,937 |
| Total revenues | <u>12,863,438</u> | <u>612,793</u> | <u>2,438,527</u> |
| Expenditures: | | | |
| Current | | | |
| General Government | 4,911,865 | - | 175 |
| Public safety | 4,891,498 | - | - |
| Transportation | 495,011 | - | - |
| Culture and recreation | 620,067 | - | - |
| Debt service | - | - | - |
| Capital outlay | 726,417 | - | - |
| Total expenditures | <u>11,644,858</u> | <u>-</u> | <u>175</u> |
| Excess of revenues over/ under expenditures | <u>1,218,580</u> | <u>612,793</u> | <u>2,438,352</u> |
| Other financing sources (uses) | | | |
| Transfers in | 150,000 | - | - |
| Transfers out | <u>(1,219,637)</u> | <u>-</u> | <u>(1,555,869)</u> |
| Total other financing sources (uses) | <u>(1,069,637)</u> | <u>-</u> | <u>(1,555,869)</u> |
| Net change in fund balances | 148,943 | 612,793 | 882,483 |
| Fund balance, October 1, 2002 | <u>3,643,796</u> | <u>1,269,200</u> | <u>103,075</u> |
| Fund balance, September 30, 2003 | <u>\$ 3,792,739</u> | <u>\$ 1,881,993</u> | <u>\$ 985,558</u> |

The notes to the financial statements are an integral part of these statements.

| Durante Park Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|--|--------------------------------|--------------------------------|
| \$ - | \$ 1,044,627 | \$ 11,252,602 |
| - | 609,294 | 609,294 |
| - | - | 1,253,797 |
| - | 507,160 | 2,431,837 |
| - | 24,892 | 1,328,180 |
| - | - | 873,195 |
| - | - | 218,454 |
| - | 71,907 | 71,907 |
| - | 373,569 | 373,569 |
| 50,000 | 12,555 | 62,555 |
| - | 96,943 | 230,315 |
| <u>50,000</u> | <u>2,740,947</u> | <u>18,705,705</u> |
| - | 175 | 4,912,215 |
| - | - | 4,891,498 |
| - | - | 495,011 |
| - | - | 620,067 |
| - | 2,850,240 | 2,850,240 |
| - | 4,051,249 | 4,777,666 |
| - | <u>6,901,664</u> | <u>18,546,697</u> |
| <u>50,000</u> | <u>(4,160,717)</u> | <u>159,008</u> |
| - | 3,266,973 | 3,416,973 |
| - | (641,467) | (3,416,973) |
| - | 2,625,506 | - |
| 50,000 | (1,535,211) | 159,008 |
| (184,275) | 7,723,385 | 12,555,181 |
| <u>\$ (134,275)</u> | <u>\$ 6,188,174</u> | <u>\$ 12,714,189</u> |

TOWN OF LONGBOAT KEY, FLORIDA
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

Amounts reported for governmental activities in the statement of activities

Net change in fund balances - total governmental funds page 20. \$ 159,008

Capital outlay, reported as expenditures in governmental funds,
 are shown as capital assets in the Statement of Net Assets. 4,777,666

Depreciation expenses on governmental capital assets included in
 the governmental activities in the Statement of Activities. (2,683,402)

In the Statement of Activities, only the loss on the sale of capital assets is reported.
 However, in the governmental funds, the proceeds from the sale increase financial
 resources. Thus the change in net assets differs from the change in fund balance
 by the carrying value of the capital assets sold. (54,248)

Repayment of long-term debt is reported as expenditure in
 governmental funds, but a reduction of long-term liabilities in
 the Statement of Net Assets.

In the current year, these amounts are:

| | | |
|----------------------|----------------|------------------|
| Bonds payable | \$ 2,265,000 | |
| Loans, notes payable | <u>243,399</u> | |
| Total debt payments | | <u>2,508,399</u> |

Change in net assets of governmental activities - page 16. \$ 4,707,423

The notes to the financial statements are an integral part of these statements.

TOWN OF LONGBOAT KEY, FLORIDA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES-BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

| | Original Budget | Final Budget | Actual Amounts GAAP Basis | Variance Positive (Negative) |
|--|---------------------|---------------------|---------------------------------|------------------------------------|
| Revenues: | | | | |
| Property taxes | \$ 7,763,551 | \$ 7,763,551 | \$ 7,782,385 | \$ 18,834 |
| Licenses and permits | 946,450 | 946,450 | 1,253,797 | 307,347 |
| Intergovernmental | 1,181,421 | 1,185,421 | 1,333,995 | 147,574 |
| Charges for services | 461,300 | 461,300 | 1,303,288 | 841,988 |
| Franchise fees | 847,500 | 847,500 | 873,195 | 25,695 |
| Fines and miscellaneous | 783,144 | 838,241 | 218,454 | (619,787) |
| Income on investments | 108,600 | 108,600 | 98,324 | (10,276) |
| Total revenues | <u>12,091,966</u> | <u>12,152,063</u> | <u>12,863,438</u> | <u>711,375</u> |
| Expenditures: | | | | |
| Current | | | | |
| General Government | | | | |
| Legislative | 64,650 | 169,647 | 101,291 | 68,356 |
| Executive | 573,407 | 576,785 | 541,255 | 35,530 |
| Financial and administrative | 745,243 | 745,242 | 737,096 | 8,146 |
| Legal counsel | 354,000 | 353,999 | 244,806 | 109,193 |
| Comprehensive planning | 1,057,172 | 1,054,229 | 1,034,930 | 19,299 |
| Other general government | 2,728,826 | 2,643,473 | 2,252,487 | 390,986 |
| Total General Government | <u>5,523,298</u> | <u>5,543,375</u> | <u>4,911,865</u> | <u>631,510</u> |
| Public safety | | | | |
| Law enforcement | 2,115,979 | 2,105,904 | 2,002,099 | 103,805 |
| Fire control/rescue service | 3,005,412 | 2,984,583 | 2,871,579 | 113,004 |
| Emergency and disaster relief services | 23,650 | 23,648 | 17,820 | 5,828 |
| Total Public safety | <u>5,145,041</u> | <u>5,114,135</u> | <u>4,891,498</u> | <u>222,637</u> |
| Transportation | | | | |
| Transportation | 596,297 | 601,001 | 495,011 | 105,990 |
| Culture and recreation | 683,267 | 707,995 | 620,067 | 87,928 |
| Capital outlay | 941,877 | 1,173,794 | 726,417 | 447,377 |
| Total expenditures | <u>12,889,770</u> | <u>13,140,300</u> | <u>11,644,858</u> | <u>1,495,442</u> |
| Excess of revenues over expenditures | <u>(797,804)</u> | <u>(988,237)</u> | <u>1,218,580</u> | <u>2,206,817</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 150,000 | 150,000 | 150,000 | - |
| Transfers out | (1,802,209) | (1,697,209) | (1,219,637) | 477,572 |
| Total other financing sources (uses) | <u>(1,652,209)</u> | <u>(1,547,209)</u> | <u>(1,069,637)</u> | <u>477,572</u> |
| Net change in fund balances | (2,450,013) | (2,535,446) | 148,943 | 2,684,389 |
| Fund balance, October 1, 2002 | 3,643,796 | 3,643,796 | 3,643,796 | - |
| Fund balance, September 30, 2003 | <u>\$ 1,193,783</u> | <u>\$ 1,108,350</u> | <u>\$ 3,792,739</u> | <u>\$ 2,684,389</u> |

The notes to the financial statements are an integral part of these statements.

TOWN OF LONGBOAT KEY, FLORIDA
 INFRASTRUCTURE SURTAX FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|--------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Intergovernmental revenue | \$ 474,000 | \$ 474,000 | \$ 590,682 | \$ 116,682 |
| Income on investments | 15,000 | 15,000 | 22,111 | 7,111 |
| Total revenues | <u>489,000</u> | <u>489,000</u> | <u>612,793</u> | <u>123,793</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>489,000</u> | <u>489,000</u> | <u>612,793</u> | <u>123,793</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | <u>(1,157,996)</u> | <u>(1,157,996)</u> | <u>-</u> | <u>1,157,996</u> |
| Total other financing sources (uses) | <u>(1,157,996)</u> | <u>(1,157,996)</u> | <u>-</u> | <u>1,157,996</u> |
| NET CHANGES IN FUND BALANCES | (668,996) | (668,996) | 612,793 | 1,281,789 |
| FUND BALANCES, OCTOBER 1, 2002 | <u>1,269,200</u> | <u>1,269,200</u> | <u>1,269,200</u> | <u>-</u> |
| FUND BALANCES, SEPTEMBER 30, 2003 | <u>\$ 600,204</u> | <u>\$ 600,204</u> | <u>\$ 1,881,993</u> | <u>\$ 1,281,789</u> |

The notes to the financial statements are an integral part of these statements.

TOWN OF LONGBOAT KEY, FLORIDA
 BEACH DISTRICT A SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2003

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|--------------------|--------------------|------------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 2,424,332 | \$ 2,424,332 | \$ 2,425,590 | \$ 1,258 |
| Income on investments | 14,175 | 14,175 | 12,937 | (1,238) |
| Total revenues | <u>2,438,507</u> | <u>2,438,507</u> | <u>2,438,527</u> | <u>20</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | <u>175</u> | <u>175</u> | <u>175</u> | <u>-</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | 2,438,332 | 2,438,332 | 2,438,352 | 20 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers from other funds | - | - | - | - |
| Transfers to other funds | <u>(2,539,923)</u> | <u>(2,539,923)</u> | <u>(1,555,869)</u> | <u>984,054</u> |
| Total other financing sources (uses) | <u>(2,539,923)</u> | <u>(2,539,923)</u> | <u>(1,555,869)</u> | <u>984,054</u> |
| NET CHANGE IN FUND BALANCES | (101,591) | (101,591) | 882,483 | 984,074 |
| FUND BALANCES, OCTOBER 1, 2002 | <u>103,075</u> | <u>103,075</u> | <u>103,075</u> | <u>-</u> |
| FUND BALANCES, SEPTEMBER 30, 2003 | <u>\$ 1,484</u> | <u>\$ 1,484</u> | <u>\$ 985,558</u> | <u>\$ 984,074</u> |

The notes to the financial statements are an integral part of these statements.

TOWN OF LONGBOAT KEY, FLORIDA
STATEMENT OF NET ASSETS - PROPRIETARY FUND
SEPTEMBER 30, 2003

| | Water and Sewer |
|--|--------------------|
| ASSETS | |
| CURRENT ASSETS | |
| Cash and cash equivalents | \$ 4,486,463 |
| Accounts receivable - customers | 368,987 |
| Inventories | 54,851 |
| Other assets | - |
| Total current assets | 4,910,301 |
| NONCURRENT ASSETS | |
| Restricted cash and cash equivalents | |
| Sinking fund | 534,102 |
| Renewal and replacement fund | 424,380 |
| Customer meter deposits, security deposits | 142,880 |
| Connection fees | 955,662 |
| Total restricted assets | 2,057,024 |
| Capital assets | |
| Land | 1,870,349 |
| Buildings and improvements | 2,422,752 |
| Improvements other than buildings | 9,950,189 |
| Machinery and equipment | 2,929,823 |
| Construction work-in-progress | 944,936 |
| Less accumulated depreciation | (9,409,185) |
| Total capital assets | 8,708,864 |
| Bond issuance cost | |
| Unamortized bond issue costs | 125,046 |
| Less accumulated amortization | (75,637) |
| Net bond cost | 49,409 |
| Total noncurrent assets | 10,815,297 |
| Total assets | \$ 15,725,598 |

The notes to the financial statements are an integral part of these statements

| | <u>Water and Sewer</u> |
|---|----------------------------|
| LIABILITIES | |
| CURRENT LIABILITIES | |
| Current installments of revenue bonds | \$ 225,000 |
| Accounts payable | 236,201 |
| Wages payable | 11,738 |
| Accrued compensated absences | <u>11,085</u> |
| Total current liabilities | <u>484,024</u> |
| CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS | |
| Customer meter deposits, security deposits | 142,880 |
| Current installments of revenue bonds | 75,000 |
| Accrued interest payable | <u>29,503</u> |
| Total current liabilities payable from restricted assets | <u>247,383</u> |
| NONCURRENT LIABILITIES | |
| Revenue bonds payable | 2,175,000 |
| Deferred amount on refunding | (81,118) |
| Discount on sale of bonds | <u>(15,268)</u> |
| Total noncurrent liabilities | <u>2,078,614</u> |
| Total liabilities | <u>2,810,021</u> |
| NET ASSETS | |
| Invested in capital assets net of related debt | |
| In aid of construction | 4,858,423 |
| In aid of acquisition | 568,000 |
| Restricted for | |
| Accumulated earning on connection fees | 2,773,788 |
| Debt service | 429,599 |
| Renewal and replacement fund | 424,380 |
| Water and sewer revenue reserve | 98,180 |
| Unrestricted | <u>3,763,207</u> |
| Total net assets | <u>\$ 12,915,577</u> |

TOWN OF LONGBOAT KEY, FLORIDA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2003

| | Water and Sewer |
|---|----------------------|
| OPERATING REVENUES | |
| Charges for services | \$ 4,641,652 |
| Late charges | 17,026 |
| Rentals and miscellaneous | (3,174) |
| Total operating revenues | 4,655,504 |
| OPERATING EXPENSES | |
| Personnel services and benefits | |
| Salaries | 305,877 |
| Payroll taxes and employee benefits | 149,133 |
| Total Personnel services and benefits | 455,010 |
| Professional services | 151,253 |
| Utility services | 89,911 |
| Insurance | 56,316 |
| Repairs and maintenance | 124,392 |
| Water purchased for resale | 1,102,230 |
| Wastewater treatment | 1,185,850 |
| Other current charges | 62,586 |
| General and administrative charges | 630,000 |
| Depreciation | 427,717 |
| Total operating expenses | 3,830,255 |
| Total operating and personnel expenses | 4,285,265 |
| OPERATING INCOME | 370,239 |
| NON-OPERATING REVENUES (EXPENSES) | |
| Income on investments | 96,383 |
| Sale of assets | 3,118 |
| Connection fees and meter installations | 25,370 |
| Bond issuance cost and discount | (9,582) |
| Interest expense | (181,937) |
| Total non-operating revenues (expenses) | (66,648) |
| CHANGE IN NET ASSETS | 303,591 |
| TOTAL NET ASSETS, OCTOBER 1, 2002 | 12,611,986 |
| TOTAL NET ASSETS, SEPTEMBER 30, 2003 | \$ 12,915,577 |

The notes to the financial statements are an integral part of these financial statements.

TOWN OF LONGBOAT KEY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

| | |
|--|---------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 5,016,612 |
| Cash payments to vendors for goods and services | (3,381,948) |
| Cash payments to employees for services | (191,718) |
| Cash payments to other funds | <u>(986,167)</u> |
| Net cash provided (used) by operating activities | <u>456,779</u> |
| Cash flows from capital and related financing activities: | |
| Acquisition and construction of capital assets | (648,998) |
| Principal payments on debt | (285,000) |
| Interest payments on debt | (147,560) |
| Receipt of contributed capital | 25,370 |
| Proceeds from sale of assets | <u>3,118</u> |
| Net cash provided (used) by capital and related financing activities | <u>(1,053,070)</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>96,383</u> |
| Net increase (decrease) in cash and cash equivalents | (499,908) |
| Cash and cash equivalents, October 1, 2002 | <u>7,043,395</u> |
| Cash and cash equivalents, September 30, 2003 | <u>\$ 6,543,487</u> |
| Classified as: | |
| Current assets | \$ 4,486,463 |
| Restricted assets | <u>2,057,024</u> |
| Cash and cash equivalents, September 30, 2003 | <u>\$ 6,543,487</u> |

The notes to the financial statements are an integral part of these financial statements.

TOWN OF LONGBOAT KEY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND - CONTINUED
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

| | |
|---|--------------------------|
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ 370,239 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation | 427,717 |
| Changes in assets and liabilities (increase) decrease in: | |
| Accounts receivable | (2,573) |
| Inventories | (11,654) |
| Other assets | 126 |
| Changes in assets and liabilities increase (decrease) in: | |
| Accounts payable | (329,184) |
| Wages payable | 5,009 |
| Accrued compensated absences | (2,901) |
| <u>Total adjustments</u> | <u>86,540</u> |
| Net cash provided (used) by operating activities | <u><u>\$ 456,779</u></u> |

The notes to the financial statements are an integral part of these financial statements.

TOWN OF LONGBOAT KEY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2003

| | <u>Pension Trust Funds</u> | <u>Agency Funds</u> |
|---------------------------------------|------------------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 488,042 | \$ 369,380 |
| Interest receivable on investments | 17,109 | - |
| Contributions receivable | 336,146 | - |
| Investments: | | |
| Government issues | 4,137,130 | - |
| Corporate bond and notes | 1,384,475 | - |
| Common and preferred stock | 8,309,957 | - |
| Other assets | - | 58,577 |
| TOTAL ASSETS | <u><u>\$ 14,672,859</u></u> | <u><u>\$ 427,957</u></u> |
| LIABILITIES | | |
| Accounts payable | \$ - | \$ 14 |
| Code enforcement bonds | - | 85,526 |
| Amounts held as agent for others | - | 342,417 |
| Total liabilities | <u><u>-</u></u> | <u><u>\$ 427,957</u></u> |
| NET ASSETS | | |
| Held in trust for pension benefits | <u>14,672,859</u> | |
| Total net assets | <u><u>\$ 14,672,859</u></u> | |

The notes to the financial statements are an integral part of these financial statements.

TOWN OF LONGBOAT KEY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

| | Pension Trust Funds |
|---|---------------------------|
| | |
| ADDITIONS | |
| Contributions | |
| Town | \$ 1,277,638 |
| Employees | 462,324 |
| State Insurance Fund | 189,895 |
| Total contributions | 1,929,857 |
| Investment Income | |
| Net Appreciation (Depreciation) in Fair Value of Investments | 902,185 |
| Income on investments | 598,102 |
| | 1,500,287 |
| Investment Expense | (167,005) |
| Net Investment Income | 1,333,282 |
| Total Additions | 3,263,139 |
| DEDUCTIONS | |
| Pension benefits | 942,525 |
| | 942,525 |
| Change in net assets | 2,320,614 |
| Net assets, held in trust for pension benefits: | |
| Beginning of Year | 12,352,245 |
| | 12,352,245 |
| End of Year | \$ 14,672,859 |
| | 14,672,859 |

The notes to the financial statements are an integral part of these financial statements.

TOWN OF LONGBOAT KEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Town operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety, public works, street maintenance, and other general governmental functions. The Town is a political subdivision of the State of Florida created by Special Act of 1957, Chapter 1540 and Chapter 69-1265. On March 20, 1975, the Town's Commission approved a new Charter by adopting Ordinance 75-2. The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town (as distinct from legal relationships).

The accompanying financial statements present the Town and its component units. Blended component units, although legally separate entities, are in substance part of the Town's operations and as a result considered to be financially accountable. The following component units are reported in the Town's Comprehensive Annual Report (CAFR). In August 1992 the Town passed ordinances creating two dependent special districts, Longboat Key Beach Erosion Control District A and Longboat Key Beach Erosion Control District B. The purpose of these districts is to renourish and maintain the Town's beachfront area. The services provided by these districts are solely for the benefit of the Town. These Districts began operations in January 1993 upon issuance of bonds. The governing boards of the Districts are substantially the same as that of the Town. These Districts are blended into the Town's primary government although retaining separate legal identity. Separate financial statements are not prepared for these component units.

B. Government-Wide and Fund Financial Statements

The basic financial statements consist of the government-wide financial statements and fund financial statements. Both sets of statements distinguish between the governmental and business-type activities of the Town.

Government-wide financial statements include a Statement of Net Assets and a Statement of Activities. These statements report on the government as a whole, both the primary government and its component units, and provide a consolidated financial picture of the government. As part of the consolidation process, inter-fund activities are eliminated to avoid distorted financial results. Fiduciary funds of the government are also eliminated from this presentation since these resources are not available for general government funding purposes. The Statement of Net Assets reports all financial and capital resources of the Town's governmental and business-type activities. It is presented in a net assets format (assets less liabilities equal net assets) and shown with three components: amounts invested in capital assets, net of related debt; restricted net assets and unrestricted net assets. The Statement of Activities reports functional categories of programs provided by the Town and demonstrates how and to what degree those programs are supported by specific revenue.

Program revenues are classified into three categories; charges for services, operating grants and contributions and capital grants and contributions. Charges for services refer to direct recovery from customers for services rendered. Grants and contributions refer to revenues restricted for specific programs whose use may be restricted further to operational or capital items. The general revenues section displays revenue collected that help support all functions of our government and contribute to the change in the net assets for the fiscal year.

The fund financial statements follow and report additional and detailed information about the Town's operations for major funds individually and nonmajor funds in the aggregate for governmental, proprietary and fiduciary funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentations. The preparation of financial statements in conformity with generally accepted accounting principles, as applicable to governmental units, requires management to make use of estimates that affect the reported amounts in the financial statements. Actual results could differ from estimates.

TOWN OF LONGBOAT KEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements, as well as the fund financial statements for the proprietary funds and the fiduciary funds, are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period in which they are earned and expenses are recognized in the period incurred. Operating revenues shown for proprietary operations generally result from producing or providing goods and services such as water, sewer and garbage services. Operating expenses for these operations include all costs related to providing the service or product. These costs include salaries, supplies, travel, contract services, depreciation, administrative expenses or other expense directly related to costs of services. All other revenue and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days.

Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include: (1) accumulated sick pay and accumulated vacation pay, which are not recorded as expenditures; (2) prepaid insurance and similar items, which are reported only on the balance sheet and do not affect expenditures; and (3) principal and interest on long-term debt, which are recognized when due.

Licenses and permits, charges for services, and miscellaneous revenues (except investment earnings) are recorded as revenues when received in cash, because they are generally not measurable until actually received. Investment earnings and most fines and forfeitures are recorded as earned since they are measurable and available.

The accounting policies and the presentation of the financial report of the Town of Longboat Key, Florida have been designed to conform to generally accepted accounting principles (GAAP) as applicable to governmental units, in accordance with the Governmental Accounting Standards Board (GASB). The Town applies all applicable GASB pronouncements issued before November 30, 1989, unless they conflict with or contradict GASB pronouncements, in accounting and reporting for its proprietary operations but has elected not to apply GASB pronouncements issued after November 30, 1989.

The following are reported as major governmental funds:

General Fund - The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not required either legally or by generally accepted accounting principles to be accounted for in other funds are accounted for in the General Fund.

The Infrastructure Surtax Special Revenue Fund was created to account for the collection of infrastructure surtax funds and expenditures made to maintain and improve the Town's infrastructure.

The Beach District A Special Revenue Fund was created to receive monies to pay annual debt service on beach construction and renovation.

The Durante Community Park Special Revenue Fund was created to account for funds related to the construction and maintenance of the Joan M. Durante Community Park.

TOWN OF LONGBOAT KEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The following is reported as a major enterprise fund:

Water and Sewer — The Water and Sewer fund accounts for the operation of the Town's potable water, wastewater services to residents and businesses.

The Town also reports the following fund types:

Pension Trust Funds — The Pension Trust Funds account for the activities of the general employees, police officers and firefighter's pension plans.

Agency Funds — Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are merely clearing accounts for assets held by a government as an agent for individuals, private organizations, other governments or other funds.

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 government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Cash and Cash Investments

The Town utilizes a consolidated bank account wherein cash and investments of most funds are commingled, excluding certain investments held in a fiduciary capacity or those investments belonging to a specific fund due to legal or other restrictions.

Cash and cash equivalents are cash on hand as well as demand deposits and pooled cash and non-pooled investments with original maturities of three months or less.

Formal accounting records detail the monthly equities of all participating funds. Interest earned on these investments is allocated to funds based on average equity balances.

The provisions of state statutes (Chapter 166.216) and local ordinances, including bond ordinances, provide that the Town may invest surplus funds (excluding pension trust funds) in the following ways:

- With the Local Government Pooled Investment Account administered by the State Board of Administration;
- With banks and savings and loan associations through time deposits or savings accounts, provided such deposits are adequately collateralized;
- In negotiable direct obligations of the U.S. Government and certain of its agencies, or in obligations guaranteed by the U.S. Government or such agencies.

Pension trust funds may be invested in the above as well as certain corporate obligations.

TOWN OF LONGBOAT KEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

D. Cash and Cash Investments – Continued

Investments

In accordance with GASB Statement No. 31 "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", all investments have been reported at fair value. The Town invests funds throughout the year with the Local Government Surplus Funds Trust Fund (SBA), an investment pool administered by the State Board of Administration, under the regulatory oversight of the State of Florida. Throughout the year and as of September 30, 2003, the SBA contained certain floating and adjustable rate securities which were indexed based on the prime rate and/or one and three month LIBOR rates. These investments represented 14% of the SBA's portfolio at September 30, 2003. The SBA met the criteria to be "2A-7Like" as defined in GASB 31 at September 30, 2003. Therefore, the investment was valued at amortized cost and the fair value at September 30, 2003 was the account balance at that time.

The following summarizes the Town's cash and investments at September 30, 2003, which are recorded at fair value as follows:

| Cash and Equivalents | Fair Value Method | Principal | Amortized Cost | Fair Value | Category |
|---|----------------------|---------------------|---------------------|---------------------|----------|
| Petty Cash | Cost | \$ 2,600 | \$ 2,600 | \$ 2,600 | |
| Public depository accounts | | | | | |
| Checking | Cost | 1,486,110 | 1,486,110 | 1,486,110 | |
| Money Market | Cost | 442,908 | 442,908 | 442,908 | |
| Total cash and cash equivalents | | <u>\$ 1,931,618</u> | <u>\$ 1,931,618</u> | <u>\$ 1,931,618</u> | |
| <u>Investments</u> | | | | | |
| Local Government Pooled Investment Account | Amortized Cost | \$18,669,527 | \$18,669,527 | \$18,669,527 | |
| U.S. Government issues | Quoted Market | 4,137,130 | 4,137,130 | 4,137,130 | 1 |
| Corporate bonds and note | Quoted Market | 1,384,475 | 1,384,475 | 1,384,475 | 1 |
| Common and preferred stock | Quoted Market | 8,309,957 | 8,309,957 | 8,309,957 | 1 |
| Total investments | | <u>\$32,501,089</u> | <u>\$32,501,089</u> | <u>\$32,501,089</u> | |

All of the Town's deposits (checking, savings, money market and certificates of deposit) are held in the Town's name in banks or savings and loan associations certified by the State of Florida as qualified public depositories under Chapter 280, Florida Statutes, the Florida Security of Public Deposits Act and are either insured by federal depository insurance or through the State of Florida's public depository collateral pool.

The Town's investments are categorized by type to give an indication of the level of credit risk assumed by the Town at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town or its agent in the Town's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty in the Town's name or held by the counterparty's trust department (if a bank) or agent but not in the Town's name. Certain items included in investments are not categorized. The Town had no Category 2 or Category 3 investments at September 30, 2003.

E. Inventories

All inventories are determined by physical count and are stated at cost (first-in, first-out) for using the consumption method.

TOWN OF LONGBOAT KEY, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, curbs and gutters, streets and sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Additions to capital assets are recorded at cost at the time of purchase. Gifts or contributions are recorded at fair market value at the time received.

The Town maintains a \$500 threshold for additions to equipment. Buildings are capitalized when the value is \$10,000 or greater. Public domain and system infrastructure assets represent major expenditures for such items as roads, water and sewer treatment plants and lines, parks and drainage systems. Additions and improvements for roads, water, sewer, and drainage infrastructure are capitalized when the cost amounts to \$25,000 while park additions and improvements are capitalized at \$5,000.

Depreciation has been provided using the straight-line method. The estimated useful lives of the various classes of depreciable fixed assets are as follows:

| | <u>Life – Years</u> |
|------------------------------|---------------------|
| Buildings | 15 - 75 |
| Equipment | 5 - 10 |
| Autos, trucks and buses | 3 - 12 |
| System infrastructure | 20 - 40 |
| Public domain infrastructure | 20 - 50 |
| Improvements | 7 - 15 |
| Beach nourishments | 7 - 15 |

The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend asset lives are not capitalized.

G. Unamortized Debt Expense

Unamortized debt expense is amortized by using the outstanding principal method over the life of the debt and is recorded as a reduction to bonds payable.

H. Amortization of Discount on Bonds

Amortization of discount on bonds is determined by using the outstanding principal method and is recorded as interest expense each year over the life of the debt.

I. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

J. Property Taxes

Property tax revenue is recognized in the year for which taxes are levied provided the availability test is met.

The value of all taxable property is assessed as of January 1. The Town Commission levies property taxes by approving the millage rate for the following fiscal year in September. Property taxes become due and payable on November 1 of the same year. A 4% discount is allowed if the taxes are paid in November, with the discount declining by 1% each month thereafter. Taxes become delinquent on April 1 of the next year and tax certificates for the full amount of any unpaid taxes and assessments must be sold not later than June 1.

TOWN OF LONGBOAT KEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

J. Property Taxes - Continued

Tax certificate proceeds are remitted to the Town, thereby assuring that virtually all taxes levied are collected within the same fiscal year, after allowing for discounts and any disputed assessment in litigation. The tax certificate, once sold, represents a lien on the property, which may be redeemed by the property owner by paying the face amount of the certificate plus interest and other costs. Property taxes receivable and a corresponding reserve for uncollectable property taxes are not included in the financial statements, as there are no material delinquent taxes as of September 30, 2003. No accrual for the property tax levy becoming due in November of 2003 is included in the accompanying financial statements, since such taxes are collected to finance expenditures of the subsequent period.

K. Compensated Absences

Town employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation days.

Employees are paid for 50% of accumulated sick leave upon death, normal retirement or early retirement. Accumulated vacation amounted to \$278,162 and accumulated sick leave amounted to \$132,502, of which \$410,664 is vested as described above, at September 30, 2003. Accumulated vacation and vested sick leave are accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only when the payment is probable. The General Fund is the governmental fund where compensated absences are recorded. Non-vested sick leave is recorded when paid.

L. Budgets and Budgetary Data

The annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the capital projects funds, which adopt project-length budgets.

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. During the Month of April Citizens Goals and Objectives workshops are held. During the month of May the Town Manager and the department and division directors review the budget documents.
2. On or before June 1st of each year the Town Manager presents the Preliminary Budget.
3. In the month of June public budget workshops are held, and in July the tentative maximum millage is set. County and State agencies are advised.
4. On or before August 1st the Recommended Budget is presented to the Town Commission.
5. At the first Regular Commission meeting in September the first
6. In September reading of the budget and millage ordinances takes place. Upon approval of the second reading the budget is legally adopted.
7. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed the appropriations) is the fund level. Transfers of appropriations between funds and use of unallocated fund balances amend the budget and require approval by the Town Commission. Transfers of appropriations up to \$10,000 between line-items within a department or among programs within a department may be approved by the Town Manager.
8. All appropriations except for capital expenditures shall lapse to the extent that it has not been expended or encumbered.

TOWN OF LONGBOAT KEY, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2003

NOTE 2 – DEFINED BENEFIT PENSION PLANS

Plan Description

The Town has in effect three single employer pension plans, for general employees, police officers and firefighters, which cover all permanent full-time employees with at least one year of service as of June 30. The plans are maintained as separate Pension Trust Funds and are reported herein as part of the Town's reporting entity. The ordinances establishing the pension plans and its provisions were passed in 1972 for general employees and in 1975 for police and fire employees. An ordinance was passed in 1991 to modify benefits relative to the general employees' and police officers' pension plans. Although the assets of the plans are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to the members of that plan, in accordance with the terms of the plan.

Employee membership data as of September 30, 2003 follows:

| | <u>General Employees</u> | <u>Police Officers</u> | <u>Firefighters</u> | <u>Total</u> |
|---|------------------------------|----------------------------|---------------------|--------------|
| Number of participants: | | | | |
| Active: | | | | |
| Nonvested | 28 | 10 | 13 | 51 |
| Partially vested | 11 | 2 | 2 | 15 |
| Fully vested | <u>24</u> | <u>6</u> | <u>19</u> | <u>49</u> |
| Total Active | 63 | 18 | 34 | 115 |
| Retirees and terminated employees with vested benefits | <u>26</u> | <u>14</u> | <u>15</u> | <u>55</u> |
| Total | <u>89</u> | <u>32</u> | <u>49</u> | <u>170</u> |

Benefit Provisions

Effective Date

General employees, Police officers, and Firefighters – April 1, 1992

Normal Retirement Date

General employees – Earlier of age 62 or age 55 and 30 years of service
 Police officers – Earlier of age 60, age 55 and 10 years of service or age 52 and 25 years of service
 Firefighters – Earlier of age 60, age 55 and 10 years of service or age 52 and 25 years of service

Early Retirement Date

General employees – Age 50 and 15 years of service
 Police officers – Age 45 and 15 years of service. or age 50 and 10 years of service
 Firefighters – Age 45 and 15 years of service

Normal Retirement Benefit

General employees – 2.75% of Average Final Compensation times years of credited service
 Police officers – 3.0% of Average Final Compensation times years of credited service
 Firefighters – 3.2% of Average Final Compensation times years of credited service

TOWN OF LONGBOAT KEY, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2003

NOTE 2 – DEFINED BENEFIT PENSION PLANS – CONTINUED

Normal Form of Benefit

General employees, Police officers and Firefighters – Life annuity with 120 months certain

Disability Benefit – In the event an employee becomes totally and permanently disabled, disability benefits are available.

Termination of Employment Benefit – Upon an employee’s termination of employment for reason other than death, disability, or retirement, he shall be entitled to his “accrued benefit”, multiplied by his vested percentage from the following table. His accrued benefit means a deferred retirement benefit commencing as of his Normal or Early Retirement Date equal to the benefit computed as for normal or early retirement respectively based upon his Years of Service completed to date of termination and his Average Monthly Compensation as of such date.

| <u>Years of Service</u> | <u>Vested Percentage</u> | | |
|-------------------------|--------------------------|------------------------|---------------------|
| | <u>General Employees</u> | <u>Police Officers</u> | <u>Firefighters</u> |
| Less than 5 | 0% | 0% | 0% |
| 5 | 50% | 50% | 50% |
| 6 | 60% | 60% | 60% |
| 7 | 70% | 70% | 70% |
| 8 | 80% | 80% | 80% |
| 9 | 90% | 90% | 90% |
| 10 or more | 100% | 100% | 100% |

Contributions and Reserves

Contributions – Employees

General employees – 6% of compensation
 Police officers – 10% of compensation
 Firefighters – 10% of compensation

Contributions – Town

The Town’s obligation to contribute is established by ordinance. The Town contributes remaining amounts necessary to fund the plans as actuarially determined using criteria to satisfy statutory funding requirements. The Town’s contribution to the police officers’ and firefighters’ plan is supplemented by certain statutory contributions from the Office of the State Insurance Commissioner.

Concentrations

There were no investments (other than U.S. government and U.S. government-guaranteed obligations) that represent more than 5% of net assets available for benefits.

There are no investments in, loans to, or leases with, any PERS official, government employer official, party related to a PERS official or government employer official, nonemployer contributor, or organization included in the reporting entity.

The following schedules are derived from the respective actuarial reports and Town information and reflect accounting policies, membership and plan provisions, assumptions, and liabilities and funding provisions for the three retirement plans as of October 1, 2003:

TOWN OF LONGBOAT KEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 2 -- DEFINED BENEFIT PENSION PLANS -- CONTINUED

Concentrations -- continued

| | General 10/01/01 | Police 10/01/01 | Firefighters' 10/01/02 |
|----------------------------------|-----------------------------|-----------------------------|-----------------------------|
| Valuation date | 10/01/01 | 10/01/01 | 10/01/02 |
| Actuarial cost method | Frozen Entry Age | Frozen Entry Age | Frozen Entry Age |
| Amortization method | Level percentage- closed | Level percentage- closed | Level percentage- closed |
| Remaining amortization period | 30 years as of 10/01/01 | 27 years as of 10/01/03 | 28 years as of 10/01/03 |
| Actuarial asset valuation method | 4 Year Smooth | 4 Year Smooth | 4 Year Smooth |
| Actuarial assumptions: | | | |
| Investment rate of return | 8.0% | 8.0% | 8.0% |
| Projected salary increases | 6%* | 6%** | 6%** |

*Includes inflation at 3%; **Includes inflation at 5%

THREE YEAR TREND INFORMATION

| Valuation Date | As of October 1 | | |
|----------------|------------------------------|-------------------------|---------------------------|
| | Annual Pension Cost (APC) | % of APC Contributed | Net Pension Obligation |
| General | | | |
| 10/1/01 | 151,246 | 100.0% | - |
| 10/1/02 | 355,731 | 100.0% | - |
| 10/1/03 | 377,075 | 100.0% | - |
| Police | | | |
| 10/1/01 | 118,350 | 102.0% | - |
| 10/1/02 | 225,955 | 103.0% | - |
| 10/1/03 | 238,423 | 116.0% | - |
| Firefighters' | | | |
| 10/1/01 | 266,730 | 102.0% | - |
| 10/1/02 | 450,023 | 101.0% | - |
| 10/1/03 | 589,145 | 106.0% | - |

The defined benefit pension plans do not issue stand-alone financial reports.

NOTE 3 -- CAPITAL ASSETS

| | October 1 | Additions | Deductions | September 30 |
|---------------------------------|---------------|-----------|------------|---------------|
| Governmental Activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land and other | | | | |
| non-depreciable assets | \$ 18,350,095 | \$ 6,993 | \$ - | \$ 18,357,088 |
| Construction in progress | 2,717,129 | 3,964,041 | 125,142 | 6,556,028 |
| Total assets not depreciated | 21,067,224 | 3,971,034 | 125,142 | 24,913,116 |

TOWN OF LONGBOAT KEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 3 – CAPITAL ASSETS – CONTINUED

| | October 1 | Additions | Deductions | September 30 |
|---|----------------------|---------------------|-------------------|----------------------|
| Capital assets depreciated: | | | | |
| Buildings | 6,352,097 | 23,851 | 1,485 | 6,374,463 |
| Streets and roadways | 5,055,663 | 22,599 | - | 5,078,262 |
| Improvements other than buildings | 18,504,398 | 128,800 | - | 18,633,198 |
| Vehicles and other equipment | 4,268,589 | 812,669 | 287,032 | 4,794,226 |
| Total assets depreciated | <u>34,180,747</u> | <u>987,919</u> | <u>288,517</u> | <u>34,880,149</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 1,050,570 | 202,240 | 1,485 | 1,251,325 |
| Streets and roadways | 2,134,174 | 211,101 | - | 2,345,275 |
| Improvements other than buildings | 10,045,952 | 1,846,695 | - | 11,892,647 |
| Vehicles and other equipment | 2,274,963 | 423,366 | 226,639 | 2,471,690 |
| Total accumulated depreciation | <u>15,505,659</u> | <u>2,683,402</u> | <u>228,124</u> | <u>17,960,937</u> |
| Total depreciable capital assets, net | <u>18,675,088</u> | <u>(1,695,483)</u> | <u>60,393</u> | <u>16,919,212</u> |
| Total governmental activities capital assets, net | <u>\$ 39,742,312</u> | <u>\$ 2,275,551</u> | <u>\$ 185,535</u> | <u>\$ 41,832,328</u> |
| Business-type Activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land and other non-depreciable assets | \$ 1,870,349 | \$ - | \$ - | \$ 1,870,349 |
| Construction in progress | 1,325,622 | 483,015 | 863,701 | 944,936 |
| Total assets not depreciated | <u>3,195,971</u> | <u>483,015</u> | <u>863,701</u> | <u>2,815,285</u> |
| Capital assets depreciated: | | | | |
| Buildings | \$ 2,427,386 | - | 4,634 | 2,422,752 |
| Improvements other than buildings | 9,086,488 | 863,701 | - | 9,950,189 |
| Vehicles and other equipment | 2,840,108 | 165,982 | 76,267 | 2,929,823 |
| Total assets depreciated | <u>14,353,982</u> | <u>1,029,683</u> | <u>80,901</u> | <u>15,302,764</u> |
| Less accumulated depreciation: | | | | |
| Buildings | 1,719,064 | 68,571 | 4,634 | 1,783,001 |
| Improvements other than buildings | 4,920,633 | 237,543 | - | 5,158,176 |
| Vehicles and other equipment | 2,422,672 | 121,603 | 76,267 | 2,468,008 |
| Total accumulated depreciation | <u>9,062,369</u> | <u>427,717</u> | <u>80,901</u> | <u>9,409,185</u> |
| Total depreciable capital assets, net | <u>5,291,613</u> | <u>601,966</u> | <u>-</u> | <u>5,893,579</u> |
| Total business-type activities capital assets, net | <u>\$ 8,487,584</u> | <u>\$ 1,084,981</u> | <u>\$ 863,701</u> | <u>\$ 8,708,864</u> |
| Depreciation expense was charged to the functions of the government as follows: | | | | |
| Governmental activities | | | | |
| General government | \$ 169,075 | | | |
| Public Safety | 379,111 | | | |
| Cultural and recreation | 1,889,941 | | | |
| Transportation | 245,275 | | | |
| | <u>2,683,402</u> | | | |
| Business-type Activities: | | | | |
| Water and sewer | <u>\$ 427,717</u> | | | |

TOWN OF LONGBOAT KEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 4 – LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Town for the year ended September 30, 2003:

The following is a summary of long-term debt transactions of the Town for the year ended September 30, 2003:

| | October 1 | Additions | Deductions | September 30 | Due within one year |
|-----------------------------------|----------------------|------------------|---------------------|---------------------|------------------------|
| Business -type activities: | | | | | |
| Revenue bonds | \$ 2,760,000 | \$ - | \$ 285,000 | \$ 2,475,000 | \$ 300,000 |
| Compensated absences | 13,986 | - | 2,901 | 11,085 | 11,085 |
| Total | <u>2,773,986</u> | <u>-</u> | <u>287,901</u> | <u>2,486,085</u> | <u>311,085</u> |
| Governmental activities: | | | | | |
| General obligation bonds | 7,220,000 | - | 2,265,000 | 4,955,000 | 395,000 |
| Loans payable | 543,399 | - | 243,399 | 300,000 | 150,000 |
| Compensated absences | 239,855 | 27,222 | - | 267,077 | 267,077 |
| Total | <u>8,003,254</u> | <u>27,222</u> | <u>2,508,399</u> | <u>5,522,077</u> | <u>812,077</u> |
| Total long-term debt | <u>\$ 10,777,240</u> | <u>\$ 27,222</u> | <u>\$ 2,796,300</u> | <u>\$ 8,008,162</u> | <u>\$ 1,123,162</u> |

Unamortized discount and deferred amount on advanced refunding on business-type activity revenue bonds amounted to \$15,268 and \$81,118, respectively.

Long-Term Debt payable at September 30, 2003 is composed of the following issues:

General Obligation Bonds

General Obligation Water Bonds, Series 1970, due in annual installments through January 1, 2007 in amounts ranging from \$60,000 to \$130,000, plus interest at rates ranging from 6.5% to 7.5% on various series maturities; collateralized by ad valorem tax levies. \$ 470,000

General Obligation Sewer Bonds, Series 1973, due in annual installments through January 1, 2008 in amounts ranging from \$80,000 to \$310,000, plus interest at rates ranging from 5.75% to 6.5% on various series maturities, collateralized by ad valorem tax levies. 930,000

General Obligation Facility Bonds, Series 1999, due in annual installments through October 1, 2019 in amounts ranging from \$140,000 to \$315,000, plus interest at rates ranging from 5.5% to 7.0% on various series maturities; collateralized by ad valorem tax levies. 3,555,000

Promissory Note in the amount of \$900,000, without interest accrual payable in 6 equal payments of \$150,000. First installment is due January 9, 2000, with annual installments thereafter 300,000

Total general obligations bonds \$ 5,255,000

TOWN OF LONGBOAT KEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 4 – LONG-TERM DEBT – CONTINUED

Revenue Bonds

| | |
|---|----------------------------|
| Water and Sewer Revenue Refunding Bonds, Series 1993, due in annual installments ranging from \$210,000 to \$410,000, plus interest at rates ranging from 2.75% to 5.5%, on various maturities; collateralized by revenues of water and sewer fund. Principal due within one year is \$300,000. This debt is serviced by the Water and Sewer Enterprise Fund. | \$ 2,475,000 |
| Less: Deferred amount on advanced refunding | (81,118) |
| Unamortized discount | <u>(15,268)</u> |
| Total revenue bonds | <u><u>\$ 2,378,614</u></u> |

The annual debt service payments required on outstanding debt at September 30, 2003 are as follows:

| Year Ending September 30 | General Obligation Water Bonds | General Obligation Sewer Bonds | General Obligation Facility Bonds | Water & Sewer Revenue Bonds | Reserve Promissory Notes | Totals |
|---|---|---|--|--------------------------------------|--------------------------------|--------------------|
| 2004 | \$ 134,612 | \$ 190,825 | \$ 333,588 | \$ 433,310 | \$ 150,000 | \$1,242,335 |
| 2005 | 136,833 | 192,125 | 334,887 | 433,010 | 150,000 | 1,246,855 |
| 2006 | 133,490 | 192,825 | 332,688 | 436,630 | – | 1,095,633 |
| 2007 | 134,615 | 192,925 | 335,097 | 433,875 | – | 1,096,512 |
| 2008 | – | 318,913 | 336,873 | 439,625 | – | 1,095,411 |
| 2009-2013 | – | – | 1,665,483 | 866,550 | – | 2,532,033 |
| 2014-2018 | – | – | 1,668,162 | – | – | 1,668,162 |
| 2019-2020 | – | – | 332,325 | – | – | 332,325 |
| Total Payments | <u>539,550</u> | <u>1,087,613</u> | <u>5,339,103</u> | <u>3,043,000</u> | <u>300,000</u> | <u>10,309,266</u> |
| Less amounts representing interest | <u>(69,550)</u> | <u>(157,613)</u> | <u>(1,784,103)</u> | <u>(568,000)</u> | <u>–</u> | <u>(2,579,266)</u> |
| Principal outstanding | <u>\$ 470,000</u> | <u>\$ 930,000</u> | <u>\$3,555,000</u> | <u>\$2,475,000</u> | <u>\$ 300,000</u> | <u>\$7,730,000</u> |

TOWN OF LONGBOAT KEY, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2003

NOTE 5 – RESTRICTIONS ON NET ASSETS/FUND BALANCES

The fund balance of the General Obligations Water Bond Debt Service Fund is restricted in the amount of \$136,833 in accordance with the terms of the bond ordinances, which required establishment of reserve accounts equal to the maximum debt service of any future year. In the Water and Sewer Fund, a similar provision required that a debt service reserve account of \$429,599 be maintained. The Water and Sewer Fund net assets has been further restricted, in the amount of \$424,380, for renewal and replacement. Also, \$2,773,788 representing the balance of investment earnings on water and sewer connection fees collected is reserved for further capital additions or payments on bonds related to the water and sewer system. Management of the Town has chosen to reflect these as restrictions of net assets, as appropriate for the fund types involved.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

| Due To | Due From | Amount |
|--|-------------------------------------|---------------------|
| Durante Park Special Revenue Fund | Other Nonmajor governmental fund | \$ 134,275 |
| Other Nonmajor governmental fund | Other Nonmajor governmental fund | <u>116,638</u> |
| | | <u>\$ 250,913</u> |
| | Purpose | Amount |
| Transfers to General Fund from: | | |
| Road and Bridge Fund | Street Department personnel costs | <u>\$ 150,000</u> |
| Transfers to Promissory Notes Fund from: | | |
| General Fund | Pay Reserve and Veltman settlements | <u>244,637</u> |
| Transfers to General Obligation Beach Bonds Fund from: | | |
| Beach District A Fund | Pay annual debt service | 1,555,869 |
| Beach District B Fund | Pay annual debt service | <u>388,967</u> |
| Total | | <u>1,944,836</u> |
| Transfers to Streets Capital Projects Fund from: | | |
| Road and Bridge Fund | Fund street project | <u>77,500</u> |
| Transfers to Beach Nourishment Fund from: | | |
| Tourist Development Tax Fund | Fund beach project | <u>25,000</u> |
| Transfers to Canal Dredging Fund from: | | |
| General Fund | Fund canal dredging project | <u>975,000</u> |
| Total interfund transfers | | <u>\$ 3,416,973</u> |

NOTE 7 – GRANT PROGRAMS

The Town participates in several state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives periodically. Such grant programs include Department of Environmental Protection Beach Restorations and various other state and local grants

NOTE 8 – DEFEASED BONDS

On June 24, 1993, the Town defeased the Water and Sewer Revenue Bonds, Series 1987 by placing the proceeds of the issuance of the Water and Sewer Refunding Revenue Bonds, Series 1993, in an irrevocable trust with an escrow agent to provide for all future debt service on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Town's financial statements. The principal amount of the defeased bonds outstanding at September 30, 2003 consisted of the Water and Sewer Revenue Bonds, Series 1987 of \$2,420,000

TOWN OF LONGBOAT KEY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 9 – RISK MANAGEMENT

The Town is also exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters, and pollution related activities. These risks are covered by participation in a public entity risk pool and excess commercial insurance is purchased above pool limits. The Town's participation in the risk pool requires annual premium payments in return for transferring risks among pool participants. The pooling agreement permits the pool to make additional assessments to its members. Settled claims from these risks have not exceeded the risk pool insurance limits nor have additional premiums been assessed relative to the past three years.

The Town is exposed to risks of loss related to the medical claims of Town employees. The town self insures for some of these risks. Coverage of up to \$25,000 for each covered person's medical claims is provided by the Town. This program was for the benefit of all Town employees and their covered dependents. The Town purchased medical insurance through a private insurance carrier for claims in excess of the \$25,000 of coverage provided by the Fund. Settled claims have not exceeded this medical insurance coverage in any of the past three fiscal years. The Town has contracted with a third party administrator to administer the program.

NOTE 10 – SUBSEQUENT EVENTS

The Town passed a referendum on March 14, 2000, authorizing the issuance of up to \$21,000,000 of General Obligation bonds to rebuild, restore and renourish the beaches along the Gulf of Mexico the length of Longboat Key. In fiscal year 2004, the Town plans to issue these bonds and use the proceeds to provide 2,500,000 yards of sand for the beaches of Longboat Key.

STATISTICAL INFORMATION
NOT PART OF THE AUDITED FINANCIAL STATEMENTS

TOWN OF LONGBOAT KEY, FLORIDA
SEPTEMBER 30, 2003

Government-Wide Expenses by Function

| | Fiscal Year 2003 | Fiscal Year 2002 |
|---|---------------------|---------------------|
| General government | \$ 5,075,999 | \$ 4,757,938 |
| Public safety | 5,325,373 | 5,060,275 |
| Transportation | 740,988 | 743,997 |
| Culture and recreation | 2,514,081 | 2,447,356 |
| Interest on long term debt | 341,841 | 466,710 |
| Water and sewer | 4,476,784 | 4,369,077 |
| Total government-wide expense by function | \$ 18,475,066 | \$ 17,845,353 |

Government-Wide Revenues

Program Revenues

| | | |
|------------------------------------|--------------|--------------|
| Charges for services | \$ 7,477,608 | \$ 7,357,811 |
| Operating grants and contributions | 721,747 | 778,650 |
| Capital grants and contributions | 436,124 | 591,186 |

General Revenues

| | | |
|--------------------------------|---------------|---------------|
| Taxes: | | |
| Property taxes | 11,252,602 | 9,648,049 |
| Gasoline taxes | 507,160 | 496,910 |
| Sales tax | 679,026 | 693,575 |
| Tourist taxes | 609,294 | 684,193 |
| Franchise taxes | 873,195 | 897,403 |
| State revenue sharing | 553,484 | 521,132 |
| Interest income | 326,698 | 436,969 |
| Miscellaneous | 49,142 | 151,559 |
| Total government-wide revenues | \$ 23,486,080 | \$ 22,257,437 |

Only two years available due to initial GASB 34 implementation in fiscal year 2002.

TOWN OF LONGBOAT KEY, FLORIDA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Culture and Recreation</u> | <u>Transportation</u> | <u>Capital Outlay</u> | <u>Debt Service</u> | <u>Total</u> |
|--------------------|---------------------------|----------------------|-------------------------------|-----------------------|-----------------------|---------------------|--------------|
| 1994 | 2,636,753 | 3,256,411 | 146,755 | 254,188 | 3,119,782 | 1,628,803 | 11,042,692 |
| 1995 | 3,451,138 | 3,421,768 | 240,546 | 391,264 | 1,491,256 | 1,576,711 | 10,572,683 |
| 1996 | 3,701,528 | 3,484,606 | 313,807 | 257,748 | 2,751,166 | 1,575,217 | 12,084,072 |
| 1997 | 4,004,375 | 3,641,173 | 315,238 | 357,645 | 7,253,578 | 6,862,563 | 22,434,572 |
| 1998 | 3,402,664 | 3,806,186 | 299,324 | 361,782 | 1,176,412 | 2,927,471 | 11,973,839 |
| 1999 | 3,552,609 | 3,963,636 | 344,825 | 449,184 | 1,618,086 | 2,982,717 | 12,911,057 |
| 2000 | 3,628,425 | 4,224,345 | 350,802 | 589,958 | 1,248,050 | 3,041,913 | 13,083,493 |
| 2001 | 3,843,465 | 4,378,349 | 386,819 | 603,750 | 5,332,464 | 3,032,711 | 17,577,558 |
| 2002 | 4,730,985 | 5,494,764 | 440,891 | 712,409 | 2,660,736 | 3,008,566 | 17,048,351 |
| 2003 | 4,912,215 | 4,891,498 | 495,011 | 620,067 | 2,850,240 | 4,777,666 | 18,546,697 |

DATA SOURCE: Town's Audited Financial Statements.

1. Statistics include all governmental fund types: General, Special Revenue, Capital Projects and Debt Service.
2. Statistics do not include transfer or contributions from one governmental fund to another or to an Enterprise Fund.

TOWN OF LONGBOAT KEY, FLORIDA
GENERAL GOVERNMENTAL REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

| <u>Fiscal Year</u> | <u>Property Taxes</u> | <u>Licenses and Permits</u> | <u>Inter Governmental</u> | <u>Charges for Services</u> | <u>Franchise</u> | <u>Fines/ Misc./ Interest</u> | <u>Other Taxes</u> | <u>Land Acquisition</u> | <u>Total</u> |
|--------------------|-----------------------|-----------------------------|---------------------------|-----------------------------|------------------|-------------------------------|--------------------|-------------------------|--------------|
| 1994 | 5,206,493 | 1,166,603 | 3,708,948 | 651,166 | 814,743 | 236,625 | 166,427 | 75,131 | 12,026,136 |
| 1995 | 5,316,909 | 867,348 | 1,712,360 | 580,426 | 819,789 | 350,355 | 163,798 | 372,462 | 10,183,447 |
| 1996 | 5,640,411 | 934,449 | 1,735,763 | 828,185 | 888,022 | 405,972 | 300,000 | 59,603 | 10,792,496 |
| 1997 | 6,792,242 | 1,237,700 | 2,027,008 | 948,077 | 916,313 | 952,794 | 300,000 | 46,995 | 13,231,129 |
| 1998 | 7,401,679 | 1,708,001 | 1,787,521 | 1,072,970 | 933,768 | 493,287 | 300,000 | 55,920 | 13,753,146 |
| 1999 | 7,728,738 | 977,870 | 2,077,200 | 1,037,029 | 935,740 | 450,018 | 224,403 | 75,480 | 13,506,478 |
| 2000 | 8,507,324 | 976,882 | 1,423,737 | 1,132,899 | 932,775 | 1,268,169 | 831,141 | 70,824 | 15,143,751 |
| 2001 | 9,259,111 | 1,419,885 | 1,494,901 | 1,329,564 | 1,081,674 | 2,143,799 | 618,140 | 104,748 | 17,451,822 |
| 2002 | 9,648,050 | 1,061,274 | 2,490,267 | 1,246,761 | 897,402 | 1,151,709 | 684,193 | 112,966 | 17,292,622 |
| 2003 | 11,252,602 | 1,253,797 | 2,431,837 | 1,328,180 | 873,195 | 884,893 | 609,294 | 71,907 | 18,705,705 |

DATA SOURCE: Town's Audited Financial Statements.

1. Statistics include all governmental fund types: General, Special Revenue, Capital Projects and Debt Service.
2. Statistics do not include transfers or contributions from one governmental fund to another or from an Enterprise Fund.
3. Tax revenues include receipts from State of Florida for Homestead Exemption.

TOWN OF LONGBOAT KEY, FLORIDA
TAX REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

| <u>Fiscal Year</u> | <u>Property Taxes</u> | <u>Tourist Development Tax</u> | <u>Half Cent Sales Tax</u> | <u>Local Option Infra-Structure Tax</u> | <u>Eight Cent Motor Fuel Tax</u> | <u>County Gas Tax</u> | <u>Revenue Sharing/ Cigarette Taxes</u> | <u>Total</u> |
|--------------------|-----------------------|--------------------------------|----------------------------|---|----------------------------------|-----------------------|---|--------------|
| 1994 | 5,206,493 | 166,427 | 324,813 | 308,065 | 33,871 | 229,316 | 103,660 | 6,372,645 |
| 1995 | 5,316,909 | 163,798 | 337,967 | 523,195 | 34,734 | 238,996 | 107,812 | 6,723,411 |
| 1996 | 5,640,411 | 300,000 | 360,555 | 555,448 | 33,362 | 257,820 | 108,150 | 7,255,746 |
| 1997 | 6,792,242 | 300,000 | 376,026 | 568,167 | 34,753 | 254,030 | 103,648 | 8,428,866 |
| 1998 | 7,401,680 | 300,000 | 409,968 | 647,940 | 36,514 | 280,993 | 105,961 | 9,183,056 |
| 1999 | 7,728,738 | 224,403 | 429,727 | 628,646 | 36,266 | 281,705 | 100,160 | 9,429,645 |
| 2000 | 8,507,324 | 831,141 | 468,587 | 465,199 | 42,722 | 290,225 | 78,577 | 10,683,775 |
| 2001 | 9,259,111 | 618,140 | 492,257 | 474,923 | 47,948 | 351,559 | 85,590 | 11,329,528 |
| 2002 | 9,648,050 | 684,193 | 585,979 | 571,094 | 49,379 | 443,555 | - | 11,982,250 |
| 2003 | 11,252,602 | 609,294 | 590,995 | 590,682 | 49,395 | 452,532 | - | 13,545,501 |

DATA SOURCE: Town's financial records.

NOTE: The only taxes levied directly by the Town are property taxes. The other taxes shown above are levied and collected by the State of Florida of the counties and passed through to the Town. These amounts are included in Table 2 as part of Intergovernmental Revenue.

TOWN OF LONGBOAT KEY, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)

| <u>Fiscal Year</u> | <u>Tax Levy</u> | <u>Collections</u> | <u>Percent of Levy Collections</u> |
|--------------------|-----------------|--------------------|------------------------------------|
| 1994 | 5,382,794 | 5,206,493 | 96.7% |
| 1995 | 5,500,438 | 5,316,909 | 96.7% |
| 1996 | 5,833,515 | 5,640,411 | 96.7% |
| 1997 | 7,050,293 | 6,792,242 | 96.3% |
| 1998 | 7,647,009 | 7,401,680 | 96.8% |
| 1999 | 7,999,800 | 7,728,738 | 96.6% |
| 2000 | 8,808,377 | 8,507,324 | 96.6% |
| 2001 | 9,559,610 | 9,259,111 | 96.9% |
| 2002 | 9,992,191 | 9,648,050 | 96.6% |
| 2003 | 11,633,786 | 11,252,602 | 96.7% |

DATA SOURCE:

Town's Audited Financial Statements and Sarasota and Manatee County Property Appraiser's Offices.

1. Property taxes become due and payable on November 1 of each year and a 4% discount is allowed if the taxes are paid in November, with the discount declining by 1% each month thereafter. Therefore, taxes collected will never be 100% of the tax levy. Taxes become delinquent on April 1 of each year and tax certificates for the full amount of any unpaid taxes and assessments must be sold not later than June 1 of each year. A small difference is also indicated by changes to original tax levy due to Board of Equalization adjustments which reduces assessed valuations and the percentage collected based on the original tax levy. Property taxes receivable and the corresponding reserve for uncollectable property taxes are not included in the financial statements as there are no material delinquent taxes as of September 30, 2003.

2. Tax levy includes millage for operating and debt service requirements.

TOWN OF LONGBOAT KEY, FLORIDA
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS
 (Unaudited)

| <u>Fiscal Year</u> | <u>Real and Personal Property Sarasota County</u> | <u>Real and Personal Property Manatee County</u> | <u>Total Assessed Value</u> | <u>Estimated Actual Value</u> | <u>Ratio Of Total Assessed To Total Estimated Actual Value</u> |
|--------------------|---|--|-----------------------------|-------------------------------|--|
| 1994 | 1,245,639,257 | 520,517,705 | 1,766,156,962 | 1,766,156,962 | 100% |
| 1995 | 1,286,566,493 | 532,865,915 | 1,819,432,408 | 1,819,432,408 | 100% |
| 1996 | 1,400,206,813 | 564,428,609 | 1,964,635,422 | 1,964,635,422 | 100% |
| 1997 | 1,579,629,217 | 582,516,199 | 2,162,145,416 | 2,162,145,416 | 100% |
| 1998 | 1,678,980,891 | 608,531,349 | 2,287,512,240 | 2,287,512,240 | 100% |
| 1999 | 1,794,985,485 | 646,326,235 | 2,441,311,720 | 2,441,311,720 | 100% |
| 2000 | 1,961,764,221 | 682,057,242 | 2,643,821,463 | 2,643,821,463 | 100% |
| 2001 | 2,211,070,596 | 748,346,946 | 2,959,417,542 | 2,959,417,542 | 100% |
| 2002 | 2,545,125,858 | 850,735,963 | 3,395,861,821 | 3,395,861,821 | 100% |
| 2003 | 3,003,704,254 | 1,018,346,718 | 4,022,050,972 | 4,022,050,972 | 100% |

DATA SOURCE:

Certification from County Property Appraiser's Offices - Sarasota and Manatee Counties.

NOTE:

The year indicated is for the fiscal year ended September 30. The amounts indicated are for valuations established as of the prior January 1. As an example, the 2001 valuation of \$2,211,070,596 represents valuations as of January 1, 2000. Taxes were collected during 2000 and 2001.

The property appraisers have always maintained that assessments were at 100% of actual value; and there was no independent attempt to establish as estimated actual value.

TOWN OF LONGBOAT KEY, FLORIDA
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Unaudited)

| Fiscal Year | Town of Longboat Key Mills | Sarasota County Mills | Total Mills Town and Sarasota County | Town's Levy Sarasota County Portion | Town and Sarasota County Levy | Manatee County Mills | Total Mills Town and Manatee County | Town's Levy Manatee County Portion | Town and Manatee County Levy |
|-------------|----------------------------|-----------------------|---|--|-------------------------------|----------------------|--|---------------------------------------|------------------------------|
| 1994 | 3.3638 | 14.5060 | 17.8698 | 4,190,081 | 22,259,324 | 18.2309 | 21.5947 | 1,750,917 | 11,240,424 |
| 1995 | 3.3487 | 14.5056 | 17.8543 | 4,308,325 | 22,970,744 | 18.8375 | 22.1862 | 1,784,408 | 11,822,270 |
| 1996 | 3.2732 | 14.0660 | 17.3392 | 4,583,157 | 24,278,466 | 18.9209 | 22.1941 | 1,847,488 | 12,526,985 |
| 1997 | 3.6773 | 14.0880 | 17.7653 | 5,808,771 | 28,062,587 | 18.8472 | 22.5245 | 2,142,087 | 13,120,886 |
| 1998 | 3.7418 | 13.8640 | 17.6058 | 6,282,411 | 29,559,802 | 18.4756 | 22.2174 | 2,277,003 | 13,519,984 |
| 1999 | 3.6545 | 14.4330 | 18.0875 | 6,559,774 | 32,466,800 | 17.8875 | 21.5420 | 2,361,999 | 13,923,160 |
| 2000 | 3.6764 | 14.116 | 17.7924 | 7,212,230 | 34,904,494 | 17.4510 | 21.1274 | 2,507,515 | 14,410,096 |
| 2001 | 3.0258 | 14.1198 | 17.1456 | 7,818,125 | 31,219,875 | 17.6557 | 20.6815 | 2,646,080 | 12,830,857 |
| 2002 | 3.2089 | 14.0533 | 17.2622 | 8,167,054 | 35,767,417 | 16.7862 | 19.9951 | 2,729,927 | 17,010,551 |
| 2003 | 3.2054 | 14.8359 | 18.0413 | 9,628,074 | 44,562,656 | 17.0440 | 20.2494 | 3,264,209 | 20,763,945 |

DATA SOURCE:

Town's Financial records and Property Appraiser's Office in Sarasota and Manatee Counties.

NOTE:

The Town of Longboat Key is located within two counties. Taxpayers pay taxes to the County in which they reside. Taxes are collected by both Counties and distributed to the Town. The year indicates the year taxes are collected. Assessments are based on the valuations as of January 1 of the previous year. As example, 2001 millage rate of 3.5359 applies to valuations as of January 1, 2000.

TOWN OF LONGBOAT KEY, FLORIDA
 RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE AND PER CAPITA
 LAST TEN FISCAL YEARS
 (Unaudited)

| <u>Fiscal Year</u> | <u>Population</u> | <u>Assessed Values</u> | <u>Gross Bonded Debt</u> | <u>Less Debt Service Fund</u> | <u>Net Bonded Debt</u> | <u>Ratio of Net Bonded Debt Assessed to Values</u> | <u>Net Bonded Debt Per Capita</u> |
|--------------------|-------------------|------------------------|--------------------------|-------------------------------|------------------------|--|-----------------------------------|
| 1994 | 20,271 | 1,766,156,962 | 11,895,000 | 139,875 | 11,755,125 | .67 | 579.90 |
| 1995 | 19,281 | 1,819,432,408 | 10,940,000 | 139,875 | 10,800,125 | .59 | 560.14 |
| 1996 | 19,410 | 1,964,635,422 | 14,215,000 | 139,875 | 14,075,125 | .72 | 725.15 |
| 1997 | 19,379 | 2,162,145,416 | 12,635,000 | 147,902 | 12,487,098 | .58 | 644.36 |
| 1998 | 19,752 | 2,287,512,240 | 10,985,000 | 150,671 | 10,834,329 | .47 | 548.52 |
| 1999 | 20,240 | 2,438,010,614 | 10,137,000 | 147,257 | 9,989,743 | .41 | 500.84 |
| 2000 | 20,420 | 2,643,821,463 | 11,395,000 | 151,830 | 11,243,170 | .43 | 550.60 |
| 2001 | 20,355 | 2,959,417,542 | 9,360,000 | 168,667 | 9,191,333 | .32 | 451.55 |
| 2002 | 20,463 | 3,395,861,821 | 7,220,000 | 164,225 | 7,055,775 | .21 | 344.81 |
| 2003 | 23,501 | 4,022,050,972 | 4,955,000 | 146,648 | 4,808,352 | .12 | 204.60 |

DATA SOURCE:

The 1995 through 2002 population estimates are "functional population" based on the 1995 Comprehensive Plan Evaluation and Appraisal Report prepared by Bass and Associates in conjunction with Sarasota County and the Town's Planning, Zoning and Building Department.

The 2003 population is provided by the Functional Population Estimate prepared by Fishkind and Associates, August 15, 2003.

The amount of Bonded Debt reflects the principal of the G.O. Water Bonds, G.O. Sewer Bonds, and G.O. Facility Bond.

TOWN OF LONGBOAT KEY, FLORIDA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 SEPTEMBER 30, 2003
 (Unaudited)

| <u>Governmental Unit</u> | <u>Net Bonded Debt</u> | <u>Percentage Applicable to Town of Longboat Key</u> | <u>Town of Longboat Key Share of Debt</u> |
|-----------------------------|------------------------|--|---|
| <u>Town of Longboat Key</u> | | | |
| G.O. Water Bonds | \$ 333,167 | 100.0% | \$ 333,167 |
| G.O. Sewer Bonds | 929,700 | 100.0% | 929,700 |
| G.O. Facility Bonds | 3,545,485 | 100.0% | 3,545,485 |
| Total Direct Debt | | | <u>4,808,352</u> |
| <u>Sarasota County</u> | | | |
| G.O. Bonds | 5,580,207 | 8.8% | 491,058 |
| <u>Manatee County</u> | | | |
| G.O. Bonds | <u>28,708,364</u> | 5.5% | <u>1,578,960</u> |
| Total overlapping Debt | | | |
| Total | <u>\$ 39,096,923</u> | | <u>\$ 6,878,370</u> |

DATA SOURCE:

September 30, 2003 Financial Statements of Town of Longboat Key, Sarasota County, and Manatee County.

Percentages indicated were arrived at by the ratio of counties (Sarasota-Manatee) total assessed value to the Town's assessed valuation (Sarasota-Manatee portion). Each county and the Town's portion of that county percentage was established independently.

TOWN OF LONGBOAT KEY, FLORIDA
 COMPUTATION OF LEGAL DEBT MARGIN
 SEPTEMBER 30, 2003
 (Unaudited)

| | | |
|---|------------------|-------------------------|
| Total taxable value | | <u>\$ 4,022,050,972</u> |
| Town of Longboat Key debt limit (20% of taxable value) | | \$ 804,410,194 |
| General obligation debt as of September 30, 2003: | | |
| G.O. Water Bonds | \$ 470,000 | |
| G.O. Sewer Bonds | 930,000 | |
| G.O. Facility Bonds | <u>3,555,000</u> | |
| | \$ 4,955,000 | |
| Less: Debt Service Funds | <u>(146,648)</u> | |
| Net Bonded Debt | | <u>4,808,352</u> |
| Legal Debt Margin | | <u>\$ 799,601,842</u> |

There is no debt limit mandated by law in the State of Florida. The Town of Longboat Key's charter indicates a maximum general bonded indebtedness of 20% of assessed value.

TOWN OF LONGBOAT KEY, FLORIDA
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO
 TOTAL GENERAL GOVERNMENTAL EXPENDITURES FOR THE LAST TEN FISCAL YEARS
 (Unaudited)

| Fiscal Year | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> | <u>General Governmental Expenditures</u> | Ratio of General Bonded Debt Service To General Governmental Expenditures |
|----------------|------------------|-----------------|-----------------------------------|--|--|
| 1994 | 920,000 | 627,793 | 1,547,793 | 11,042,692 | 14.0 |
| 1995 | 955,000 | 593,865 | 1,548,865 | 10,572,683 | 14.6 |
| 1996 | 995,000 | 352,198 | 1,547,198 | 12,084,072 | 12.8 |
| 1997 | 1,580,000 | 724,863 | 2,304,863 | 22,434,572 | 10.3 |
| 1998 | 1,650,000 | 611,360 | 2,261,360 | 11,973,839 | 18.9 |
| 1999 | 1,970,000 | 728,711 | 2,698,711 | 12,911,057 | 20.1 |
| 2000 | 1,935,000 | 657,814 | 2,592,814 | 13,083,493 | 19.8 |
| 2001 | 2,035,000 | 564,806 | 2,599,806 | 17,577,555 | 14.8 |
| 2002 | 2,140,000 | 450,142 | 2,590,142 | 17,048,351 | 15.2 |
| 2003 | 2,265,000 | 338,500 | 2,603,500 | 18,546,697 | 14.0 |

DATA SOURCE: Town's Audited Financial Statements.

1. Debt Service includes G.O. Water Bonds, original issue \$1,700,000, G.O. Sewer Bonds, original issue \$2,765,000, G.O. Beach Bonds, 1993, original issue \$9,730,000, G.O. Beach Bonds, 1996, original issue \$4,270,000, and G.O. Facility Bonds, 1999, original issue \$4,075,000.

2. Expenditures include all governmental fund types.

TOWN OF LONGBOAT KEY, FLORIDA
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

| <u>Fiscal Year</u> | <u>Gross Revenues</u> | <u>Expenses</u> | <u>Net Available for debt Service</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | <u>Coverage</u> |
|--------------------|-----------------------|-----------------|---------------------------------------|------------------|-----------------|--------------|-----------------|
| 1994 | 3,806,299 | 2,829,589 | 976,710 | 205,000 | 229,917 | 434,917 | 2.2 |
| 1995 | 3,950,145 | 3,003,942 | 946,203 | 210,000 | 222,948 | 432,948 | 2.2 |
| 1996 | 4,469,140 | 3,476,004 | 993,136 | 220,000 | 214,968 | 434,968 | 2.3 |
| 1997 | 4,655,047 | 3,587,380 | 1,067,667 | 230,000 | 206,168 | 436,168 | 2.4 |
| 1998 | 4,555,794 | 3,534,772 | 1,021,022 | 240,000 | 196,393 | 436,393 | 2.3 |
| 1999 | 5,124,673 | 3,462,157 | 1,662,516 | 250,000 | 185,593 | 435,593 | 3.8 |
| 2000 | 5,231,690 | 3,690,740 | 1,540,950 | 265,000 | 174,030 | 439,030 | 3.5 |
| 2001 | 5,148,528 | 3,827,158 | 1,321,370 | 275,000 | 161,310 | 436,310 | 3.0 |
| 2002 | 4,910,741 | 3,768,210 | 1,142,531 | 285,000 | 147,560 | 432,560 | 2.6 |
| 2003 | 4,780,375 | 3,913,687 | 866,688 | 300,000 | 133,310 | 433,310 | 2.0 |

DATA SOURCE: Town's Certified Financial Report

1. Gross revenues are defined to include normal operating revenue from charges for water and sewer usage plus late charges, investment earnings and miscellaneous income.

2. Expenses cover operating expenses except depreciation. For this computation, expenses also include required reserve payments made to renewal and replacement funds as specified in the bond ordinance. The current Renewal and replacement reserve is \$424,380, which is an increase of \$56,139 compared to 2002.

3. Coverage equals Net Available for Debt Service divided by total Debt Service Requirements.

TOWN OF LONGBOAT KEY, FLORIDA
SALARIES AND SURETY BONDS OF PRINCIPAL OFFICIALS
(Unaudited)

| Name | Position | Fiscal 2003 Salary | Surety Bond |
|----------------------|--|-----------------------|----------------|
| | Mayor & Commissioners | - | \$ 2,000,000 |
| Bruce F. St. Denis | Town Manager | 129,087 | |
| Donna H. Spencer | Town Clerk | 73,674 | |
| Terence O. Sullivan | Finance Director | 86,318 | 300,000 |
| Katherine J. Pletzke | Management Information Systems Director | 81,022 | |
| Bonnie S. Mims | Administrative Services Director | 76,536 | |
| Albert F. Hogle | Police Chief | 61,766 | |
| Julius E. Halas | Fire Chief | 81,599 | |
| Juan J. Florensa | Public Works Director | 76,639 | |
| Jill A. Jeglie | Planning, Zoning & Building Director | 73,565 | |

DATA SOURCE: Town's Payroll and Insurance records

1. The name represents individual holding indicated position as of September 30, 2003.
2. Fiscal salary indicates salary paid to the corresponding position during entire fiscal year (or part thereof).

TOWN OF LONGBOAT KEY, FLORIDA
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
(Unaudited)

| Fiscal Year | Property Values | | | Construction | | | | Bank Deposits |
|-------------|-----------------|----------------|---------------|---------------------|-----------------|-------------------------|-----------------|---------------|
| | Sarasota County | Manatee County | Total | Number Living Units | Estimated Value | Number Commercial Units | Estimated Value | |
| 1994 | 1,245,639,257 | 520,517,705 | 1,766,156,962 | 157 | 40,441,280 | - | - | 239,141,600 |
| 1995 | 1,286,566,493 | 532,865,915 | 1,819,432,408 | 112 | 32,237,200 | - | - | 190,000,000 |
| 1996 | 1,400,206,813 | 564,428,609 | 1,964,635,422 | 76 | 49,000,000 | - | - | 198,000,000 |
| 1997 | 1,579,629,217 | 582,516,199 | 2,162,145,416 | 169 | 52,208,000 | - | - | 224,000,000 |
| 1998 | 1,678,980,891 | 608,531,349 | 2,287,512,240 | 33 | 33,584,000 | - | - | 162,000,000 |
| 1999 | 1,794,985,485 | 646,326,235 | 2,441,311,720 | 145 | 43,295,000 | 1 | 153,000 | 177,000,000 |
| 2000 | 1,961,764,221 | 682,057,242 | 2,643,821,463 | 23 | 31,275,000 | - | - | 202,000,000 |
| 2001 | 2,211,070,596 | 746,346,946 | 2,959,417,542 | 56 | 29,025,000 | - | - | 217,000,000 |
| 2002 | 2,545,125,858 | 850,735,963 | 3,395,861,821 | 41 | 25,931,229 | 1 | 1,430,517 | 194,000,000 |
| 2003 | 3,003,704,254 | 1,018,346,718 | 4,022,050,972 | 29 | 15,198,100 | 1 | 618,277 | 201,000,000 |

DATA SOURCE:

Assessed Values - Sarasota and Manatee Counties' Tax Assessors' offices. Assessed Values are based on values as of January 1 of prior year. Values include real and personal property. A breakdown of the residential and commercial units - unavailable from the Counties.

Construction Values - Based on Town's Building Department statistics and on permits issued. Value is estimated construction costs. Condominium units are included in residential.

Bank Deposits - Includes balances in four banks as of December 31, 2002.

TOWN OF LONGBOAT KEY, FLORIDA
 PRINCIPAL TAXPAYERS
 AS OF JANUARY 1, 2003
 (Unaudited)

| <u>Owner</u> | <u>Type</u> | <u>Assessed Value</u> | <u>% of Value Assessed</u> |
|---------------------------------|-------------------------|------------------------------|----------------------------|
| Holiday Inn | Hotel | \$ 17,421,731 | 0.43% |
| Key Club Associates | Golf / Tennis | 16,333,700 | 0.41% |
| Veranda Beach Club | Time Share | 13,946,963 | 0.35% |
| Hilton | Hotel | 12,632,933 | 0.31% |
| Harbourside Golf Course | Golf Course | 11,538,800 | 0.29% |
| Town Plaza | Shopping Mall | 7,120,000 | 0.18% |
| Worldwide Properties of America | Condominium Development | 6,570,300 | 0.16% |
| Four Winds I | Time Share | 6,491,030 | 0.16% |
| Francis E. O'Donnell | Residence | 6,430,200 | 0.16% |
| Siegfried Schulte | Residence | <u>6,300,000</u> | <u>0.16%</u> |
| TOTAL | | <u><u>\$ 104,785,657</u></u> | <u><u>2.61%</u></u> |

DATA SOURCE: Sarasota and Manatee Counties' Tax Rolls.

TOWN OF LONGBOAT KEY, FLORIDA
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS
 (Unaudited)

| <u>Fiscal Year</u> | <u>Population</u> | <u>Percent Change</u> |
|--------------------|-------------------|-----------------------|
| 1994 | 20,271 | 0.30 |
| 1995 | 19,281 | (4.90) |
| 1996 | 19,410 | 0.70 |
| 1997 | 19,379 | (0.20) |
| 1998 | 19,752 | 1.90 |
| 1999 | 20,240 | 2.50 |
| 2000 | 20,420 | 0.90 |
| 2001 | 20,355 | (0.10) |
| 2002 | 20,463 | 0.50 |
| 2003 | 23,501 | 14.85 |

Age Distribution

| Age Groups | <u>0-24</u> | <u>25-44</u> | <u>45-59</u> | <u>60-64</u> | <u>65-74</u> | <u>Over 75</u> | over <u>85</u> |
|------------------|-------------|--------------|--------------|--------------|--------------|----------------|-------------------|
| Number Residents | 268 | 435 | 1,503 | 962 | 2,359 | 2,076 | 114 |

Household Income
 (in \$1,000's)

| <u>0-12</u> | <u>12-22</u> | <u>22-32</u> | <u>32-42</u> | <u>42-52</u> | <u>52-75</u> | <u>Over 75</u> |
|-------------|--------------|--------------|--------------|--------------|--------------|----------------|
| .7% | 3.7% | 7.8% | 9.0% | 12.3% | 22.0% | 44.5% |

DATA SOURCE:

The 1995 through 2002 population estimates are "functional population" based on the 1995 Comprehensive Plan Evaluation and Appraisal Report prepared by Bass and Associates in conjunction with Sarasota County and the Town's Planning, Zoning and Building Department.

The 2003 population estimate is provided by the Functional Population Estimate prepared by Fishkind and Associates, August 15, 2003.

Age Distribution and Household Income is from the U.S. Census data.

TOWN OF LONGBOAT KEY, FLORIDA
 MISCELLANEOUS STATISTICAL DATA
 (Unaudited)

| | |
|--|---|
| Date of incorporation | 1955 |
| Date of first charter adopted | 1955 |
| Date of present charter adopted | 1998 |
| Form of government | Commission and Town Manager |
| Area - square miles - Land | 4.75 square miles |
| - Water | 11.74 square miles |
| Miles of streets and alleys | |
| Streets - paved | 13.7 miles |
| Streets - unpaved | .3 miles |
| Alleys | .5 miles |
| Sidewalks | 10.0 miles |
| Miles of sewers | |
| Storm | .5 miles |
| Sanitary | 46.0 miles |
| Fire protection | |
| Number of stations | 2 |
| Number of employees | 34 |
| Police protection | |
| Number of employees | 31 |
| Number of law violations | 930 |
| Number of law arrests | 165 |
| Jail (facilities and populations) | None |
| Vehicular patrol units | 6 patrol; 3 administrative; 1 motorcycle; 2 boats; 2 ATV's, 1 truck, 1 van, 1 trailer |
| Recreation | |
| Parks - number of acres and facilities | 5 (excess of 140 acres) |
| Number of playgrounds | 1 |
| Number of golf courses | 2 (private) |
| Number of swimming pools | 0 |
| Number of other recreation facilities | Center for the Arts, Recreation Center; Library (private) Tennis Center |
| Education | |
| Number of schools (by type) | 0 |
| Number of administrative personnel | 0 |
| Number of teachers | 0 |
| Number of students | 0 |
| Average daily attendance (by school) | 0 |

(continued)

TOWN OF LONGBOAT KEY, FLORIDA
 MISCELLANEOUS STATISTICAL DATA - CONTINUED
 (Unaudited)

| Utility enterprise | | | | | | | | | | | |
|---|---|--------|------------|------|-------|------|-------|------|-------|------|-------|
| Number of users or consumers | 11,062 | | | | | | | | | | |
| Data on use or consumption (monthly total) | 68,007,920 average | | | | | | | | | | |
| Water storage capacity | 2,500,000 gallons | | | | | | | | | | |
| Data on distribution system | Not available | | | | | | | | | | |
| | | | | | | | | | | | |
| Number of lights - streets | 283 | | | | | | | | | | |
| | | | | | | | | | | | |
| Employees - authorized positions | 142 as of 9/30/03 | | | | | | | | | | |
| | | | | | | | | | | | |
| Elections | | | | | | | | | | | |
| Number of registered voters | 6,453 | | | | | | | | | | |
| Number of votes cast in | | | | | | | | | | | |
| Last general election | 2,122 | | | | | | | | | | |
| Last municipal election | 2,122 | | | | | | | | | | |
| Percentage of registered voters voting in | | | | | | | | | | | |
| Last general election | 32.8% | | | | | | | | | | |
| Last municipal election | 32.8% | | | | | | | | | | |
| | | | | | | | | | | | |
| Population | | | | | | | | | | | |
| Census population count for last four censuses | <table border="0" style="margin-left: 20px;"> <thead> <tr> <th style="text-align: left;">Census</th> <th style="text-align: left;">Population</th> </tr> </thead> <tbody> <tr> <td>1970</td> <td>2,850</td> </tr> <tr> <td>1980</td> <td>4,723</td> </tr> <tr> <td>1990</td> <td>5,937</td> </tr> <tr> <td>2000</td> <td>7,603</td> </tr> </tbody> </table> | Census | Population | 1970 | 2,850 | 1980 | 4,723 | 1990 | 5,937 | 2000 | 7,603 |
| Census | Population | | | | | | | | | | |
| 1970 | 2,850 | | | | | | | | | | |
| 1980 | 4,723 | | | | | | | | | | |
| 1990 | 5,937 | | | | | | | | | | |
| 2000 | 7,603 | | | | | | | | | | |
| | | | | | | | | | | | |
| Age distribution of population for last four censuses | 2000 census median age - 66.17 | | | | | | | | | | |
| | | | | | | | | | | | |
| Income level of population for last four censuses | Not available | | | | | | | | | | |
| | | | | | | | | | | | |
| Functional population | 23,501 | | | | | | | | | | |
| | | | | | | | | | | | |
| Retail sales - by year for last ten years | Not available | | | | | | | | | | |
| | | | | | | | | | | | |
| Per capita income - for years available | Not available | | | | | | | | | | |
| | | | | | | | | | | | |
| Principal taxpayers | See Table 14 | | | | | | | | | | |
| | | | | | | | | | | | |
| List name and type of business of ten largest taxpayers | See Table 14 | | | | | | | | | | |

DATA SOURCE: Town's financial statements and general information. Based on statistics as of September 30, 2003.

THIS PAGE INTENTIONALLY LEFT BLANK

TOWN OF LONGBOAT KEY, FLORIDA
 SCHEDULE OF INSURANCE IN FORCE
 WATER AND SEWER SYSTEM
 SEPTEMBER 30, 2003

| <u>TYPE OF COVERAGE</u> | <u>AMOUNT AND DESCRIPTION</u> |
|---|--|
| <u>FIRE, VANDALISM AND EXTENDED COVERAGE</u> | |
| All locations – buildings and contents | Replacement cost |
| Being a barrier island, The Town of Longboat Key, in addition to being insured through the Southwest Florida Intergovernmental Risk Management Association, carries a separate commercial flood insurance policy on all Town owned or occupied property totaling \$18,507,973 which is the appraised value insured. | |
| <u>TRANSPORTATION EQUIPMENT</u> | |
| Collisions and Comprehension | Cash value, less \$500 deductible. |
| Medical | \$5,000/person \$100,000/accident |
| Liability | \$2,000,000 per occurrence |
| <u>GENERAL LIABILITY</u> | \$10,000,000 per occurrence |
| <u>PUBLIC OFFICIALS ERRORS AND OMISSIONS</u> | \$10,000,000 per occurrence \$25,000,000 aggregate note |
| <u>FIDELITY ALL EMPLOYEES</u> | \$100,000 any one claim |
| <u>WORKMEN'S COMPENSATION</u> | Statutory (F.S. 440) |
| <u>BOILER AND MACHINERY</u> | \$50,000,000 less \$1,000 deductible |

TOWN OF LONGBOAT KEY, FLORIDA
 SCHEDULE OF DEBT SERVICE REQUIREMENTS TO MATURITY
 SEPTEMBER 30, 2003

| Fiscal Year | Water and Sewer Revenue Bonds | | | G.O. Water Bonds | | |
|-------------|-------------------------------|-------------------|---------------------|-------------------|------------------|--------------------|
| | Principal | Interest | Total Requirements | Principal | Interest | Total Requirements |
| 2003-04 | \$ 300,000 | \$ 133,310 | \$ 433,310 | \$ 105,000 | \$ 29,612 | \$ 134,612 |
| 2004-05 | 315,000 | 118,010 | 433,010 | 115,000 | 21,833 | 136,833 |
| 2005-06 | 335,000 | 101,630 | 436,630 | 120,000 | 13,490 | 133,490 |
| 2006-07 | 350,000 | 83,875 | 433,875 | 130,000 | 4,615 | 134,615 |
| 2007-08 | 375,000 | 64,625 | 439,625 | | | |
| 2008-09 | 390,000 | 44,000 | 434,000 | | | |
| 2009-10 | 410,000 | 22,550 | 432,550 | | | |
| 2010-11 | | | | | | |
| 2011-12 | | | | | | |
| 2012-13 | | | | | | |
| 2013-14 | | | | | | |
| 2014-15 | | | | | | |
| 2015-16 | | | | | | |
| 2016-17 | | | | | | |
| 2017-18 | | | | | | |
| 2018-19 | | | | | | |
| | <u>\$ 2,475,000</u> | <u>\$ 568,000</u> | <u>\$ 3,043,000</u> | <u>\$ 470,000</u> | <u>\$ 69,550</u> | <u>\$ 539,550</u> |

| G.O. Facilities Bonds | | | G.O. Sewer Bonds | | |
|-----------------------|---------------------|---------------------|-------------------|-------------------|---------------------|
| Principal | Interest | Total Requirements | Principal | Interest | Total Requirements |
| \$ 150,000 | \$ 183,588 | \$ 333,588 | \$ 140,000 | \$ 50,825 | \$ 190,825 |
| 160,000 | 174,887 | 334,887 | 150,000 | 42,125 | 192,125 |
| 165,000 | 167,688 | 332,688 | 160,000 | 32,825 | 192,825 |
| 175,000 | 160,097 | 335,097 | 170,000 | 22,925 | 192,925 |
| 185,000 | 151,873 | 336,873 | 310,000 | 8,913 | 318,913 |
| 190,000 | 142,993 | 332,993 | | | |
| 200,000 | 133,682 | 333,682 | | | |
| 210,000 | 123,783 | 333,783 | | | |
| 220,000 | 113,177 | 333,177 | | | |
| 230,000 | 101,848 | 331,848 | | | |
| 245,000 | 89,887 | 334,887 | | | |
| 255,000 | 77,025 | 332,025 | | | |
| 270,000 | 63,510 | 333,510 | | | |
| 285,000 | 49,065 | 334,065 | | | |
| 300,000 | 33,675 | 333,675 | | | |
| 315,000 | 17,325 | 332,325 | | | |
| <u>\$ 3,555,000</u> | <u>\$ 1,784,103</u> | <u>\$ 5,339,103</u> | <u>\$ 930,000</u> | <u>\$ 157,613</u> | <u>\$ 1,087,613</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

