

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

\$34,860,000
FLORIDA MUNICIPAL LOAN COUNCIL
\$20,090,000 REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2012B-1
\$14,770,000 REFUNDING REVENUE BONDS, SERIES 2012B-2
(City of Deerfield Beach Series)

Dated: Date of Delivery

Due: October 1, as shown on the inside cover

The Refunding and Improvement Revenue Bonds, Series 2012B-1 and Refunding Revenue Bonds, Series 2012B-2 (collectively, 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 April 1 and October 1, commencing April 1, 2013. The principal of, premium, if any, and interest on the Bonds will be paid through the Trustee described herein. So long as DTC or its nominee, Cede & Co., is the registered owner, such payments will be made directly to Cede & Co. Disbursement of such payments to the DTC Participants (as defined herein) is the responsibility of DTC, and disbursement of such payments to Beneficial Owners is the responsibility of the DTC Participants and the Indirect Participants (as defined herein), as more fully described herein.

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

The proceeds to be received by the Issuer from the sale of the Bonds will be used by the Issuer to make loans (the "Loans") to the City of Deerfield Beach, Florida (the "Borrower") pursuant to separate loan agreements between the Issuer and the Borrower (the "Loan Agreements") for the purposes of (i) refunding loans made to the Borrower from the proceeds of the Issuer's Series 2000B Bonds, Series 2003A Bonds and Series 2003B Bonds (the "Refunded Bonds") thereby refunding a portion of such Refunded Bonds, (ii) with respect to the Series 2012B-1 Bonds, funding certain capital improvements, and (iii) paying costs and expenses related to the issuance of the Bonds.

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

The Bonds are not a general debt, liability or obligation of the Issuer, but are limited obligations of the Issuer, payable solely from (i) the payments to be made by the Borrower pursuant to the Loan Agreements (as defined herein), (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, 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 relating to the Series 2012B-1 Bonds pursuant to the Covenant Loan Agreement (as defined herein) are not a general debt, liability or obligation of the Borrower, but are a limited obligation of the Borrower payable from the sources described herein. The Borrower's obligation relating to the Series 2012B-2 Bonds to pay Basic Payments under the General Obligation Loan Agreement (each as defined herein) is secured by the full faith and 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 scheduled payment of principal of and interest on the Series 2012B-1 Bonds maturing on October 1st of the years 2019 through 2032, inclusive (the "Insured Bonds") when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Bonds by Assured Guaranty Municipal Corp.



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

The Bonds are offered when, as, and if issued and received by the Underwriter, subject to the approval of legality and tax-exempt status by Bryant Miller Olive P.A., Miami, Florida, Bond Counsel. Certain legal matters will be passed upon for the Issuer by Kraig A. Conn, Esq., counsel to the Issuer, as deputy general counsel to the Florida League of Cities, Inc., for the Borrower by Andrew S. Maurodis, Deerfield Beach, Florida, City Attorney, and for the Underwriter by its counsel, Nabors, Giblin & Nickerson, P.A., Tampa, Florida. Public Resources Advisory Group, St. Petersburg, Florida, has served as financial advisor to the Issuer in connection with the Bonds. Florida League of Cities, Inc. is the administrator of the Issuer's Bond program. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about December 4, 2012.

WELLS FARGO SECURITIES

AMOUNTS, MATURITIES, INTEREST RATES AND PRICES

Series 2012B-1 Bonds

\$18,725,000 Serial Bonds

<u>Maturity (October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.⁽¹⁾</u>	<u>Maturity (October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.⁽¹⁾</u>
2013	\$870,000	2.000%	100.984	342815Q75	2021*	\$510,000	2.250%	98.419	342815T23
2014	980,000	3.000	103.607	342815Q83	2022*	500,000	5.000	120.495	342815R82
2015	1,005,000	3.000	104.927	342815Q91	2022*	760,000	2.500	98.964	342815T31
2016	1,040,000	4.000	109.570	342815R25	2023*	1,300,000	2.750	98.521	342815R90
2017	1,085,000	4.000	111.099	342815R33	2024*	1,340,000	3.000	99.504	342815S24
2018	1,115,000	2.000	101.377	342815R41	2025*	1,385,000	3.000	98.736	342815S32
2019*	500,000	5.000	119.470	342815R58	2026*	1,425,000	3.000	97.886	342815S40
2019*	640,000	2.000	100.380	342815S99	2027*	1,465,000	3.125	98.535	342815S57
2020*	1,175,000	2.000	98.781	342815R66	2028*	505,000	3.125	97.732	342815S65
2021*	700,000	5.000	120.123	342815R74	2029*	425,000	3.250	98.465	342815S73

\$1,365,000 3.375% Term Bonds due October 1, 2032*- Price 97.520% CUSIP No. 342815S81

Series 2012B-2 Bonds

\$9,920,000 Serial Bonds

<u>Maturity (October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.⁽¹⁾</u>	<u>Maturity (October 1)</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP No.⁽¹⁾</u>
2013	\$720,000	2.000%	101.150	342815T49	2020	\$655,000	4.000%	115.043	342815U39
2014	690,000	3.000	104.070	342815T56	2021	675,000	2.000	98.560	342815U47
2015	715,000	3.000	105.786	342815T64	2022	690,000	2.250	98.952	342815U54
2016	560,000	3.000	107.213	342815T72	2023	705,000	2.500	98.966	342815U62
2017	580,000	4.000	112.836	342815T80	2024	685,000	4.000	111.332 ⁽²⁾	342815U70
2018	605,000	4.000	114.493	342815T98	2025	1,260,000	5.000	120.207 ⁽²⁾	342815U88
2019	630,000	4.000	115.177	342815U21	2026	750,000	3.000	98.879	342815U96

\$4,850,000 3.000% Term Bonds due October 1, 2028- Price 97.044 CUSIP No. 342815V20

*Series 2012B-1 Bonds insured by Assured Guaranty Municipal Corp.

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

⁽²⁾ Priced to the October 1, 2022 call date.

Florida Municipal Loan Council

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

Directors

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

Attorney

Kraig A. Conn, Esq.
Tallahassee, Florida

Bond Counsel

Bryant Miller Olive P.A.
Miami, Florida

Financial Advisor

Public Resources Advisory Group
St. Petersburg, Florida

Program Administrator

Florida League of Cities, Inc.
Tallahassee, Florida

[THIS PAGE INTENTIONALLY LEFT BLANK]

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 BORROWER THAT SUCH INFORMATION DOES NOT CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT AND DOES NOT OMIT TO STATE ANY MATERIAL FACT NECESSARY IN ORDER TO MAKE THE STATEMENTS MADE HEREIN, IN THE LIGHT OF THE CIRCUMSTANCES UNDER WHICH THEY ARE MADE, NOT MISLEADING.

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

THE UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION IN THIS OFFICIAL STATEMENT. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFICIAL STATEMENT IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITIES TO INVESTORS UNDER THE FEDERAL SECURITIES LAWS AS APPLIED TO THE FACTS AND CIRCUMSTANCES OF THIS TRANSACTION, BUT THE UNDERWRITER DOES NOT GUARANTY THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

ASSURED GUARANTY MUNICIPAL CORP. ("AGM") MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE INSURED BONDS. IN ADDITION, AGM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING AGM SUPPLIED BY AGM AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND APPENDIX H – SPECIMEN MUNICIPAL BOND INSURANCE POLICY APPLICABLE ONLY TO THE INSURED BONDS.

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	4
Book-Entry Only System	6
No Assurance Regarding DTC Practices	8
THE ISSUER	9
THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT	10
The Administrator	10
The Administration Agreement	10
THE BORROWER	11
PURPOSE OF THE BONDS	11
General	11
Plan of Refunding	12
ESTIMATED SOURCES AND USES	13
SECURITY AND SOURCES OF PAYMENT	14
Limited Obligations; Trust Estate	14
Additional Bonds: Permitted Parity Indebtedness	15
Security for the Covenant Loan	15
Security for the General Obligation Loan	17
OTHER FINANCIAL INFORMATION	20
Outstanding Borrower Covenant-to-Budget Indebtedness; Calculations of Anti-Dilution Test Compliance; Historical Pro Forma Debt Service Coverage	20
Outstanding Borrower General Obligation Bond Indebtedness; Assessed Valuations, Property Tax Rates, Levies and Collections	25
Other Information Regarding the Borrower	31
MUNICIPAL BOND INSURANCE	31
Bond Insurance Policy	31
Assured Guaranty Municipal Corp.	31
DEBT SERVICE REQUIREMENTS	34

VERIFICATION OF MATHEMATICAL ACCURACY	34
TAX MATTERS.....	34
General.....	34
LITIGATION.....	37
VALIDATION.....	38
SEC ORDER; VOLUNTARY CLOSING AGREEMENT.....	38
LEGAL MATTERS.....	38
RATINGS	39
UNDERWRITING	39
FINANCIAL ADVISOR TO THE ISSUER	40
CONTINUING DISCLOSURE.....	40
CONTINGENT FEES	40
ENFORCEABILITY OF REMEDIES	40
MISCELLANEOUS	42
APPENDIX A - Form of Continuing Disclosure Agreement for the Borrower	
APPENDIX B - Form of Continuing Disclosure Agreement for the Issuer	
APPENDIX C - Form of the Indenture	
APPENDIX D - Form of the Loan Agreement	
APPENDIX E - Form of Opinion of Bond Counsel	
APPENDIX F - General Information Regarding the City of Deerfield Beach, Florida	
APPENDIX G - Audited Financial Statements of the City of Deerfield Beach, Florida, for the fiscal year ending September 30, 2011	
APPENDIX H - Specimen Municipal Bond Insurance Policy Applicable Only to the Insured Bonds	

OFFICIAL STATEMENT

Relating to

\$34,860,000

FLORIDA MUNICIPAL LOAN COUNCIL

\$20,090,000 REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2012B-1
\$14,770,000 REFUNDING REVENUE BONDS, SERIES 2012B-2
(City of Deerfield Beach Series)

INTRODUCTION

The purpose of this Official Statement, including the cover page and the Appendices hereto, is to furnish certain information with respect to the original issuance and sale of the Florida Municipal Loan Council's Refunding and Improvement Revenue Bonds, Series 2012B-1 and its Refunding Revenue Bonds, Series 2012B-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 as of December 1, 1998, initially among the City of Stuart, the City of Deland and the City of Rockledge, each of which is a Florida municipality. Subsequent to that date, other municipalities and counties have joined in the Interlocal Agreement, including Gadsden County, Florida, Jackson County, Florida and Leon County, Florida.

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

The Bonds are being issued to provide funds to make separate loans (the "Covenant Loan" and the "General Obligation Loan") to the City of Deerfield Beach, Florida (the "Borrower") as further described herein. The proceeds to be received by the Issuer from the sale of the Bonds will be loaned to the Borrower pursuant to a Covenant Loan Agreement, dated as of November 1, 2012, and a General Obligation Loan Agreement, dated as of November 1, 2012, each between the Issuer and the Borrower (collectively, the "Loan Agreements"). The Borrower will use proceeds of the separate loans made to it by the Issuer (the "Loans") to refund prior loans made from proceeds of the Issuer's Series 2000B Bonds, Series 2003A Bonds and Series 2003B Bonds (the "Prior Bonds") as applicable, thereby refunding a portion of such prior bonds

(the "Refunded Bonds"), to fund certain capital improvements and to pay a proportionate share of the costs of issuance of the Bonds. Proceeds of the Series 2012B-1 Bonds are being used to make the Covenant Loan to the Borrower, and proceeds of the Series 2012B-2 Bonds are being used to make the General Obligation Loan to the Borrower. The Projects previously financed with proceeds of the Refunded Bonds are briefly described herein under the caption "PURPOSE OF THE BONDS."

Pursuant to the Loan Agreements, 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 Loans to the Borrower when due. The Basic Payments correlate to the debt service on a principal amount of Bonds equal to the principal amount of the respective Loan. The aggregate scheduled Basic Payments under the Loan Agreements equals the scheduled payments of principal and interest on the Bonds. The Basic Payments are set forth herein under the caption "DEBT SERVICE REQUIREMENTS."

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

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

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

The Borrower in the General Obligation Loan Agreement has pledged the full faith, credit and taxing power of the Borrower to repay the Basic Payments under the General Obligation Loan Agreement. The Borrower has covenanted to budget and appropriate Non Ad-Valorem revenues sufficient to pay (on the same basis as set forth in the Covenant Loan Agreement) Additional Payments due under the General Obligation Loan Agreement.

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 Agreements, 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 Agreements (as defined herein), (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, 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 relating to the Series 2012B-1 Bonds pursuant to the Covenant Loan Agreement (as defined herein) are not a general debt, liability or obligation of the Borrower, but are a limited obligation of the Borrower payable from the sources described herein. The Borrower's obligation relating to the Series 2012B-2 Bonds to pay Basic Payments under the General Obligation Loan Agreement (each as defined herein) is secured by the full faith and 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.

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

THE BONDS

General Description

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

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

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

Redemption Provisions

Optional Redemption. The Series 2012B-1 Bonds maturing on or before October 1, 2022 are not subject to optional redemption prior to their maturities. The Series 2012B-1 Bonds maturing on or after October 1, 2023 are subject to redemption at the option of the Issuer on or after October 1, 2022 as a whole or in part at any time, in any manner as determined by the Trustee in its discretion, at the redemption price equal to the principal amount of the Series 2012B-1 Bonds to be redeemed, plus accrued interest to the redemption date.

The Series 2012B-2 Bonds maturing on or before October 1, 2022 are not subject to optional redemption prior to their maturities. The Series 2012B-2 Bonds maturing on or after October 1, 2023 are subject to redemption at the option of the Issuer on or after October 1, 2022 as a whole or in part at any time, in any manner as determined by the Trustee in its discretion, at the redemption price equal to the principal amount of the Series 2012B-2 Bonds to be redeemed, plus accrued interest to the redemption date.

Scheduled Mandatory Redemption. The Series 2012B-1 Bonds maturing on October 1, 2032 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2030 and on each October 1 thereafter, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2030	\$440,000
2031	455,000
2032*	470,000

*Maturity, not a redemption.

The Series 2012B-2 Bonds maturing on October 1, 2028 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2027, in the following principal amounts in the following years:

<u>Year</u>	<u>Principal Amount</u>
2027	\$2,390,000
2028*	2,460,000

*Maturity, not a redemption.

Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption as a result of acceleration of the related Loans pursuant to the respective

Loan Agreement at any time, in whole or in part, at a redemption price of the principal amount thereof, plus accrued interest to the redemption date, without premium, from all Liquidation Proceeds received by the Trustee as a result of an acceleration of the Loans.

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

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

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

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

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

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

Book-Entry Only System

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

Unless the book-entry system described herein is terminated, DTC will act as securities depository for the Bonds. Each series of Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered bond certificates will be issued for each series of Bonds, and will be deposited with the Trustee on behalf of DTC. Individual purchases of beneficial interests in the Bonds will be made in increments of \$5,000 or integral multiples thereof.

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

Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The contents of such website do not constitute a part of this Official Statement.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting

rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

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

No Assurance Regarding DTC Practices

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

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

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

THE ISSUER

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

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

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

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

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

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

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

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

THE ADMINISTRATOR AND THE ADMINISTRATION AGREEMENT

The Administrator

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

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

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

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

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

The Administration Agreement

The Issuer and the Administrator have entered into an ongoing Administration Agreement (the "Administration Agreement"). Under the terms of the Administration Agreement, the Administrator agrees to receive and review applications of municipalities and counties to participate in the Program and to forward the same to any institutions as may be providing credit support for the Program. The Administrator agrees to meet with representatives

of applicants and to aid applicants in determining whether to participate in the Program. The Administrator agrees to abide by the terms of the Indenture and to use its best efforts to ensure that the Loans comply with the terms of the Indenture. Under the terms of the Administration Agreement, the Administrator is to be paid a percentage of the Issuer's semi-annual fee that is based upon the principal balance of all Loans outstanding. The annual amount of the fee for the fixed rate bond program does not exceed 1/10 of one percent of the par amount of the Loans outstanding, and based upon the original par amount at issuance for each individual Loan, the fee decreases as a percentage as the par amount increases above certain levels.

THE BORROWER

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

The Borrower is the City of Deerfield Beach, located in Broward County, Florida. It has an estimated population of 76,389. General information with respect to the Borrower is contained in Appendix F. The audited financial statements of the Borrower for the fiscal year ended September 30, 2011, are attached hereto as Appendix G.

PURPOSE OF THE BONDS

General

The proceeds to be received by the Issuer from the sale of the Series 2012B-1 Bonds will be used by the Issuer to make the Covenant Loan to the Borrower for the purpose of providing funds to (i) refund prior loans made from proceeds of the Issuer's Series 2003A Bonds and Series 2003B Bonds, (ii) to fund certain capital improvements, a portion of which capital improvements will be undertaken by the community redevelopment agency established by the Borrower, consisting of street improvements, park improvements and related parking improvements, and (iii) pay costs and expenses related to the issuance of the Bonds. Proceeds of the loans securing the Series 2003A Bonds and Series 2003B Bonds relating to the Borrower's covenant-to-budget debt were issued for the purpose of financing streetscape improvements in the Borrower's community redevelopment area and improvements in the Borrower's beach district. The proceeds to be received from the sale of the Series 2012B-2 Bonds will be used by the Issuer to make the General Obligation Loan to the Borrower for the purpose of providing funds to (i) refund prior loans made from proceeds of the Issuer's Series 2000B Bonds, Series 2003A Bonds and Series 2003B Bonds and (ii) pay costs and expenses related to the issuance of the Bonds.

Proceeds of the loans securing the Series 2000B, Series 2003A and Series 2003B Bonds related to the Borrower's general obligation debt were issued for the purpose of financing a public safety complex, public works facility, park improvements, right of way improvements, expansion of senior services facilities, a fire station, and refunding certain prior indebtedness.

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

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

Plan of Refunding

Upon issuance of the Bonds, the Issuer will deposit with Deutsche Bank Trust Company Americas, as escrow agent (the "Escrow Holder"), an amount necessary to purchase federal securities (the "Federal Securities"), the principal and interest on which shall be in an amount necessary to pay principal of and interest on such Refunded Bonds to the earliest redemption date, and to call such Refunded Bonds in full on such redemption date. Based upon such deposit, the pro rata portion of the Refunded Bonds (and underlying loan agreements associated therewith) will as of the issuance of the Bonds no longer be outstanding under the indentures securing the same. See "VERIFICATION OF MATHEMATICAL ACCURACY" herein for a discussion of the verification report issued in connection with such escrow.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

ESTIMATED SOURCES AND USES

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

Series 2012B-1 Bonds

SOURCES OF FUNDS:

Par Amount	\$20,090,000.00
Net Original Issue Discount/Premium	<u>\$ 494,793.80</u>
TOTAL SOURCES	\$20,584,793.80

USES OF FUNDS:

Escrow Deposit	\$ 7,241,590.16
Deposit to Project Loan Fund	\$13,000,000.00
Costs of Issuance ⁽¹⁾	<u>\$ 343,203.64</u>
TOTAL USES:.....	\$20,584,793.80

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

Series 2012B-2 Bonds

SOURCES OF FUNDS:

Par Amount	\$14,770,000.00
Net Original Issue Discount/Premium	\$ 630,621.90
Project Fund Transfer	<u>\$ 10,000.00</u>
TOTAL SOURCES	\$15,410,621.90

USES OF FUNDS:

Escrow Deposit	\$15,234,407.91
Costs of Issuance ⁽¹⁾	<u>\$ 176,213.99</u>
TOTAL USES:.....	\$15,410,621.90

⁽¹⁾ This includes legal fees, underwriter's discount, 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 Agreements (as defined herein), (ii) all amounts in certain funds and accounts created pursuant to the Indenture, and (iii) all Revenues, 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 relating to the Series 2012B-1 Bonds pursuant to the Covenant Loan Agreement (as defined herein) are not a general debt, liability or obligation of the Borrower, but are a limited obligation of the Borrower payable from the sources described herein. The Borrower's obligation relating to the Series 2012B-2 Bonds to pay Basic Payments under the General Obligation Loan Agreement (each as defined herein) is secured by the full faith and 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 Agreements. The Loan Agreements provide that the Borrower will make payments to the Trustee (the "Basic Payments") in such amounts and at such times so as to provide sufficient funds to pay the principal of, premium, if any, and interest on the respective Loan to the Borrower. **The Loan Agreements represent the obligations of the Borrower.** The aggregate principal and interest payments included in the Basic Payments scheduled to be made by the Borrower equal the scheduled debt service on the Bonds as a whole.

The Borrower has entered into the Covenant Loan Agreement related to the Series 2012B-1 Bonds under which it has agreed to appropriate in its annual budget, by amendment, if required, and to pay when due under the Covenant Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues (hereinafter defined) of the Borrower sufficient to satisfy the Loan Repayment obligations of the Borrower with respect thereto. "Non-Ad Valorem Revenues" means all revenues and taxes of the Borrower derived from any source whatever, other than ad valorem taxation on real and personal property, which are legally available for Loan Repayments.

The Borrower has entered into the General Obligation Loan Agreement related to the Series 2012B-2 Bonds, pursuant to which it has pledged the full faith, credit and taxing power of the Borrower to repay the Basic Payments relating to the General Obligation Loan. Additional Payments related to the General Obligation Loan are secured by a covenant to budget and appropriate Non-Ad Valorem Revenues on the same basis as the Loan Repayments under the Covenant Loan Agreement.

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 respective

Loan Agreements, including the Issuer's right to receive Loan Repayments, as the source of payment of and security for the respective Series of Bonds.

Additional Bonds: Permitted Parity Indebtedness

No additional Bonds or debt of the Issuer may be issued pursuant to the Indenture. However, the Issuer may issue additional indebtedness, including future series of bonds, for any other purposes of the Issuer (including in order to make loans to the Borrower), provided that such indebtedness may not be payable from the Trust Estate pledged to the repayment of the Bonds. There is no limitation on the issuance of additional debt by the Borrower except (i) in the case of the Covenant Loan Agreement, as may result from compliance with the obligations described below under the caption "Anti-Dilution Covenant", and (ii) in the case of the General Obligation Loan Agreement, as may result from the referendum requirements associated with the issuance of general obligation debt under Florida law.

Security for the Covenant Loan

The Covenant to Budget and Appropriate. In the Covenant Loan Agreement, the Borrower covenants and agrees to appropriate (such covenant being referred to as the "Covenant to Budget and Appropriate") in its annual budget, by amendment if required, and to pay when due under its Loan Agreement, as promptly as money becomes available, amounts of Non-Ad Valorem Revenues of the Borrower sufficient to satisfy its Loan Repayment obligations. Such covenant is subject in all respects to the payment of obligations secured by a pledge of Non-Ad Valorem Revenues heretofore or hereinafter entered into. The Borrower does not covenant to maintain any services or programs which generate Non-Ad Valorem Revenues or to maintain the charges it collects as of the date of this Official Statement for any such services or programs. Neither the Covenant Loan Agreement nor the obligations of the Borrower thereunder are intended to be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the Borrower, but are payable solely as provided in the Covenant Loan Agreement and are subject in all respects to the provisions of Section 166.241, Florida Statutes, and are 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.

"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, and which are legally available for Loan Repayments.

In Florida, the revenues received by municipalities may be classified based upon whether such revenues are derived from ad valorem taxation. Ad valorem taxes are taxes levied by municipalities upon taxable real and tangible personal property located within the geographic jurisdiction of the municipality. Ad valorem taxes are levied based upon the assessed value of taxable property, and are imposed at a uniform rate per thousand dollars of assessed value. This rate is referred to as the "millage rate," with one mill representing one dollar of ad valorem taxes per thousand dollars of assessed valuation. Exclusive of millage levied pursuant to the approval of the qualified electors of a municipality, municipalities may not levy ad valorem taxes at a rate in excess of ten mills annually.

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

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

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

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

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

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

Under the terms of the Covenant Loan Agreement, the Borrower may pledge its Non-Ad Valorem Revenues to obligations that it issues in the future, and has previously pledged its electric franchise fee revenues to secure the loan agreement underlying the Series 2006 Bonds. In the event of any such pledge, such Non-Ad Valorem Revenues would be required to be applied to said obligations prior to being used to repay the Covenant Loan.

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

Anti-Dilution Covenant. The Borrower has covenanted in the Covenant Loan Agreement (such covenant being referred to as the "Anti-Dilution Covenant") that as soon as practicable

upon the issuance of debt which is secured by its Non-Ad Valorem Revenues, it will deliver to the Issuer a certificate setting forth the calculations of the financial ratios described below and certifying that it is in compliance with such covenants:

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

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

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

Security for the General Obligation Loan

Pledge of Full Faith and Credit. As set forth above, pursuant to separate referenda held on November 2, 1999 and November 4, 2003, the Borrower under the General Obligation Loan Agreement has pledged its full faith, credit and taxing power to pay Basic Payments due under the General Obligation Loan. The information set forth below is provided with respect to such general obligation pledge:

Property Assessment Procedure. Municipal ad valorem taxes are levied based upon the assessed valuation of taxable real and tangible personal property located within the boundaries of the city. Property valuations are determined each year as of January 1 by the Property Appraiser. A tax roll is prepared by July 1 and each taxpayer whose property is subject to taxation is given notice of the assessment of such property. The property owner has the right to file an appeal with the Value Adjustment Board, which considers petitions relating to assessments and exemptions. The Value Adjustment Board certifies the assessment roll upon completion of the hearing of all appeals. Florida Statutes require that all property be assessed at 100% of fair market value.

Every person who has the legal title or beneficial title in equity to real property in the State of Florida, and who resides thereon and in good faith makes the same his or her permanent residence or the permanent residence of others legally or naturally dependent upon such person, is entitled to an exemption from ad valorem taxation by counties up to the assessed valuation of \$50,000 on such permanent residence and contiguous real property. See, however, "Property Tax Exemptions and Reform," below.

Levy of Ad Valorem Taxes. Pursuant to Florida law each city establishes a budget for each fiscal year. The budget provides for the estimated expenditures to be made in respect of bonded indebtedness of the city, including general obligation indebtedness, to be paid from ad valorem taxes. Upon adoption of a tentative budget, the city computes a proposed millage rate necessary to fund the tentative budget other than the portion of the budget to be funded from

sources other than ad valorem taxes. After a procedure involving notice, hearings, and comment, the tentative budget and millage rate become final.

Tax Collection Procedures. Upon receipt of the certified tax roll, the Tax Collector is required to mail to each taxpayer appearing on the assessment roll a tax notice stating, among other things, the amount of current taxes, including any city ad valorem taxes due from the taxpayer. 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.

Municipal ad valorem 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 city ad valorem taxes is a first lien superior to all other liens including mortgages (except liens for state, county, and other taxes that are of equal dignity).

The statutes relating to the enforcement of city 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. If paid during November or the following three (3) months, the taxpayer is granted a discount which is equal to four percent (4%) in November and which decreases pro rata monthly to one percent (1%) in February. All taxes become delinquent on April 1 following the 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 or 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.

In essence, collection of delinquent taxes on 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 such certificates is dependent upon various factors, which include 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 may be subject to sale at the demand of the certificate holder. Thus, the underlying market value of the real property subject to unpaid taxes may affect the demand for such property and therefore the likelihood of successful collection of taxes thereon.

In the event of a delinquency in the payment of taxes on real property, the Tax Collector is required to sell tax certificates of such property to a person who pays the delinquent taxes, interest, certain costs and charges and accepts the lowest interest rate to be borne by the certificates (which shall in no event be greater 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. Tax certificates are sold by public bid and, in case there are no bidders, the certificate is issued to the applicable county without payment. Proceeds from the sale of tax certificates are required to be used to pay taxes, interest costs and charges on the real property described in the certificate. County-held tax certificates may be purchased and any tax certificate may be redeemed, in whole or in part, by any person at any time before a tax deed is issued or the property is placed on the list of real property 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 redemption are paid to the Tax Collector who transmits to the holder of the certificate such proceeds less service

charges, and the certificate is cancelled. 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. After an initial period ending two (2) years from April 1 of the year of issuance of a certificate, during which actions against the real property are held in abeyance to allow for sales and redemption of tax certificates, the holder of a certificate may apply for a tax deed to the subject real property. 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 on property valued at \$500 or more 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.

In any such public sale, the private holder of the tax certificate who is seeking a tax deed for nonhomestead property is deemed to submit a minimum bid equal to the amount required to redeem the tax certificate, charges for the cost of sale, redemption of other tax certificates on the land, and the amount paid by such holder in applying for the tax deed, plus interest thereon. 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 he is the successful bidder. Excess proceeds are distributed first to satisfy governmental liens against the land and then to the lienholders of record, mortgagees of record, vendees of recorded contracts for deeds, 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, and the former title holder of the property (less service charges), 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 the passage of ninety (90) days, any person or governmental unit may purchase the land by paying the amount of minimum bid. Seven (7) years from the date of offering for public sale, unsold lands escheat to the county.

The collection of delinquent taxes on personal property is based generally upon the court ordered levy, seizure and sale of such property for the payment of such taxes. Prior to April 30 of the year following the year in which taxes on tangible personal property become delinquent, the Tax Collector is required to prepare warrants against the delinquent taxpayers providing for the levy upon, and seizure of, such tangible personal property. The Tax Collector is required to file a petition in the Circuit Court requesting the issuance of an order directing the levy and seizure of the tangible personal property to satisfy the unpaid taxes. Upon granting of such an order by the Circuit Court, the Tax Collector shall levy upon and seize the personal property and shall thereafter hold a public auction at which such property is sold to the highest bidder, with the proceeds being used to pay delinquent taxes and the fees and charges of the Tax Collector.

Property Tax Exemptions and Reform. The Florida Constitution has long provided for a number of exemptions to ad valorem taxation, including for county and municipally-owned

property and up to \$25,000 property utilized as the permanent residence (“homestead”) of the owner thereof. Beginning in the 1990s, amendments were made to the Constitution to strengthen these exemptions, including particularly a restriction on the assessed valuation of homestead property increasing by more than 3% per year.

During the past five years, the Florida Legislature has enacted legislation requiring local governments to roll back their millage rates to an earlier level and limiting the growth of ad valorem taxes in future years. It has also placed on the ballot constitutional amendments to (i) apply an additional homestead exemption to assessed property values above \$50,000; (ii) place a cap of 10 percent on yearly assessment increases on non-homestead residential and commercial property; (iii) provide for the portability of the three percent cap on homestead residential property, up to \$500,000, when relocating to a new home in the state; and (iv) institute a \$25,000 exemption from the personal property tax, each of which amendments passed.

During recent years, various other legislative proposals and constitutional amendments relating to ad valorem taxation and restrictions on local government revenues and expenditures have been introduced in the State. Many of these proposals have sought to limit local government revenues and expenditures, provide for new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate from ad valorem taxation or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent historical levels.

OTHER FINANCIAL INFORMATION

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

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

After issuance of the Series 2012B-1 Bonds, the Borrower will also have outstanding a loan relating to the Issuer's Series 2006 Bonds secured by a pledge and lien on the Borrower's Franchise Fees (defined as the amounts, revenues, and fees paid by Florida Power & Light Company to the Borrower pursuant to and in accordance with Ordinance 2006-021 of the Borrower enacted June 20, 2006) and a covenant to budget and appropriate Non-Ad Valorem Revenues. Historically, such bonds have been paid from the Franchise Fees.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Set forth below is projected City of Deerfield Beach covenant-to-budget debt service after issuance of the Bonds:

City of Deerfield Beach Covenant-to-Budget Debt Service After 2012 Issuance

<u>FY</u>	<u>FMLC 2003A</u>	<u>FMLC 2003B</u>	<u>FMLC 2006⁽¹⁾</u>	<u>FMLC 2012</u>	<u>Total</u>
2013	\$242,075.00	\$80,700.00	\$393,368.76	\$200,758.60	\$916,902.36
2014		82,100.00	396,568.76	1,479,018.76	1,957,687.52
2015			393,568.76	1,565,618.76	1,959,187.52
2016			394,318.76	1,560,843.76	1,955,162.52
2017			394,568.76	1,559,968.76	1,954,537.52
2018			394,318.76	1,562,468.76	1,956,787.52
2019			393,568.76	1,559,618.76	1,953,187.52
2020			393,468.76	1,554,568.76	1,948,037.52
2021			393,918.76	1,558,918.76	1,952,837.52
2022			393,812.51	1,558,931.26	1,952,743.77
2023			393,293.76	1,563,693.76	1,956,987.52
2024			397,259.38	1,563,818.76	1,961,078.14
2025			395,709.38	1,565,843.76	1,961,553.14
2026			393,746.88	1,569,968.76	1,963,715.64
2027			396,268.75	1,567,818.76	1,964,087.51
2028			397,562.50	1,563,553.14	1,961,115.64
2029			397,600.00	572,771.89	970,371.89
2030			396,962.50	477,975.01	874,937.51
2031			395,650.00	478,643.76	874,293.76
2032			393,662.50	478,540.63	872,203.13
2033				477,931.25	477,931.25

⁽¹⁾ The Series 2006 Bonds are secured by payments under a loan agreement which is in turn secured by a lien on and pledge of the Borrower's electric franchise fee revenues, with a covenant-to-budget and appropriate from Non-Ad Valorem Revenues provided as a backup.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Set forth below is the calculation of anti-dilution test compliance with respect to the Borrower as of September 30, 2011 (but taking into account the issuance of the Series 2012B-1 Bonds):

**City of Deerfield Beach Non-Ad Valorem Revenue
Anti-Dilution Test**

Revenues	FY 2010	FY 2011	Prior Two-Year Average
Total Governmental Funds	\$80,787,520	\$83,065,134	\$81,926,327
Less: Ad Valorem Revenues	(35,102,671)	(34,252,646)	(34,677,659)
Total Governmental Non-Ad Valorem Revenues	45,684,849	48,812,488	47,248,669
Less: Restricted Funds			
Community Redevelopment Agency	(22,344)	(21,925)	(22,135)
Nonmajor Governmental Funds	<u>(5,078,141)</u>	<u>(6,627,845)</u>	<u>(5,852,993)</u>
Adjusted Non-Ad Valorem Revenues	<u>\$40,584,364</u>	<u>\$42,162,718</u>	<u>\$41,373,541</u>

Expenditures	FY 2010	FY 2011	Prior Two- Year Average
Essential Expenditures			
Public Safety	\$43,239,257	\$43,593,854	\$43,416,556
General Governmental	20,312,385	19,943,800	20,128,093
Total Essential Expenditures	63,551,642	63,537,654	63,544,648
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(35,102,671)	(34,252,646)	(34,677,659)
Adjusted Essential Expenditures	<u>28,448,971</u>	<u>29,285,008</u>	<u>28,866,990</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$12,135,393</u>	<u>\$12,877,710</u>	<u>\$12,506,552</u>

Adjustments	FY 2010	FY 2011	Prior Two- Year Average
Ad Valorem Revenues Restricted for Debt Service	\$2,685,271	\$2,683,356	\$2,684,314
Debt Proceeds	-	-	-

Test 1 – Prior Two Year Avg of Non-Ad Valorem Revenues covers projected MADS by 150%

Net Non-Ad Valorem Revenues available for Debt Service	\$12,506,552
Maximum Annual Non-Ad Valorem Debt Service	1,964,088
Coverage	636.8%

Test 2 – Projected MADS does not exceed 20% of Governmental Fund Revenues, less ad valorem revenues restricted for debt service and debt proceeds

Two-Year Average Net Total Governmental Funds	\$79,242,014
Maximum Annual Non-Ad Valorem Debt Service	1,964,088
Percentage	2.48%

Set forth below is a table showing historical pro forma debt service coverage of the Borrower's loans secured by a covenant-to-budget and appropriate Non-Ad Valorem Revenues:

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

Revenues					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Total Governmental Funds	\$93,319,788	\$87,711,661	\$83,885,344	\$80,787,520	\$83,065,134
Less: Ad Valorem Revenues	(41,675,355)	(38,915,090)	(36,649,353)	(35,102,671)	(34,252,646)
Total Governmental Non-Ad Valorem Revenues	51,644,433	48,796,571	47,235,991	45,684,849	48,812,488
Less: Restricted Funds					
Community Redevelopment Agency	(124,646)	(232,351)	(109,325)	(22,344)	(21,925)
Nonmajor Governmental Funds	(7,384,413)	(6,204,027)	(6,254,925)	(5,078,141)	(6,627,845)
Construction Fund	(726,860)	(345,346)	(156,827)	=	=
Adjusted Non-Ad Valorem Revenues	<u>\$43,408,514</u>	<u>\$42,014,847</u>	<u>\$40,714,914</u>	<u>\$40,584,364</u>	<u>\$42,162,718</u>
Expenditures					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Essential Expenditures					
Public Safety	\$38,435,788	\$39,097,694	\$41,210,189	\$43,239,257	\$43,593,854
General Government	19,284,351	19,882,962	20,081,498	20,312,385	19,943,800
Total Essential Expenditures	57,720,139	58,980,656	61,291,687	63,551,642	63,537,654
Less: Ad-Valorem Revenues Available to pay Essential Expenditures	(41,675,355)	(38,915,090)	(36,649,353)	(35,102,671)	(34,252,646)
Adjusted Essential Expenditures	<u>16,044,784</u>	<u>20,065,566</u>	<u>24,642,334</u>	<u>28,448,971</u>	<u>29,285,008</u>
Net Non-Ad Valorem Revenues available for Debt Service	<u>\$27,363,730</u>	<u>\$21,949,281</u>	<u>\$16,072,580</u>	<u>\$12,135,393</u>	<u>\$12,877,710</u>
Scenario 1: Existing Coverage					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Less: Maximum Annual Debt Service on Existing Government Fund Debt	(\$1,075,093)	(\$1,075,093)	(\$1,075,093)	(\$1,075,093)	(\$1,075,093)
Legally Available Non-Ad Valorem Revenues after MADS	26,288,637	20,874,188	14,997,487	11,060,300	11,802,617
Existing Coverage	25.45%	20.42%	14.95%	11.29%	11.98%
Scenario 2: Coverage After 2012 Financing					
	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Less: Maximum Annual Debt Service on Existing Government Fund Debt Including 2012 Issue	(1,964,088)	(1,964,088)	(1,964,088)	(1,964,088)	(1,964,088)
Legally Available Non-Ad Valorem Revenues after MADS	\$25,399,642	\$19,985,193	\$14,108,492	\$10,171,305	\$10,913,622
Existing Coverage after 2012 Bonds	13.93%	11.18%	8.18%	6.18%	6.56%

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

Set forth below is a table showing a breakdown of Non-Ad Valorem Revenues:

Non-Ad Valorem Revenues
(For Fiscal Years Ended September 30, 2008 through September 30, 2011
and Budgeted Fiscal Year 2012)
(in 000's)

<u>Revenues:</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Budgeted</u> <u>2012</u>
Taxes					
Utility taxes	\$ -	\$ -	\$ -	\$ -	\$6,201
Communication Services Taxes	5,888	5,949	4,412	4,115	3,981
Local Option Gas Tax ⁽¹⁾	1,370	1,337	1,271	1,284	1,311
Franchise Taxes	<u>5,789</u>	<u>6,063</u>	<u>5,510</u>	<u>5,470</u>	<u>5,680</u>
Total	<u>13,047</u>	<u>13,349</u>	<u>11,193</u>	<u>10,869</u>	<u>17,173</u>
Licenses and Permits					
Building and Zoning	1,535	979	1,037	1,921	1,642
Occupational (Business License Taxes)	581	660	597	639	600
Total	<u>2,116</u>	<u>1,639</u>	<u>1,634</u>	<u>2,560</u>	<u>2,242</u>
Intergovernmental Revenues					
Half-Cent Sales Tax	4,282	3,832	3,694	3,890	4,137
State Revenue Sharing	1,361	1,049	1,174	1,241	1,328
Alcoholic Beverage Licenses	50	48	48	42	45
Other	-	-	-	-	-
Total	<u>5,693</u>	<u>4,929</u>	<u>4,916</u>	<u>5,173</u>	<u>5,510</u>
Interest Income	<u>779</u>	<u>357</u>	<u>64</u>	<u>20</u>	<u>135</u>
Other					
Administrative	2,491	2,309	2,629	2,642	4,303
Rentals	-	-	-	-	-
Reimbursements and Others	<u>19,259</u>	<u>19,469</u>	<u>21,419</u>	<u>22,183</u>	<u>13,963</u>
Total	<u>21,750</u>	<u>21,778</u>	<u>24,048</u>	<u>24,825</u>	<u>18,266</u>
Total Revenues	<u>\$43,385</u>	<u>\$42,052</u>	<u>\$41,855</u>	<u>\$43,447</u>	<u>\$43,326</u>

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

Source: City of Deerfield Beach Finance Department.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Outstanding Borrower General Obligation Bond Indebtedness; Assessed Valuations, Property Tax Rates, Levies and Collections

Set forth below for the Borrower with respect to the pledge of its full faith and credit to secure the obligations to make Basic Payments under its General Obligation Loan Agreement, is information regarding assessed property valuations, applicable property tax rates, property tax levies and collections, largest taxpayers and a combined schedule of outstanding general obligation indebtedness.

The following are the assessed property valuations of the City of Deerfield Beach for the last ten fiscal years:

Assessed Property Valuations

Fiscal Year Ended September 30	Real Property⁽¹⁾	Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value⁽¹⁾	Taxable Assessed Value as a % of Actual Taxable Value
2002	\$3,846,816,131	\$430,489,171	\$808,244,319	\$3,469,060,983	5.7677%	\$5,154,089,551	67.307%
2003	4,324,211,207	446,180,128	1,004,355,731	3,766,035,604	6.8506	5,725,112,968	65.781
2004	4,936,266,652	425,590,298	1,234,941,029	4,126,915,921	6.8369	6,383,194,465	64.653
2005	6,018,875,925	419,582,346	1,587,405,865	4,851,052,406	6.8301	7,602,508,726	63.809
2006	7,192,022,677	432,372,985	2,039,462,978	5,584,932,684	6.5000	8,958,885,742	62.340
2007	8,903,496,041	468,575,927	2,762,178,022	6,609,893,946	6.2500	10,969,565,368	60.257
2008	9,816,224,848	496,970,279	2,992,634,043	7,320,561,084	5.3500	12,058,383,289	60.709
2009	9,221,922,520	453,847,937	2,863,212,036	6,812,558,421	5.3000	11,304,635,476	60.263
2010	7,933,546,387	450,375,114	2,293,568,030	6,090,353,471	5.7900	9,834,257,465	61.930
2011	6,413,168,923	411,439,128	1,684,098,356	5,140,509,695	6.7688	8,035,763,100	63.970

Note: Assessed values are determined as of January 1st for each fiscal year.

⁽¹⁾ Real Property is assessed at 88% and Personal Property is assessed at 55%.

Source: City of Deerfield Beach Comprehensive Annual Financial Report/Broward County Property Appraiser's Office.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

The following are the ad valorem tax rates for the City of Deerfield Beach, Broward County, the Broward County School District, the South Florida Water Management District and other applicable taxing districts for each of the past five years:

**Property Tax Rates - Direct and Overlapping
(Per \$1,000 of Assessed Value)**

Fiscal Year	City of Deerfield Beach			County			School District			Overlapping Rates				Total Direct & Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage	Children's Services	North Broward Hospital District	South Florida Water Management District	Florida Inland Navigation District	
2007	5.8250	0.4250	6.2500	5.6433	0.4228	6.0661	7.6790	0.1897	7.8687	0.4073	1.8317	0.6970	0.0385	23.1593
2008	4.9537	0.3963	5.3500	4.8889	0.3979	5.2868	7.4770	0.1714	7.6484	0.3572	1.6255	0.6240	0.0345	20.9264
2009	4.9072	0.3928	5.3000	4.8889	0.4256	5.3145	7.4170	-	7.4170	0.3754	1.7059	0.6240	0.0345	20.7713
2010	5.3499	0.4401	5.7900	4.8889	0.5000	5.3889	7.4310	-	7.4310	0.4243	1.7059	0.6240	0.0345	21.3986
2011	6.2482	0.5206	6.7688	5.1021	0.4509	5.5530	7.6310	-	7.6310	0.4696	1.8750	0.6240	0.0345	22.9559

Source: City of Deerfield Beach Comprehensive Annual Finance Report/Broward County Property Appraiser's Office.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

The following table shows the real property taxes levied and collected by the City of Deerfield Beach for the years 2007-2011:

Property Tax Levies and Collections

<u>Fiscal Year</u>	<u>Tax Roll Year</u>	<u>Taxes Levied</u>	<u>Taxes Collected within the Fiscal Year of the Levy</u>		<u>Delinquent Tax Collections*</u>	<u>Total Collections to Date</u>	
			<u>Amount</u>	<u>% of Levy</u>		<u>Amount</u>	<u>% of Levy</u>
2007	2006	\$39,462,009	\$38,057,717	96.4%	\$167,194	\$38,224,911	96.9%
2008	2007	37,493,335	37,132,068	99.0	(142,889)**	36,989,179	98.7
2009	2008	34,627,856	34,532,754	99.7	95,102	34,627,856	100.0
2010	2009	35,371,075	34,804,296	98.4	207,086	35,011,382	99.0
2011	2010	34,882,909	34,086,591	97.7	166,055	34,252,646	98.2

* Delinquent tax collections are recognized when received. Amounts not collected as of the applicable fiscal year end have been fully reserved and are not reported in the basic financial statements.

** Negative amount represents refund of prior year's taxes as a result of decision by Broward County Value Adjustment Board.

Source: City of Deerfield Beach Comprehensive Annual Financial Report/Broward County Tax Collector's Office.

The following list shows the amount of taxes paid by each of the ten largest taxpayers in the City of Deerfield Beach during 2011:

Largest Taxpayers and Total Taxable Assessed Value in 2011

<u>Taxpayer</u>	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Publix Supermarket	\$64,621,890	1	1.26%
City National Bank of FL, Trustee	53,511,179	2	1.04
Florida Power & Light Co.	48,972,864	3	0.95
CP Deerfield LLC	41,303,820	4	0.80
Quiet Waters Business Park LLC	41,236,190	5	0.80
Felcor/CSS Holdings LP	39,665,230	6	0.77
News and Sun Sentinel	37,805,327	7	0.74
City National Bank of Florida	37,053,457	8	0.72
Land TR	33,291,552	9	0.65
Florida Land Holdings LLC	28,461,270	10	0.55
Total	<u>\$425,922,779</u>		<u>8.28%</u>

Source: City of Deerfield Beach Comprehensive Annual Financial Report/Broward County, Office of the Tax Collector.

The table set forth below shows the general obligation indebtedness outstanding for the City of Deerfield Beach after issuance of the Series 2012B-2 Bonds:

**City of Deerfield Beach, Florida
General Obligation Bonds Outstanding**

Series	Amount Issued	Delivery Date	Amount Outstanding	Maturity Date
FMLC Series 2000A	\$9,978,848	5/3/2000	\$5,754,752	4/1/2024
FMLC Series 2000B	\$2,820,184	11/30/2000	\$1,010,184	11/1/2026
FMLC Series 2003A	\$5,140,000	5/16/2003	\$560,000	5/1/2013
FMLC Series 2003B ⁽¹⁾	\$15,410,000	12/17/2003	\$0	12/1/2012
FMLC Series 2012B-2	\$14,770,000	12/4/2012	\$14,770,000	10/1/2028
TOTAL	\$48,119,031		\$22,094,936	

⁽¹⁾ All Series 2003B Bonds maturing after the December 1, 2012 payment date were refunded by Series 2012B-2 Bonds.

The following table shows the aggregate debt service on the outstanding general obligation indebtedness of the City of Deerfield Beach, Florida:

**City of Deerfield Beach, Florida
General Obligation Bond Debt Service**

Fiscal Year	Series 2000A Total Debt Service	Series 2000B Total Debt Service	Series 2003A Total Debt Service	Series 2012B-2 Total Debt Service	Aggregate Total Debt Service
2013	\$840,000	-	\$574,700	\$155,090	\$1,569,790
2014	1,345,000	-	-	1,190,000	2,535,000
2015	1,345,000	-	-	1,142,450	2,487,450
2016	1,344,887	-	-	1,146,375	2,491,262
2017	1,519,137	-	-	972,250	2,491,387
2018	1,518,719	-	-	972,250	2,490,969
2019	1,517,280	-	-	973,550	2,490,830
2020	1,520,000	-	-	973,850	2,493,850
2021	1,520,000	-	-	973,150	2,493,150
2022	1,520,000	-	-	973,300	2,493,300
2023	1,520,000	-	-	973,788	2,493,788
2024	1,520,000	-	-	972,213	2,492,213
2025	-	1,565,000	-	929,700	2,494,700
2026	-	1,040,000	-	1,459,500	2,499,500
2027	-	1,590,000	-	906,750	2,496,750
2028	-	-	-	2,449,650	2,499,650
2029	-	-	-	2,496,900	2,496,900
Total	\$17,030,023	\$4,195,000	\$574,700	\$19,710,765	\$41,510,488

The following sets forth the ratios of the City of Deerfield Beach general obligation indebtedness outstanding for fiscal years 2002-2011:

City of Deerfield Beach, Florida
Ratios of General Bonded Debt Outstanding
(Amounts Expressed in Thousands, Except for Per Capita Amount)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Net Assessed Property Value	Per Capita
	General Obligation Bonds	Less Amount in Debt Service Fund	Net Amount		
2002	\$20,215,364		\$20,215,364	0.58%	\$308.63
2003	18,873,774	\$280,655	18,593,119	0.32	287.16
2004	33,482,219	282,391	33,199,828	0.52	446.81
2005	32,281,189	297,967	31,983,222	0.42	415.16
2006	30,850,943	4,280	30,846,663	0.34	396.45
2007	29,427,756	242,033	29,185,723	0.27	371.44
2008	28,013,411	282,601	27,730,810	0.23	354.67
2009	26,608,199	285,989	26,322,210	0.23	339.79
2010	25,209,669	288,157	24,921,512	0.25	340.38
2011	23,797,434	290,794	23,506,640	0.29	313.35

Source: City of Deerfield Beach Comprehensive Annual Financial Report.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

The following table sets forth the direct and overlapping general obligation and covenant-to-budget and appropriate debt for the City of Deerfield Beach and overlapping jurisdiction as of September 30, 2011:

City of Deerfield Beach, Florida
Direct and Overlapping Governmental Activities Debt
(Amounts Expressed in Thousands)
September 30, 2011

Government Unit	Net Debt Outstanding	2011	
		Percentage Applicable to the City of Deerfield Beach ⁽¹⁾	Estimated Share of Direct and Overlapping Debt
Direct Debt:			
General obligation bonds	\$23,797,434	100%	\$23,797,434
Covenant bonds ⁽¹⁾	13,125,000	100	13,125,000
Capital leases	<u>882,697</u>	100	<u>882,697</u>
Total direct debt	<u>37,805,131</u>		<u>37,805,131</u>
Overlapping Debt:			
School Board of Broward County, Florida:			
Certificates of participation	\$1,907,842,000 ⁽³⁾	4.10%*	78,221,522
Capital leases	23,740,000 ⁽³⁾	4.10*	973,340
Broward County, Florida ⁽²⁾	<u>393,665,000</u>	4.10*	<u>16,140,265</u>
Subtotal, overlapping debt	<u>2,325,247,000</u>		<u>\$95,335,127</u>
Total direct and overlapping debt	<u>\$2,363,052,131</u>		<u>\$133,140,258</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

⁽¹⁾ \$5,965,000 of covenant bonds are secured by and payable from the Florida Power and Light Company electric franchise fees as described above, with a backup covenant to budget and appropriate from Non-Ad Valorem Revenues. The remaining balance of covenant bonds are payable from all governmental activities revenue sources of the City, except for ad valorem taxes.

⁽²⁾ Overlapping debt includes only general obligation debt secured by ad valorem taxes as of September 30, 2011.

⁽³⁾ Debt outstanding data provided by each governmental unit.

*Ratio of taxable assessed value in the City of Deerfield Beach to total Broward County assessed value.

Sources: *City of Deerfield Beach Comprehensive Annual Financial Report/Data provided by Broward County Finance Department and Miami-Dade County School Board.*

Other Information Regarding the Borrower

Appendix F includes general information about the Borrower. The audited financial statements of the Borrower for the fiscal year ended September 30, 2011 are attached hereto as Appendix G.

Set forth in Appendix F under the subheading Employees' Pension Trust is certain information regarding the Borrower's defined benefit pension systems. Based in part on the recent economic downturn, the unfunded actuarial accrued liability of the employees' retirement system for the fiscal year ended September 30, 2010 (the most recent valuation) was approximately \$36.5 million. Although the Borrower expects an improving economic and investment climate to diminish such shortfall, in the event the Borrower should be forced to dramatically increase its required contributions to address a continued shortfall, its available resources to do so would include increasing the ad valorem tax rate or utilizing the same Non-Ad Valorem Revenues which it has covenanted to budget and appropriate for use to pay loan payments on the Loan securing the Series 2012B-1 Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its municipal bond insurance policy (the "Policy") for the Series 2012B-1 Bonds maturing on October 1 in the years 2019 through 2032, inclusive (the "Insured Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement. **The Series 2012B-1 Bonds maturing prior to 2019 and the Series 2012B-2 Bonds are not secured by the Policy.**

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

Assured Guaranty Municipal Corp.

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

AGM's financial strength is rated "AA" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (on review for possible downgrade) by Moody's Investors Service, Inc. ("Moody's"). An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to

revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings. On March 20, 2012, Moody's issued a press release stating that it had placed AGM's "Aa3" insurance financial strength rating on review for possible downgrade. On October 30, 2012, Moody's indicated that it anticipated resolving its review during the first half of November 2012. AGM can give no assurance as to any further ratings action that Moody's may take. Reference is made to the press release, a copy of which is available at www.moodys.com, for the complete text of Moody's comments.

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2011, its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012, its Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, and its Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012.

Capitalization of Assured Guaranty. At September 30, 2012, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$3,263,902,433 and its total net unearned premium reserve was approximately \$2,153,794,346, in each case, in accordance with statutory accounting principles.

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

Incorporation of Certain Documents by Reference. Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2011 (filed by AGL with the SEC on February 29, 2012);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2012 (filed by AGL with the SEC on May 10, 2012);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012 (filed by AGL with the SEC on August 9, 2012); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2012 (filed by AGL with the SEC on November 9, 2012).

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

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

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

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

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

DEBT SERVICE REQUIREMENTS

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

Year Ending September 30 (Inclusive)	<u>Series 2012B-1</u>			<u>Series 2012B-2</u>		
	<u>Principal</u>	<u>Interest</u>	Total Annual Debt <u>Service</u>	<u>Principal</u>	<u>Interest</u>	Total Annual Debt <u>Service</u>
2013		\$200,758.60	\$200,758.60		\$155,090.00	\$155,090.00
2014	\$870,000.00	609,018.76	1,479,018.76	\$720,000.00	470,000.00	1,190,000.00
2015	980,000.00	585,618.76	1,565,618.76	690,000.00	452,450.00	1,142,450.00
2016	1,005,000.00	555,843.76	1,560,843.76	715,000.00	431,375.00	1,146,375.00
2017	1,040,000.00	519,968.76	1,559,968.76	560,000.00	412,250.00	972,250.00
2018	1,085,000.00	477,468.76	1,562,468.76	580,000.00	392,250.00	972,250.00
2019	1,115,000.00	444,618.76	1,559,618.76	605,000.00	368,550.00	973,550.00
2020	1,140,000.00	414,568.76	1,554,568.76	630,000.00	343,850.00	973,850.00
2021	1,175,000.00	383,918.76	1,558,918.76	655,000.00	318,150.00	973,150.00
2022	1,210,000.00	348,931.26	1,558,931.26	675,000.00	298,300.00	973,300.00
2023	1,260,000.00	303,693.76	1,563,693.76	690,000.00	283,787.50	973,787.50
2024	1,300,000.00	263,818.76	1,563,818.76	705,000.00	267,212.50	972,212.50
2025	1,340,000.00	225,843.76	1,565,843.76	685,000.00	244,700.00	929,700.00
2026	1,385,000.00	184,968.76	1,569,968.76	1,260,000.00	199,500.00	1,459,500.00
2027	1,425,000.00	142,818.76	1,567,818.76	750,000.00	156,750.00	906,750.00
2028	1,465,000.00	98,553.14	1,563,553.14	2,390,000.00	109,650.00	2,499,650.00
2029	505,000.00	67,771.89	572,771.89	2,460,000.00	36,900.00	2,496,900.00
2030	425,000.00	52,975.01	477,975.01			
2031	440,000.00	38,643.76	478,643.76			
2032	455,000.00	23,540.63	478,540.63			
2033	470,000.00	7,931.25	477,931.25			

VERIFICATION OF MATHEMATICAL ACCURACY

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

TAX MATTERS

General

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

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

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

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

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the Issuer and the Borrower, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation. PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS

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

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

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

Tax Treatment of Original Issue Discount. Under the Code, the difference between the maturity amount of the Series 2012B-1 Bonds maturing on October 1, 2020, October 1, 2021 (bearing interest at 2.25%), October 1, 2022 (bearing interest at 2.50%), and October 1, 2023 through and including October 1, 2032, and the Series 2012B-2 Bonds maturing on October 1, 2021 through and including October 1, 2023, October 1, 2026, and on October 1, 2028 (collectively, the "Discount Bonds"), and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Discount Bonds of the same maturity and, if applicable, interest rate, was sold is "original issue discount." Original issue discount will accrue over the term of the Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires the Discount Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he or she holds the Discount Bonds, and will increase his or her adjusted basis in the Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or disposition of the Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Bondholders of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.

Tax Treatment of Bond Premium The difference between the principal amount of the Series 2012B-1 Bonds maturing on October 1, 2013 through and including October 1, 2019, and on October 1, 2021 (bearing interest at 5.00%) and October 1, 2022 (bearing interest at 5.00%), and the Series 2012B-2 Bonds maturing on October 1, 2013 through and including October 1, 2020, and on October 1, 2024 and October 1, 2025 (collectively, the "Premium Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Bondholders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.

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

LITIGATION

On the date of delivery of the Bonds, the Borrower will certify that there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body,

pending, or to the best of the Borrower's knowledge, threatened, against or affecting the Borrower wherein an unfavorable decision, ruling or finding would materially and adversely affect the Borrower, its financial condition or its ability to comply with its obligations under the Loan Agreements or the validity or enforceability of the Loan Agreements.

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

VALIDATION

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

SEC ORDER; VOLUNTARY CLOSING AGREEMENT

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

LEGAL MATTERS

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

counsel to the Florida League of Cities, Inc. and for the Underwriter by its counsel, Nabors, Giblin & Nickerson, P.A. Certain legal matters will be passed upon for the Borrower by Andrew S. Maurodis, Esq., City Attorney.

RATINGS

Standard and Poor's Ratings Services, a division of The McGraw-Hill Companies ("S&P") and Fitch, Inc. ("Fitch") have assigned the following ratings to the Bonds without regard to any bond insurance policy:

<u>Bonds</u>	<u>S&P Rating</u>	<u>Fitch Rating</u>
Series 2012B-1	A (stable)	A+ (stable)
Series 2012B-2	A+ (stable)	AA- (stable)

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

UNDERWRITING

Wells Fargo Bank, N.A., the Underwriter, has agreed, subject to certain customary conditions precedent, to purchase the Bonds at a price of \$35,769,170.55 (which includes net original issue premium of \$1,125,415.70 and underwriter's discount of \$216,245.15), and to reoffer the Bonds at the prices shown on the inside cover hereof. If obligated to purchase any of the Bonds, the Underwriter will be obligated to purchase all of the Bonds. The initial public offering prices may be changed from time to time by the Underwriter.

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

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association ("WFBNA"). WFBNA, the senior underwriter of the Bonds, has entered into an agreement (the "Distribution Agreement") with Wells Fargo Advisors, LLC ("WFA") for

the retail distribution of certain municipal securities offerings, including the Bonds. Pursuant to the Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Bonds with WFA. WFBNA and WFA are both subsidiaries of Wells Fargo & Company.

FINANCIAL ADVISOR TO THE ISSUER

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

CONTINUING DISCLOSURE

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

As noted elsewhere in this Official Statement, the Bonds constitute the twenty-fourth series of bonds issued by the Issuer. The majority of the Issuer's prior bond issues funded loans to borrowers, including the Borrower (the "Prior Borrowers") in a fashion similar to that described herein with respect to the Bonds. In connection with its prior bond issues which funded loans, the Issuer and each of the Prior Borrowers entered into continuing disclosure agreements (the "Prior Undertakings") pursuant to the Rule. Pursuant to the Prior Undertakings, the Issuer and the Prior Borrowers agreed to provide certain annual financial information on or before the date 270 days after the end of each fiscal year of the Issuer and the Prior Borrowers. The Issuer has complied with its Prior Undertakings. Likewise, the Borrower has complied with prior undertakings applicable to the Borrower, although its disclosures in fiscal years 2008 and 2009 were several weeks late.

CONTINGENT FEES

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

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Bonds upon an event of default under the Indenture and any policy of insurance referred to herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional

and statutory law and judicial decisions, the remedies specified by the federal bankruptcy code, the Indenture, the Bonds and any policy of insurance referred to herein may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

MISCELLANEOUS

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

FLORIDA MUNICIPAL LOAN COUNCIL

By /s/ Isaac Salver
Its: Chairman

APPENDIX A

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR BORROWER

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

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

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

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

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

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

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

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

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

"Bonds" means the \$34,860,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012B-1 and Refunding Revenue Bonds, Series 2012B-2 (City of Deerfield Beach Series).

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

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

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

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

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

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

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

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

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

"Insurer" means Assured Municipal Guaranty Corp., its successors and assigns.

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

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

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

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

"SEC" means the Securities and Exchange Commission.

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

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

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

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

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

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

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

(c) The Dissemination Agent shall provide the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, to EMMA, the Trustee, the Issuer, the Rating Agencies and the Insurer within five (5) Business Days after receipt thereof from the Borrower.

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

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

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

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

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

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

SECTION 6. Reporting of Listed Events. (a) This Section 6 governs the provision of Event Notices relating to Listed Events with respect to the Bonds. The Borrower shall provide to the MSRB and to the SID, if any, on a timely basis not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events, if such event is material with

respect to the Bonds or the Borrower's ability to satisfy its payment obligations with respect to the Loan. The following events are "Listed Events":

- (i) principal and interest payment deficiencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to the rights of the holders of the Bonds;
- (viii) optional, contingent or unscheduled redemption calls;
- (ix) tender offers with respect to the Bonds;
- (x) defeasances;
- (xi) release, satisfaction or sale of property securing repayment of the Bonds;
- (xii) rating changes;
- (xiii) bankruptcy, insolvency, receivership or similar event of the Borrower (this event is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent or similar officer for the Borrower in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Borrower, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of

reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Borrower);

- (xiv) the consummation of a merger, consolidation, or acquisition involving the Borrower or the sale of all or substantially all of the assets of the Borrower other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
- (xv) appointment of a successor or additional trustee or the change of name of a trustee.

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

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

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

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

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

(f) Notwithstanding the foregoing, an Event Notice with respect to a Listed Event described in Section 6(a)(viii) or (ix) shall not be given under this Section 6 any earlier than the notice (if any) of such event is given to the affected Bondholders pursuant to the

Indenture, as confirmed to the Dissemination Agent by the Trustee. The Dissemination Agent shall have no liability for failure of notice given to Bondholders if it does not receive the necessary confirmation from the Trustee after written request.

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

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

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

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

SECTION 10. Compensation of the Dissemination Agent. As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the Borrower agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration

and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence. Nothing contained herein is intended to be nor shall it be construed as a waiver of any immunity from or limitation of liability that the Borrower may be entitled to pursuant to the Doctrine of Sovereign Immunity or Section 768.28, Florida Statutes. Notwithstanding anything to the contrary contained herein, the obligations of the Borrower hereunder shall be limited obligations payable solely from the sources provided under Section 2.02(a) of the Loan Agreement.

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

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

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

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

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

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

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

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

CITY OF DEERFIELD BEACH, FLORIDA, as
Borrower

By: _____
Its: _____

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: _____

EXHIBIT A

Form of Annual Report Certificate

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

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

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

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

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

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

City of Deerfield Beach, Florida, Borrower

By: _____

Its: _____

Acknowledgment of Receipt:

Florida League of Cities, Inc.,
as Dissemination Agent

By: _____

Its: _____

EXHIBIT B

Form of Section 5(a) Continuing Disclosure Certificate

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

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

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

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

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

- (a) Financial Information: Anti-Dilution Test, Historical Non-Ad Valorem Revenues, Breakdown of Non-Ad Valorem Revenues, Assessed Property Valuations, Property Tax Rates, Property Tax Levies and Collections, Largest Taxpayers and Total Taxes Paid, General Obligation Bonds Outstanding, Ratios of General Bonded Debt Outstanding, Direct and Overlapping Governmental Activities Debt
- (b) Operating Data: None

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

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

City of Deerfield Beach, Florida, as
Borrower

By: _____
Its: _____

Acknowledgment of Receipt:

Florida League of Cities, Inc., as
Dissemination Agent

By: _____
Its: _____

APPENDIX B

FORM OF CONTINUING DISCLOSURE AGREEMENT FOR THE ISSUER

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

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

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

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

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

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

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

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

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

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

"Bonds" means the \$34,860,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012B-1 and Refunding Revenue Bonds, Series 2012B-2 (City of Deerfield Beach Series).

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

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

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

"EMMA" means the Electronic Municipal Market Access System as described in Securities and Exchange Commission Release No. 34-59062 and maintained by the Municipal

Securities Rulemaking Board for purposes of the Rule as further described in Sections 4 and 6 hereof.

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

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

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

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

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

"Insurer" means Assured Municipal Guaranty Corp., its successors and assigns.

"Issuer" means Florida Municipal Loan Council.

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

"MSRB" means the Municipal Securities Rulemaking Board.

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

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

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

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

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

"SEC" means the Securities and Exchange Commission.

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

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

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

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

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

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

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

(c) The Dissemination Agent shall provide the Annual Report and, if received separately in accordance with Section 4(b) hereof, the Annual Financial Statements, to EMMA, the Trustee, the Rating Agencies and the Insurer within five (5) Business Days after receipt thereof from the Issuer.

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

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

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

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

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

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

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

respect to the Bonds or the Issuer's ability to satisfy its payment obligations with respect to the Bonds. The following events are "Listed Events":

- (i) principal and interest payment deficiencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) modifications to the rights of the holders of the Bonds;
- (viii) optional, contingent or unscheduled redemption calls;
- (ix) tender offers with respect to the Bonds;
- (x) defeasances;
- (xi) release, satisfaction or sale of property securing repayment of the Bonds;
- (xii) rating changes;
- (xiii) bankruptcy, insolvency, receivership or similar event of the Issuer (this event is considered to occur when any of the following occur; the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by

a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);

- (xiv) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
- (xv) appointment of a successor or additional trustee or the change of name of a trustee.

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

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

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

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

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

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

(f) Notwithstanding the foregoing, an Event Notice with respect to a Listed Event described in Section 6(a)(viii) or (ix) shall not be given under this Section 6 any earlier

than the notice (if any) of such event is given to the affected Bondholders pursuant to the Indenture, as confirmed to the Dissemination Agent by the Trustee. The Dissemination Agent shall have no liability for failure of notice given to Bondholders if it does not receive the necessary confirmation from the Trustee after written request.

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

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

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

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

SECTION 10. Compensation of the Dissemination Agent. As compensation to the Dissemination Agent for its services pursuant to this Continuing Disclosure Agreement, the Issuer agrees to pay all fees and all expenses of the Dissemination Agent including, without limitation, all reasonable expenses, charges, costs and other disbursements in the administration

and performance of its duties hereunder, and shall to the extent permitted by law indemnify and save the Dissemination Agent and its officers, directors, attorneys, agents and employees harmless from and against any costs, expenses, damages or other liabilities (including attorneys fees) which it (or they) may incur in the exercise of its (or their) powers and duties hereunder, except with respect to its (or their) willful misconduct or gross negligence.

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

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

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

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

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

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

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

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

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

FLORIDA LEAGUE OF CITIES, INC., as
Dissemination Agent

By: _____
Its: Executive Director

EXHIBIT A

Form of Annual Report Certificate

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

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

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

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

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

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

FLORIDA MUNICIPAL LOAN COUNCIL, as
Issuer

By: _____
Its: _____

Acknowledgment of Receipt:

as Dissemination Agent

By: _____
Its: _____

EXHIBIT B

Form of Section 5(a) Continuing Disclosure Certificate

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

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

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

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

3. Written Undertaking. On behalf of the Issuer, the Issuer hereby designates the Continuing Disclosure Agreement to be the written undertaking under paragraph (b)(5) of the Rule with respect to the \$34,860,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012B-1 and Refunding Revenue Bonds, Series 2012B-2 (City of Deerfield Beach Series).

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

- (a) Financial Information None
- (b) Operating Data None

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

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

FLORIDA MUNICIPAL LOAN COUNCIL,
as Issuer

By: _____
Its: Chairman

Acknowledgment of Receipt:

FLORIDA LEAGUE OF CITIES, INC.,
as Dissemination Agent

By: _____
Its: Executive Director

APPENDIX C
FORM OF THE INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

FLORIDA MUNICIPAL LOAN COUNCIL,

Issuer

and

DEUTSCHE BANK TRUST COMPANY AMERICAS,

Trustee

TRUST INDENTURE

\$20,090,000

Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012B-1
(City of Deerfield Beach Series)

\$14,770,000

Florida Municipal Loan Council Refunding Revenue Bonds, Series 2012B-2
(City of Deerfield Beach Series)

Dated as of December 1, 2012

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

This Instrument Prepared by:

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

and

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

TABLE OF CONTENTS

	Page
GRANTING CLAUSES	2
ARTICLE I - DEFINITIONS AND RULES OF INTERPRETATION	4
SECTION 1.01. Definitions	4
SECTION 1.02. Rules of Interpretation	13
ARTICLE II - THE BONDS	15
SECTION 2.01. Authorization; Book-Entry System	15
SECTION 2.02. Maturity and Interest Rate Provisions	17
SECTION 2.03. Payment Provisions	18
SECTION 2.04. Matters Concerning Bond Insurance Policy	19
SECTION 2.05. Mutilated, Lost, Stolen or Destroyed Bonds; Bonds Not Delivered for Redemption	20
SECTION 2.06. Payments in Advance of Scheduled Maturity Dates by the Bond Insurer	20
SECTION 2.07. Transfer and Exchange of Bonds; Persons Treated as Owners	20
SECTION 2.08. Cancellation of Bonds	21
SECTION 2.09. Temporary Bonds	21
SECTION 2.10. Nonpresentation of Bonds	21
SECTION 2.11. Form of Bonds	22
ARTICLE III - REDEMPTION OF BONDS	23
SECTION 3.01. Optional Redemption of the Bonds	23
SECTION 3.02. Mandatory Redemption of Bonds	23
SECTION 3.03. Notice of Redemption	24
SECTION 3.04. Bonds Due and Payable on Redemption Date; Interest Ceases To Accrue	25
SECTION 3.05. Cancellation	25
SECTION 3.06. Partial Redemption of Bonds	25
SECTION 3.07. Selection of Bonds To Be Redeemed	25
ARTICLE IV - REVENUES AND FUNDS	26
SECTION 4.01. Source of Payment of Bonds	26
SECTION 4.02. Creation of Funds and Accounts	26
SECTION 4.03. Project Loan Fund; Escrow Deposit	27
SECTION 4.04. Principal Fund	27
SECTION 4.05. Revenue Fund	27
SECTION 4.06. Cost of Issuance Fund	28
SECTION 4.07. Application of Bond Proceeds	28
SECTION 4.08. Claims upon the Policy and Payments by the Bond Insurer	29
SECTION 4.09. Rebate Fund	31
SECTION 4.10. Unspent Proceeds Fund	31
SECTION 4.11. Moneys To Be Held in Trust	31
SECTION 10.14. Effect on Bondholders of Certain Actions	54
ARTICLE XI - SUPPLEMENTAL INDENTURES	55
SECTION 11.01. Supplemental Indentures Not Requiring Consent of Bondholders	55
SECTION 11.02. Supplemental Indentures Requiring Consent of Bondholders	55
SECTION 11.03. Notice to S&P and Fitch	56
ARTICLE XII - AMENDMENT OF LOAN AGREEMENT	57
SECTION 12.01. Amendments, Etc., Not Requiring Consent of Bondholders	57
SECTION 12.02. Amendments, Etc., Requiring Consent of Bondholders	57
ARTICLE XIII - GENERAL COVENANTS	59
SECTION 13.01. Payment of Principal and Interest	59
SECTION 13.02. Performance of Covenants; the Council	59
SECTION 13.03. Instruments of Further Assurance	59
SECTION 13.04. Rights Under the Loan Agreement	59
SECTION 13.05. Possession and Inspection of Loan Agreement	60
SECTION 13.06. Provision of Documents to Bondholders	60
SECTION 13.07. Tax Covenants	60
SECTION 13.08. Security Interest	61
ARTICLE XIV - MISCELLANEOUS	62
SECTION 14.01. Consents, etc., of Bondholders	62
SECTION 14.02. Limitation of Rights	62
SECTION 14.03. The Bond Insurer	62
SECTION 14.04. Severability	63
SECTION 14.05. Notices	63
SECTION 14.06. Payments Due on Saturdays, Sundays and Holidays	63
SECTION 14.07. Counterparts	63
SECTION 14.08. Applicable Provisions of Law	64

SECTION 4.12. Reports From Trustee	32
SECTION 4.13. Certain Verifications	32
ARTICLE V - PROJECT LOANS	33
SECTION 5.01. Terms and Conditions of Loans	33
SECTION 5.02. Loan Closing Submission	33
SECTION 5.03. Disbursement to Borrower From Project Loan Fund and Unspent Proceeds Fund	33
ARTICLE VI - SERVICING OF LOANS	35
SECTION 6.01. Loan Servicing	35
ARTICLE VII - INVESTMENT OF MONEYS	36
ARTICLE VIII - DISCHARGE OF INDENTURE	38
ARTICLE IX - DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS	41
SECTION 9.01. Defaults; Events of Default	41
SECTION 9.02. Remedies; Rights of Bondholders	41
SECTION 9.03. Right of Bondholders to Direct Proceedings	42
SECTION 9.04. Appointment of Receivers	43
SECTION 9.05. Application of Moneys	43
SECTION 9.06. Remedies Vested in Trustee	44
SECTION 9.07. Rights and Remedies of Bondholders	45
SECTION 9.08. Termination of Proceedings	45
SECTION 9.09. Waivers of Events of Default	46
SECTION 9.10. Notice of Defaults Under Section 9.01(b); Opportunity of Council To Cure Such Defaults	46
SECTION 9.11. Bond Insurer to be Deemed Bondholder of the Insured Bonds; Rights of Bond Insurer	47
ARTICLE X - THE TRUSTEE	49
SECTION 10.01. Acceptance of the Trusts	49
SECTION 10.02. Fees, Charges and Expenses of Trustee	51
SECTION 10.03. Notice to Bondholders if Default Occurs Under Indenture	51
SECTION 10.04. Intervention by Trustee	51
SECTION 10.05. Successor Trustee	51
SECTION 10.06. Resignation by Trustee	51
SECTION 10.07. Removal of Trustee	52
SECTION 10.08. Appointment of Successor Trustee	52
SECTION 10.09. Concerning Any Successor Trustee	52
SECTION 10.10. Preservation and Inspection of Documents	53
SECTION 10.11. [Reserved]	53
SECTION 10.12. Paying Agent	53
SECTION 10.13. Registrar	53

TRUST INDENTURE

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

WITNESSETH:

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

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

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

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

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

WHEREAS, the Council has now determined to issue its \$20,090,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012B-1 (City of Deerfield

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 of the 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 (with respect to the Insured Bonds) 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

Beach Series) and its \$14,770,000 Florida Municipal Loan Council Refunding Revenue Bonds, Series 2012B-2 (City of Deerfield Beach Series) at this time pursuant to this Trust Indenture for the purposes more fully described herein; and

WHEREAS, in order to secure the payment when due of the principal of, premium, if any, and interest on the Bonds, the Borrower has covenanted or pledged in its Loan Agreements to (i) budget and appropriate legally available non-ad valorem funds, or (ii) pay from ad valorem funds, sufficient for that purpose; and

WHEREAS, the Council has obtained a commitment from the Bond Insurer to issue a Bond Insurance Policy in connection with the issuance of the Series 2012B-1 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 Borrower to comply with the rebate provisions of Section 148(f) of the Code) if, as and when entered into by the Borrower and any documents securing payment thereunder, including all extensions and renewals of any of the terms of the Loan 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

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.

"2000B GO Loan" means the loan from the Issuer to the Borrower funded from the proceeds of the 2000B Refunded Bonds secured by the Loan Agreement dated as of November 15, 2000, between the Issuer and the Borrower.

"2000B Indenture" means the Trust Indenture, dated as of November 15, 2000, by and between the Issuer and First Union National Bank.

"2000B Refunded Bonds" means the pro rata portion of the Issuer's Revenue Bonds, Series 2000B maturing in the years 2013 through and including 2016, 2020, 2025 and 2030.

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

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

"2003A Indenture" means the Trust Indenture, dated as of May 1, 2003, by and between the Issuer and Wachovia Bank, National Association.

"2003A Refunded Bonds" means the pro rata portion of the Issuer's Revenue Bonds, Series 2003A maturing in the years 2014 through and including 2022, 2025 and 2028.

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

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

"2003B Indenture" means the Trust Indenture, dated as of December 1, 2003, by and between the Issuer and Wachovia Bank, National Association.

"2003B Refunded Bonds" means the pro rata portion of the Issuer's Revenue Bonds, Series 2003B maturing in the years 2014 through and including 2019, 2023 and 2028.

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

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

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

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

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

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

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

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

5

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 the Loans pursuant to this Indenture and the Loan Agreements.

"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 the Loan Agreements begin and the obligation of the Borrower thereunder to make Loan Repayments accrues.

"Council" means the Florida Municipal Loan Council.

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

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

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

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

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

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

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

7

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

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

"Board" means the governing body of the Borrower.

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

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

"Bonds" means, collectively, the Series 2012B-1 Bonds and the Series 2012B-2 Bonds.

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

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

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

"Bond Year" means a 12-month period beginning on October 2, ending on and including the following October 1, except for the first period which begins on December 4, 2012 and ends on October 1, 2013.

"Borrower" means the City of Deerfield Beach, Florida, a governmental unit which has entered into Loan Agreements and which is borrowing and using the proceeds of the Loans 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

6

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

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

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

"Escrow Deposit Agreement" means the Escrow Deposit Agreement, dated as of December 4, 2012, between the Council and Deutsche Bank Trust Company Americas, as escrow agent.

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

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

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

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

"Fitch" means Fitch, Inc. d/b/a Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with approval of the Bond Insurer, by notice to the Trustee.

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

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

(i) the municipal obligations must be rated AAA by S&P and AAA by Fitch and may not be callable prior to maturity or, alternatively, the trustee has received irrevocable instructions concerning their calling and redemption;

(ii) the municipal obligations are secured by cash or securities described in clause (a) above (the "Defeasance Obligations"), which cash or Defeasance Obligations

8

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

"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 Insured Bonds by the Bond Insurer.

"Insured Bonds" means the Series 2012B-1 Bonds maturing in the years 2019, through and including, 2029 and 2032.

"Interest Payment Date" means April 1 and October 1 of each year, beginning April 1, 2013.

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

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

9

"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, collectively, the Series 2012B-1 Principal Fund and the Series 2012B-2 Principal Fund.

"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 and shall specifically be the Project as described in the Borrower's Loan Agreements.

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

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

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

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

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

"Loan" means a loan to the 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 Agreements.

"Loan Agreement" or "Loan Agreements" means the Loan Agreement or Loan Agreements between the Council and the Borrower 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 Loans made by the Council to such participating Borrower 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 March 20, 2013 and thereafter each September 20th and March 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 Agreements.

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

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

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

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

10

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

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

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

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

"Refinanced Loans" means, collectively, the Borrower's outstanding 2000B GO Loan, 2003A GO Loan, 2003A CBA Loan, 2003B GO Loan and 2003B CBA Loan.

"Refunded Bonds" means, collectively, the 2000B Refunded Bonds, the 2003A Refunded Bonds and the 2003B Refunded Bonds, and relating to the Borrower's loan therefrom.

"Registrar" means the Trustee.

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

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

"Revenues" means all Loan Repayments paid to the Trustee for the respective Accounts of the Borrower for deposit in the respective Revenue Fund and the respective Principal Fund to pay principal of, premium, if any, and interest on the corresponding series of 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 Ratings Services, a business of Standard & Poor's Financial Services LLC, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, by notice to the Trustee.

"Series 2012B-1 Bonds" means the \$20,090,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012B-1 (City of Deerfield Beach Series) issued hereunder.

11

12

"Series 2012B-2 Bonds" means the \$14,770,000 Florida Municipal Loan Council Refunding Revenue Bonds, Series 2012B-2 (City of Deerfield Beach Series) issued hereunder.

"Series 2012B-1 Principal Fund" means the fund by that name created by Section 4.02 hereof.

"Series 2012B-2 Principal Fund" means the fund by that name created by Section 4.02 hereof.

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

"State" means the State of Florida.

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

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

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

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

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

"Unspent Proceeds Fund" means the fund by that name created by Section 4.02 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

**ARTICLE II
THE BONDS**

SECTION 2.01. Authorization; Book-Entry System.

(a) Authorization, Issuance and Execution of Bonds. Bonds may be issued in one or more series hereunder in order to obtain moneys to carry out the purposes of the Program for the benefit of the Council and the Borrower. The Bonds shall be designated as "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012B-1 (City of Deerfield Beach Series)" and "Florida Municipal Loan Council Refunding Revenue Bonds, Series 2012B-2 (City of Deerfield Beach Series)." At any time after the execution of this Indenture, the Council may execute and the Trustee shall authenticate and, upon request of the Council, deliver the Bonds in the aggregate principal amounts set forth in the definition of "Bonds." This Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds appertaining thereto to secure the full payment of the principal of, premium, if any, and interest on all such Bonds subject to the covenants, provisions and conditions herein contained.

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

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

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.

[Remainder of this page intentionally left blank]

(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 the Bonds registered in the registration books kept by the Registrar in the name of Cede & Co., as nominee of DTC, the Council, the Registrar and the Paying Agent shall have no responsibility or obligation to any such Participant or to any indirect participant. Without limiting the immediately preceding sentence, the Council, the Registrar and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or any other person other than a Bondholder, as shown in the registration books kept by the Registrar, of any notice with respect to such Bond, 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 December 4, 2012. They shall be numbered consecutively from R-1 upward. They shall be in the denomination of \$5,000 each, or integral multiples thereof. Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or unless authenticated prior to the first payment date, in which case it shall bear interest from its date.

The Series 2012B-1 Bonds shall bear interest and shall mature at the rates, in the amounts and on the dates set forth below:

\$18,725,000 Serial Bonds

Maturity (October 1)	Principal Amount	Interest Rate
2013	\$ 870,000	2.000%
2014	980,000	3.000
2015	1,005,000	3.000
2016	1,040,000	4.000
2017	1,085,000	4.000
2018	1,115,000	2.000
2019*	500,000	5.000
2019*	640,000	2.000
2020*	1,175,000	2.000
2021*	700,000	5.000
2021*	510,000	2.250
2022*	500,000	5.000
2022*	760,000	2.500
2023*	1,300,000	2.750
2024*	1,340,000	3.000
2025*	1,385,000	3.000
2026*	1,425,000	3.000
2027*	1,465,000	3.125
2028*	505,000	3.125
2029*	425,000	3.250

Term Bond Due October 1, 2032* - \$1,365,000 - 3.375%

* Insured by a municipal bond insurance policy issued by the Insurer.

The Series 2012B-2 Bonds shall bear interest and shall mature at the rates, in the amounts and on the dates set forth below:

\$9,920,000 Serial Bonds

Maturity (October 1)	Principal Amount	Interest Rate
2013	\$ 720,000	2.000%
2014	690,000	3.000
2015	715,000	3.000
2016	560,000	3.000
2017	580,000	4.000
2018	605,000	4.000
2019	630,000	4.000
2020	655,000	4.000
2021	675,000	2.000
2022	690,000	2.250
2023	705,000	2.500
2024	685,000	4.000
2025	1,260,000	5.000
2026	750,000	3.000

Term Bond Due October 1, 2028 - \$4,850,000 - 3.000%

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, with respect to the Insured Bonds, the Bond Insurer is in default under the Bond Insurance Policy, a Special Record Date established pursuant to Section 9.05), by check mailed on the Interest Payment Date to such registered owner at his address as it appears on such registration books or at the prior written request and expense of an owner of \$1,000,000 in aggregate principal amount of Bonds, by bank wire transfer to a domestic bank account, notwithstanding the cancellation of any such Bonds upon any exchange or transfer thereof subsequent to the Record Date or Special Record Date and prior to such Interest Payment Date. Payment of the principal (or redemption

price), of the Bonds shall be made upon the presentation and surrender of such Bonds as the same shall become due and payable.

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

- (a) Prior notice of the advance refunding or redemption of any of the Insured Bonds, including the principal amount, maturities and CUSIP numbers of such Insured Bonds;
- (b) Notice of the resignation or removal of the Trustee and the appointment of, and acceptance of duties by, any successor thereto;
- (c) Notice of the commencement of any proceeding by or against the Council commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");
- (d) Notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of the principal of, or interest on, the Insured Bonds;
- (e) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Indenture or the Loan Agreement;
- (f) All reports, notices and correspondence to be delivered to the holders of the Insured Bonds under the terms of the Indenture or the Loan Agreement;
- (g) In addition, with respect to the Continuing Disclosure Agreement executed in connection with the Insured Bonds, all information furnished pursuant to such agreement shall also be provided to the Bond Insurer, simultaneously with the furnishing of such information thereunder;
- (h) The Bond Insurer shall have the right to receive such addition information as it may reasonably request;

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

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

SECTION 2.05. 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 2.06. Payments in Advance of Scheduled Maturity Dates by the Bond Insurer. In the event that the Bond Insurer shall make any payments of principal of and/or interest on any of the Insured Bonds pursuant to the terms of the Bond Insurance Policy and the Insured Bonds are accelerated or are redeemed pursuant to Section 3.02 hereof, the Bond Insurer may at any time and at its sole option pay all or a portion of amounts due under the Insured Bonds to the Insured Bondholders of Insured Bonds prior to the stated maturity dates thereof.

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

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. Optional Redemption of the Bonds.

Optional Redemption. The Series 2012B-1 Bonds maturing on or before October 1, 2022 are not subject to optional redemption prior to their maturities. The Series 2012B-1 Bonds maturing on or after October 1, 2023 are subject to redemption at the option of the Issuer on or after October 1, 2022 as a whole or in part at any time, in any manner as determined by the Trustee in its discretion, at the redemption price equal to the principal amount of the Series 2012B-1 Bonds to be redeemed, plus accrued interest to the redemption date.

The Series 2012B-2 Bonds maturing on or before October 1, 2022 are not subject to optional redemption prior to their maturities. The Series 2012B-2 Bonds maturing on or after October 1, 2023 are subject to redemption at the option of the Issuer on or after October 1, 2022 as a whole or in part at any time, in any manner as determined by the Trustee in its discretion, at the redemption price equal to the principal amount of the Series 2012B-2 Bonds to be redeemed, plus accrued interest to the redemption date.

SECTION 3.02. Mandatory Redemption of Bonds.

The Series 2012B-1 Bonds maturing on October 1, 2032 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2030 and on each October 1 thereafter, in the following principal amounts in the following years:

Year	Principal Amount
2030	\$440,000
2031	455,000
2032*	470,000

*Maturity, not a redemption.

The Series 2012B-2 Bonds maturing on October 1, 2028 are subject to mandatory redemption, in part, by lot, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, beginning on October 1, 2027 and on each October 1 thereafter, in the following principal amounts in the following years:

Year	Principal Amount
2027	\$2,390,000
2028*	2,460,000

*Maturity, not a redemption.

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).

[Remainder of this page intentionally left blank]

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

SECTION 3.03. Notice of Redemption. In the case of every redemption, the Registrar, at the direction of the Trustee, shall cause notice of such redemption to be given to the registered Owner of any series of 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, and with respect to the Insured Bonds, the Bond Insurer and to 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.

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

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

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

25

- (b) the Series 2003A Unspent Proceeds Fund.

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

From the proceeds of the Series 2012B-1 Bonds \$7,241,590.16 shall be deposited into the Escrow Account. From the proceeds of the Series 2012B-2 Bonds \$15,234,407.91 shall be deposited into the Escrow Account.

SECTION 4.04. Principal Fund. Upon the receipt of Loan Repayments, Liquidation Proceeds, or Insurance Proceeds the Trustee shall deposit in the appropriate 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 such series of Bonds.

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

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

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

27

ARTICLE IV

REVENUES AND FUNDS

SECTION 4.01. Source of Payment of Bonds. The Bonds and all payments by the Council hereunder are limited and special obligations of the Council and are payable solely out of Revenues and certain proceeds of the Bonds as authorized by the Constitution and laws of the State, including particularly the Act, as and to the extent provided herein. The Bonds and the Council's other obligations hereunder are solely and exclusively obligations of the Council to the extent set forth herein and do not constitute or create an obligation, general or special, or debt, liability or moral obligation of the State or any political subdivision or any municipal corporation of the State. The Bonds shall not be or constitute a general obligation of the Council, the State or any political subdivision or any municipal corporation thereof or a lien upon any property owned or situated within the territorial limits of the Council, the State or any political subdivision or any municipal corporation thereof except the Trust Estate, in the manner provided herein and in the Loan 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) Project Loan Fund:
 - (a) the Series 2012B-1 Project Loan Fund;
- (2) Principal Funds:
 - (a) the Series 2012B-1 Principal Fund, and
 - (b) the Series 2012B-2 Principal Fund;
- (3) Revenue Funds:
 - (a) the Series 2012B-1 Revenue Fund, and
 - (b) the Series 2012B-2 Revenue Fund;
- (4) Cost of Issuance Funds:
 - (a) the Series 2012B-1 Cost of Issuance Fund, and
 - (b) the Series 2012B-2 Cost of Issuance Fund;
- (5) Rebate Funds:
 - (a) the Series 2012B-1 Rebate Fund, and
 - (b) the Series 2012B-2 Rebate Fund;
- (6) Unspent Proceeds Funds:
 - (a) the Series 2000B Unspent Proceeds Fund, and

26

(1) On each Interest Payment Date, to pay interest due on the corresponding series of Bonds;

(2) At such times as are necessary, to pay accrued interest due on the corresponding series of 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 of a series) and the fees and expenses of the Council (including costs of issuing the Bonds if insufficient amounts are on hand in the Cost of Issuance Fund), any counsel consulted by the Council with respect to any Loan, or of Accountants employed pursuant to Section 4.12 hereof; provided, further, that the Bond Insurer may authorize the payment of any such fees or expenses prior to the payment of interest on the Insured Bonds.

(4) On each Interest Payment Date of each year, all amounts remaining within each Revenue Fund, other than fees being collected in installments pursuant to the relevant Loan Agreements and amounts which will be credited against the relevant Borrower's next Loan Repayments shall be deposited in the Principal Fund for the series of Bonds which corresponds with the Revenue Fund for such series, as provided in Section 5.04 of the Loan Agreements.

SECTION 4.06. Cost of Issuance Fund. Moneys in each Cost of Issuance Fund shall be used to pay costs of issuing the corresponding series of 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 premiums; and legal fees and expenses of counsel to the Council, bond counsel and counsel to the Bond Insurer, and fees of the financial advisor to the Council; fees of the Program Administrator, any accounting expenses incurred in connection with determining that the Bonds are not arbitrage bonds, the Trustee's and the Paying Agent and Registrar's initial fees and expenses (including attorney's fees), upon the submission of requisitions by the Council signed by an officer of the Council stating the amount to be paid, to whom it is to be paid and the reason for such payment, and that the amount of such requisition is justly due and owing and has not been the subject of another requisition which was paid and is a proper expense of issuing such Bonds. Any monies remaining in a Cost of Issuance Fund on June 4, 2012 shall be transferred to the corresponding Revenue Fund and be credited toward the Borrower's obligation to pay Loan interest, taking into consideration the discount at which such Loan was made as specified in Section 3.01 of the Loan Agreements.

SECTION 4.07. Application of Bond Proceeds. The proceeds of the Series 2012B-1 Bonds in the sum of \$20,345,901.38 shall be deposited with the Trustee as follows (which amount is the par amount of the Series 2012B-1 Bonds plus the net original issue premium, less the underwriters discount and less the Bond Insurance Premium):

28

- (i) \$7,241,590.00 shall be deposited in the Escrow Account;
- (ii) \$104,311.22 shall be deposited in the Cost of Issuance Fund; and
- (iii) \$13,000,000.00 shall be deposited in the Project Loan Fund.

The Council understands that \$115,768.02 is being transmitted directly to the Bond Insurer.

The proceeds of the Series 2012B-2 Bonds in the sum of \$15,307,501.15 (which amount is the par amount of the Series 2012B-2 Bonds plus net original issue premium and less the underwriters discount), together with \$10,000.00 of other legally available funds, shall be deposited with the Trustee as follows:

- (i) \$15,234,407.91 shall be deposited in the Escrow Account; and
- (ii) \$83,093.24 shall be deposited in the Cost of Issuance Fund.

SECTION 4.08. Claims Upon the Policy and Payments by the Bond Insurer.

Unless otherwise provided in the Bond Insurance Policy, the following shall govern claims made upon and payments made under Bond Insurance Policy:

A. If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under this Indenture, moneys sufficient to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall give notice to the Bond Insurer and to any designated agent for which the Bond Insurer has provided written notice to the Trustee designating such agent ("Bond Insurer's Fiscal Agency"), by telephone or teletype of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Insured Bonds due on such Payment Date, the Trustee shall make a claim under the Bond Insurance Policy and give notice to the Bond Insurer and the Bond Insurer's Fiscal Agent, if any, by telephone of the amount of the deficiency, and the allocation of such deficiency between the amount required to pay interest on the Insured Bonds, confirmed in writing to the Bond Insurer and the Bond Insurer's Fiscal Agent, if any, by 12:00 noon, New York City time, on such second Business Day by filling in the form of "Notice of Claim and Certificate" delivered with the Bond Insurance Policy.

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

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

SECTION 4.09. Rebate Fund. In order to insure compliance with the rebate provisions of Section 148(f) of the Code, the Council shall create a Rebate Fund for each series of Bonds. Such Funds shall be held by the Trustee. The Rebate Funds need not be maintained if the Council shall have received an Opinion of Bond Counsel acceptable to the Council to the effect that failure to maintain the Rebate Fund shall not adversely affect the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation. Moneys in the Rebate Funds 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 Funds (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 each series of Bonds.

SECTION 4.10. Unspent Proceeds Fund. On May 1, 2013, the Trustee shall transfer (i) the remaining funds in the City of Deerfield Beach Account of the Project Loan Fund established pursuant to the 2000B Indenture to the Series 2000B Unspent Proceeds Fund established herein; and (ii) the remaining funds in the City of Deerfield Beach Account of the Project Loan Fund established pursuant to the 2003A Indenture to the Series 2003A Unspent Proceeds Fund established herein. Interest earnings on investments in the Unspent Proceeds Fund shall be held in and credited to the respective Unspent Proceeds Fund. Upon the occurrence of an event of default under the Loan Agreements and the exercise by the Trustee of the remedy of acceleration as specified in such Loan Agreements, any moneys in the Unspent Funds, if any, shall be transferred by the Trustee to the corresponding Principal Fund and applied in accordance with the second paragraph of Section 4.04 hereof. Bond proceeds remaining in the Unspent Proceeds Fund after the Completion of the Borrower's Project shall be retained for a new Project in accordance with the procedures in the Loan Agreements, or if not, then transferred to the Principal Fund and used to pay the next scheduled principal payment for the corresponding series of Bonds.

SECTION 4.11. Moneys to be Held in Trust. With the exception of moneys deposited in the Rebate Funds, 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 a series of Bonds, notice of the redemption of which has been duly given, and

Trustee's failure to so designated any payment or issue any replacement Insured Bond shall have no effect on the amount of principal or interest payable by the Bond Insurer on any Insured Bond or the subrogation rights of the Bond Insurer.

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

D. Upon payment of a claim under the Bond Insurance Policy, the Trustee shall establish a separate special purpose trust account for the benefit of the Holders of the Insured Bonds (referred to as the "Policy Payments Account") and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Bond Insurance Policy in trust on behalf of the Holders of the Insured Bonds and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Trustee to the Holders of the Insured Bonds in the same manner as principal and interest payments are to be made with respect to the Insured Bonds under Sections 4.04 or 4.05 regarding payment of the Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. Notwithstanding anything to the contrary set forth in this Indenture, the Council agrees to pay to the Bond Insurer but only from funds provided by the Borrower under the Loan Agreement (i) a sum equal to the total of all amounts paid by the Bond Insurer under the Bond Insurance Policy (the "Insurer Advances"); and (ii) to the extent permitted by law, interest on such Insurer Advances from the date paid by the Bond Insurer until the date such Insurer Advances are paid in full, payable to the Bond Insurer at the Late Payment Rate per annum (collectively, the "Insurer Reimbursement Amounts"). "Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York as its prime or base lending rate (any change in such rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank, or its successor) plus three percent (3%), and (ii) the then applicable highest rate of interest on the Insured Bonds and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. Notwithstanding anything to the contrary set forth in this Indenture, the Insurer Reimbursement Amounts shall be payable solely from and secured by a lien on and pledge of Revenues and payable from such Revenues, to the extent permitted by law, on a parity with debt service on the Insured Bonds.

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

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

SECTION 4.13. Certain Verifications. The Council and 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 and 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 such series of 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 respective Revenue Funds pursuant to Section 4.05(3) hereof.

[Remainder of this page intentionally left blank]

ARTICLE V

PROJECT LOANS

SECTION 5.01. Terms and Conditions of Loans. The Council will make the Loans to the Borrower in order to (i) finance the acquisition, installation and construction of the Project by the Borrower and (ii) refund or refinance the portion of the Refinanced Loans securing the Refunded Bonds, or reimburse funds previously expended by the Borrower, to acquire, install and construct Projects, all in accordance with provisions more fully set forth in the Loan 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 Borrower from Project Loan Fund and Unspent Proceeds Fund. The moneys in the Project Loan Fund and Unspent Proceeds Fund shall be applied in accordance with written requisitions provided to the Trustee by the Borrower in the form attached to the Loan Agreements. After initial disbursements for payment of eligible Costs (whether from the Project Loan Fund, Unspent Proceeds Fund or other Bond proceeds), disbursement to or at the direction of the Borrower will be made only if (i) such Borrower is not then in default under the Indenture and the applicable Loan Agreements, and (ii) only in accordance with such requisitions.

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

Each draw request by the Borrower shall constitute an affirmation that the material warranties and representations contained in this Indenture and the Loan Agreements remain true and correct and that no breach of the covenants contained in this Indenture or the Loan Agreements 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 or Unspent Proceeds Fund draw.

All requisitions received by the Trustee shall be substantially in the form attached to the Loan Agreements as Exhibit E, as required in this Article as conditions of payment from the

ARTICLE VI
SERVICING OF LOANS

SECTION 6.01. Loan Servicing. 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.

[Remainder of this page intentionally left blank]

Project Loan Fund and Unspent Proceeds 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 Borrower and their agents and representatives thereof.

[Remainder of page intentionally left blank]

ARTICLE VII
INVESTMENT OF MONEYS

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

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

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

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

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.

[Remainder of this page intentionally left blank]

37

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

39

ARTICLE VIII

DISCHARGE OF INDENTURE

If the Council shall pay or cause to be paid (other than by the Bond Insurer with respect to the Insured Bonds) 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 with respect to the Insured Bonds) 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 with respect to the Insured Bonds) all other sums payable hereunder by the Council, then, and in that case, the right, title and interest of the Trustee in the related Trust Estate shall thereupon cease, terminate and become void. In such event, the Trustee shall assign, transfer and turn over to the Council the Trust Estate and, at the direction of the Council, cancel 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, nonpresentation of Bonds, the holding of moneys in trust, and the duties of the Trustee in connection with all of the foregoing, remain in effect and shall be binding upon the Trustee and the Bondholder.

Any Bond shall be deemed to be paid within the meaning of this Article and for all purposes of this Indenture when (a) payment of the principal of and premium, if any, on such Bond, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption as provided herein), either (i) shall have been made or caused to be made (other than by the Bond Insurer with respect to the Insured Bonds) in accordance with the terms thereof, or (ii) shall have been provided for (other than by the Bond Insurer with respect to the Insured Bonds) 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

38

(including interest thereon) with respect to which such moneys or obligations have been so set aside in trust.

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

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

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

[Remainder of this page intentionally left blank]

40

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 a series of Bonds, it is hereby defined as and declared to be and to constitute an "Event of Default" with respect to such series of Bonds:

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

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

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

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

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

(b) Subject to Bond Insurer approval with respect to the Insured Bonds, the Trustee may by action or suit in equity require the Council to account as if it were the trustee of an express trust for the Owners of such series of 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 of such series, subject to the terms of the related Loan Agreements, including the sale of part or all of the related Loan Agreements.

41

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 of a series 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 the Loan Agreements, 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 of a series 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 of a series 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;

43

(c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders of such series 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 relating to a particular series of Bonds shall have occurred, and if requested by the Bond Insurer, with respect to the Insured Bonds, or by the owners of 25% or more in aggregate principal amount of Outstanding Bonds of such series and the Bond Insurer shall have offered to the Trustee indemnity 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 of such series.

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

42

THIRD -- To payment to the persons entitled thereto of all amounts payable pursuant to Section 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 of a series 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 of a series 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 of a series over any other Bond of a series, 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

44

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 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 with respect to the Insured Bonds, or the Bond Insurer, with respect to the Insured Bonds, shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) such Owners of the Bonds or the Bond Insurer shall have offered to the Trustee indemnity as provided in Section 10.01(k) hereof, and (d) the Trustee shall for 60 days after receipt of such request and indemnification fail or refuse to exercise the rights and remedies hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such request and offer of indemnity are hereby declared in every case at the option of the Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more Owners of the Bonds or the Bond Insurer shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the Owners of all Outstanding Bonds. However, nothing contained in this Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity or redemption date of such principal or interest, or the obligation of the Council to pay the principal of and interest on each of the Bonds issued hereunder to the respective registered Owners thereof at the time, place, from the source and in the manner in this Indenture and in the Bonds expressed.

SECTION 9.08. Termination of Proceedings. In case the Trustee or any Owner of any 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.

45

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

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

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

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

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

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

47

SECTION 9.09. Waivers of Events of Default. The Trustee may, with the consent of the Bond Insurer with respect to the Insured Bonds, 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 and shall do so upon the written request of the Bond Insurer with respect to the Insured Bonds or the Owners of (a) more than two-thirds in aggregate principal amount of all Outstanding Bonds (with the consent of the Bond Insurer with respect to the Insured Bonds, 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 with respect to the Insured Bonds, 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 with respect to the Insured Bonds or the Owners of not less than 25% in aggregate principal amount of all Outstanding Bonds affected thereby and the Council shall have had 30 days after receipt of such notice to correct the default or cause the default to be corrected, and shall not have corrected the default or caused the default to be corrected within the applicable period; provided, however, if the default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Council within the applicable period and diligently pursued until the default is corrected.

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

46

such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Insured Bondowners or any other person is required in addition to the consent of the Bond Insurer.

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

[Remainder of this page intentionally left blank]

48

ARTICLE X

THE TRUSTEE

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

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

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

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

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

(e) Unless an officer of the corporate trust department of the Trustee shall have actual knowledge thereof, the Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except defaults under Section 9.01(a) hereof unless the Trustee shall be specifically notified in writing of such default by the Council, 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

49

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 with respect to the Insured Bonds, or (ii) the Owners of at least 25% of the aggregate principal amount of Bonds then Outstanding, with the consent of the Bond Insurer.

SECTION 10.05. Successor Trustee. Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer all or substantially all of the bond administration portion of its corporate trust business, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto shall be and become, to the extent permitted by law, successor Trustee hereunder and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided, however, that written notice shall be provided to the Bond Insurer, the Council and the Bondholders.

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

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

51

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

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

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

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

(i) At any and all reasonable times, the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives and the Bond Insurer, shall have the right to inspect any and all of the books, papers and records of the Council pertaining to the Revenues and receipts under the Loan 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 or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

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

50

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

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

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

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

52

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

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

SECTION 10.11. [Reserved]

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

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

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

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

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

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

ARTICLE XI

SUPPLEMENTAL INDENTURES

SECTION 11.01. Supplemental Indentures Not Requiring Consent of Bondholders. The Council and the Trustee may, without the consent of or notice to any of the Bondholders, but only with the consent of the Bond Insurer with respect to the Insured Bonds, 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 any of series of Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon such Bondholders or the Trustee, or to make any change which, in the judgment of the Trustee, is not to the material prejudice of such Bondholders;

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

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

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

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

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.

Effect on Bondholders of Certain Actions. Notwithstanding any other provision of this Indenture, in determining whether the rights of the Insured 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 Insured Bondholders as if there were no Bond Insurance Policy.

[Remainder of this page intentionally left blank]

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

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

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

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

[Remainder of this page intentionally left blank]

ARTICLE XII

AMENDMENT OF LOAN AGREEMENT

SECTION 12.01. Amendments, Etc., Not Requiring Consent of Bondholders. The Council and the Trustee may, without the consent of or notice to the Bondholders, but only with the consent of the Bond Insurer with respect to the Insured Bonds, consent to any amendment, change or modification of the Loan Agreements or any Project described therein that may be required (a) by the provisions of such Loan Agreements 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 Agreements, (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 respective series of 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 with respect to the Insured Bonds, and the Owners of not less than two-thirds in aggregate principal amount of the series of Bonds with respect to such Loan Agreement at the time Outstanding given and procured as in this Section provided. If at any time the Council and the Borrower shall request the consent of the Trustee to any such proposed amendment, change or modification of a Loan Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification to be mailed in the same manner as provided by Section 11.02 hereof with respect to supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file with the Trustee for inspection by all Bondholders with respect to such series. Nothing contained in this Section shall permit, or be construed as permitting, a reduction of the aggregate principal amount of Bonds of such series, 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 such series of Bonds from the gross income of the Holders thereof for purposes of Federal income taxation, without the consent of the Owners of all of such series of Bonds then Outstanding.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Bond Insurance remains in full force and effect, consent and approval by the Bond Insurer shall constitute the required consent and approval of the Owners of the Insured Bonds, provided, however, that the Bond Insurer shall not be entitled to consent to a reduction in, or postponement of, the payment due the Insured Bondholders or any change that affects the

57

ARTICLE XIII

GENERAL COVENANTS

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

SECTION 13.02. Performance of Covenants; the Council. The Council covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Council covenants that it is duly authorized under the Constitution and laws of the State, including particularly the Act, to issue the Bonds authorized hereby and to execute this Indenture, to execute and deliver the Loan 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 which will be retained by the Trustee, as required by Section 13.05 hereof, set forth the covenants and obligations of the Council and the Borrower, including provisions that the Loan 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

59

exclusion of interest on the Insured 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 (with respect to the Insured Bonds), 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.

[Remainder of page intentionally left blank]

58

detailed statement of said covenants and obligations of the Borrower 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 Borrower 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 the Loan Agreements 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 Agreements, 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

60

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

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

SECTION 13.08. Security Interest.

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

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

[Remainder of this page intentionally left blank]

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

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

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

Council: Florida Municipal Loan Council
c/o Florida League of Cities
301 South Bronough Street, Suite 300
Tallahassee, Florida 32301

Bond Insurer: Assured Guaranty Municipal Corp.
31 West 52nd Street
New York, New York, 10019
Attn: Managing Director Surveillance

Trustee: Deutsche Bank Trust Company & Securities Services
(Municipal Group)
60 Wall Street
Mail Stop 2715
New York, New York 10005

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

SECTION 14.06. Payments Due on Saturdays, Sundays and Holidays. In any case where the date of payment of principal or of 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.

ARTICLE XIV

MISCELLANEOUS

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

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

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

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

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

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

[Remainder of page intentionally left blank]

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

TRUST INDENTURE

DEUTSCHE BANK TRUST COMPANY
AMERICAS, as Trustee

(SEAL) FLORIDA MUNICIPAL LOAN COUNCIL
By: _____
Name: Isaac Salver
Title: Chairman

By: _____
Name: _____
Title: _____

FLORIDA LEAGUE OF CITIES, INC.,
Program Administrator

By: _____
Name: _____
Title: _____

By: _____
Name: Patti Hilaman
Title: Deputy Executive Director

EXHIBIT A
[FORM OF BOND]

No. R-_____ \$_____

FLORIDA MUNICIPAL LOAN COUNCIL
REFUNDING [AND IMPROVEMENT] REVENUE BONDS
SERIES 2012B-__

Maturity Date: Interest Rate: Dated Date: CUSIP:

Registered Owner: Cede & Co.

Principal Amount: _____ DOLLARS

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

This Bond is one of a duly authorized issue of bonds of the Council designated as "Florida Municipal Loan Council Refunding [and Improvement] Revenue Bonds, Series 2012__ (City of Deerfield Beach Series)" (the "Bonds"), issued in the aggregate principal amount of _____ Dollars (\$_____), pursuant to the provisions of Chapter 163, Part I, Florida Statutes, and other applicable provisions of law (collectively, the "Act"), and pursuant to a Trust Indenture, dated as of _____, 2012, between the Council and Deutsche Bank Trust Company Americas, (the "Trustee") (together with any supplements or amendments thereto, the "Indenture"). The Bonds are issued for the purpose of providing funds to make a loan to the City of Deerfield Beach, Florida (the "Borrower") to refund a portion of the Refunded Bonds [and to finance, refinance or reimburse the costs of various capital projects] pursuant to a loan agreement between the Council and such Borrower (together with any supplements or amendments thereto, the "Loan Agreement").

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

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

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

[insert redemption provisions]

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

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

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

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

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

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

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

A-3

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

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

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____
Chairman

Attest:

Executive Director

VALIDATION CERTIFICATE

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

By: _____
Chairman

A-4

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

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

DEUTSCHE BANK TRUST COMPANY AMERICAS,
as Registrar

Date of Authentication:

_____, 2012

By: _____
Authorized Signer

ASSIGNMENT

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

[THIS PAGE INTENTIONALLY LEFT BLANK]

Dated: _____, 2012

Signature guaranteed:

[END OF BOND FORM]

A-5

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D

FORM OF THE LOAN AGREEMENTS

[THIS PAGE INTENTIONALLY LEFT BLANK]

TABLE OF CONTENTS

GENERAL OBLIGATION LOAN AGREEMENT	
By and Between	
FLORIDA MUNICIPAL LOAN COUNCIL	
and	
CITY OF DEERFIELD BEACH, FLORIDA	
Dated as of December 1, 2012	
FLORIDA MUNICIPAL LOAN COUNCIL REFUNDING REVENUE BONDS, SERIES 2012B-2 (CITY OF DEERFIELD BEACH SERIES)	
<hr/>	
This Instrument Prepared By:	
JoLinda Herring, Esq. Bryant Miller Olive P.A. SunTrust International Center 1 SE 3rd Avenue Suite 2200 Miami, FL 33131	
and	
Grace E. Dunlap, Esq. Bryant Miller Olive P.A. One Tampa City Center, Suite 2700 Tampa, Florida 33602	
ARTICLE IX - MISCELLANEOUS	30
SECTION 9.01. Notices	30
SECTION 9.02. Binding Effect.....	30
SECTION 9.03. Severability.....	30
SECTION 9.04. Amendments, Changes and Modifications.....	30
SECTION 9.05. Execution in Counterparts.....	30
SECTION 9.06. Applicable Law.....	31
SECTION 9.07. Benefit of Bondholders; Compliance with Indenture.....	31
SECTION 9.08. Consents and Approvals.....	31
SECTION 9.09. Immunity of Officers, Employees and Members of Council and Borrower.....	31
SECTION 9.10. Captions.....	31
SECTION 9.11. No Pecuniary Liability of Council.....	31
SECTION 9.12. Payments Due on Holidays.....	32
SECTION 9.13. Calculations.....	32
SECTION 9.14. Time of Payment.....	32
EXHIBIT A USE OF LOAN PROCEEDS.....	A-1
EXHIBIT B CERTIFIED ORDINANCE OF BORROWER.....	B-1
EXHIBIT C OPINION OF BORROWER'S COUNSEL.....	C-1
EXHIBIT D DEBT SERVICE SCHEDULE.....	D-1
EXHIBIT E FORM OF REQUISITION CERTIFICATE.....	E-1

	Page
ARTICLE I - DEFINITIONS	2
ARTICLE II - REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER AND COUNCIL.....	11
SECTION 2.01. Representations, Warranties and Covenants	11
SECTION 2.02. Covenants of Borrower.....	15
ARTICLE III - THE LOAN.....	19
SECTION 3.01. The Loan.....	19
SECTION 3.02. Evidence of Loan.....	19
ARTICLE IV - LOAN TERM AND LOAN CLOSING REQUIREMENTS.....	20
SECTION 4.01. Commencement of Loan Term.....	20
SECTION 4.02. Termination of Loan Term.....	20
SECTION 4.03. Loan Closing Submissions.....	20
ARTICLE V - LOAN REPAYMENTS.....	22
SECTION 5.01. Payment of Basic Payments.....	22
SECTION 5.02. Reserved.....	22
SECTION 5.03. Payment of Additional Payments.....	22
SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.....	23
SECTION 5.05. Obligations of Borrower Unconditional.....	24
SECTION 5.06. Refunding Bonds.....	24
SECTION 5.07. Prepayment.....	24
ARTICLE VI - DEFEASANCE.....	25
ARTICLE VII - ASSIGNMENT AND PAYMENT BY THIRD PARTIES.....	26
SECTION 7.01. Assignment by Council.....	26
SECTION 7.02. Assignment by Borrower.....	26
ARTICLE VIII - EVENTS OF DEFAULT AND REMEDIES	27
SECTION 8.01. Events of Default Defined.....	27
SECTION 8.02. Notice of Default.....	28
SECTION 8.03. Remedies on Default.....	28
SECTION 8.04. [Reserved].....	29
SECTION 8.05. No Remedy Exclusive; Waiver, Notice.....	29
SECTION 8.06. Application of Moneys.....	29

LOAN AGREEMENT

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

WITNESSETH:

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

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

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

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

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

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

WHEREAS, the Borrower has determined that Ad Valorem Revenues (as defined herein), shall be pledged to secure this Loan Agreement; and

WHEREAS, the Council and the Borrower previously entered into (i) that certain Loan Agreement dated as of November 15, 2000 (the "2000B GO Loan"), (ii) that certain Loan Agreement dated as of May 1, 2003 (the "2003A GO Loan"), and (iii) that certain Loan Agreement dated as of December 1, 2003 (the "2003B GO Loan"); and

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

WHEREAS, neither the Council, the Borrower nor the State or any political subdivision thereof (other than the Borrower to the extent of its obligations under this Agreement), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated "Florida Municipal Loan Council Refunding Revenue Bonds, Series 2012B-2 (City of Deerfield Beach Series)" (the "Bonds") as the same shall become due, except as otherwise provided in the Indenture, and the issuance of the Bonds shall not directly, indirectly or contingently obligate the State or any political subdivision or municipal corporation thereof, other than the Borrower, to levy or pledge any form of ad valorem taxation for their payment, except as provided herein from the Ad Valorem Revenues of the Borrower and 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.

"2000B GO Loan" means the loan from the Issuer to the Borrower funded from the proceeds of the 2000B Refunded Bonds secured by the Loan Agreement dated as of November 15, 2000, between the Issuer and the Borrower.

2

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

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

"Board" means the governing body of the Borrower.

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

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

"Bonds" means the \$14,770,000 Florida Municipal Loan Council Refunding Revenue Bonds, Series 2012B-2 (City of Deerfield Beach Series) issued pursuant to Article II of the Indenture.

"Bond Year" means a 12-month period beginning on October 2 and ending on and including the following October 1, except for the first period which begins on December 4, 2012.

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

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

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

4

"2000B Refunded Bonds" means the pro rata portion of the Issuer's callable Revenue Bonds, Series 2000B, maturing in the years 2013 through and including 2016, 2020, 2025 and 2030, issued pursuant to the Trust Indenture, dated as of November 15, 2000, by and between the Issuer and First Union National Bank.

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

"2003A Refunded Bonds" means the pro rata portion of the Issuer's Revenue Bonds, Series 2003A, maturing in the years 2014 through and including 2016, issued pursuant to the Trust Indenture, dated as of May 1, 2003, by and between the Issuer and Wachovia Bank, National Association.

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

"2003B Refunded Bonds" means the pro rata portion of the Issuer's Revenue Bonds, Series 2003B, maturing in the years 2014 through and including 2019, 2023 and 2028, issued pursuant to the Trust Indenture, dated as of December 1, 2003, by and between the Issuer and Wachovia Bank, National Association.

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

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

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

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

"Ad Valorem Revenues" means the ad valorem taxes levied upon the assessed property within the jurisdiction of the Borrower pursuant to the referendum held November 2, 1999, which was approved by a majority of the votes cast in such bond referendum.

"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.

3

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

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

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

"Council" means the Florida Municipal Loan Council.

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

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

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

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

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

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

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

5

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

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

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

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

"Fitch" means Fitch Ratings, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, by notice to the Trustee.

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

"Governmental Obligations" means (i) non-callable direct obligations of the United States of America ("Treasuries"), (ii) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (iii) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, (v) securities eligible for "AAA" defeasance under then existing criteria of S&P or (vi) any combination of the foregoing.

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

"Interest Payment Date" means April 1 and October 1 of each year, commencing April 1, 2013.

"Interest Period" means the semi-annual period between Interest Payment Dates.

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

6

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

- (a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;
- (b) Bonds deemed paid under Article VIII of the Indenture; and
- (c) Bonds in lieu of which other Bonds have been authenticated under Section 2.04, 2.05 or 2.07 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 2012B-2 Principal Fund created by Section 4.02 of the Indenture.

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

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

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

"Project" or "Projects" means a governmental undertaking approved by the governing body of the Borrower for a public purpose, including the refinancing of the Refinanced Loans as more specifically described in Exhibit A hereof.

"Project Loan Fund" means the 2012B-2 Project Loan Fund established pursuant to Section 4.02 of the Indenture.

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

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

"Refinanced Loans" means, collectively, the Borrower's outstanding 2000B GO Loan, 2003A GO Loan and 2003B GO Loan.

8

"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 refinance certain Projects in the amount specified in Section 3.01 herein.

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

"Loan Repayment Date" means March 20, 2013, and thereafter each September 20th and March 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, by notice to the Trustee.

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

"Opinion of Bond Counsel" means an opinion by Bond Counsel which is selected by the Council and acceptable to the Trustee.

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

7

"Refunded Bonds" means the Borrower's outstanding loan portion of the 2000B Refunded Bonds, the 2003A Refunded Bonds and the 2003B Refunded Bonds.

"Revenue Fund" means the 2012B-2 Revenue Fund created by Section 4.02 of the Indenture.

"Revenues" means all Loan Repayments paid to the Trustee for the respective accounts of the Borrower for deposit in the Principal Fund and Revenue Fund to pay principal of, premium, if any, and interest on the Bonds upon redemption, at maturity or upon acceleration of maturity, or to pay interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of this Loan Agreement.

"S&P" means Standard & Poor's Rating Services, a business of Standard & Poor's Financial Services LLC, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, by notice to the Trustee.

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

"State" means the State of Florida.

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

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

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

"Unspent Proceeds" means the remaining funds in the City of Deerfield Beach Account of the Project Loan Fund established pursuant to the 2000B Indenture transferred to the Series 2000B Unspent Proceeds Fund pursuant to Section 4.02 of the Indenture.

"Unspent Proceeds Fund" means the Unspent Proceeds Fund established pursuant to Section 4.02 of the Indenture.

9

“Unspent Proceeds Projects” means a governmental undertaking approved by the governing body of the Borrower for a public purpose, as more specifically described in Exhibit A of the 2000B GO Loan.

[Remainder of page intentionally left blank]

10

(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. To the knowledge of the Borrower, 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 (ii) do not, and shall not, have any material adverse effect on the transactions herein contemplated and the compliance by the Borrower with the terms hereof), of any terms of any agreement or other instrument to which it is a party or by which it, its properties or operations may be bound, which may materially adversely affect the ability of the Borrower to perform hereunder.

(f) Governmental Consent. The Borrower has obtained, or expects to obtain when required, all permits, approvals and findings of non-reviewability required by any governmental body or officer for the acquisition and/or installation of the Unspent Proceeds Projects, including construction and renovation work, financing or refinancing of the Unspent Proceeds Project and the Projects, or the reimbursement of the Borrower for the Unspent Proceeds Projects, or the use of such Unspent Proceeds Projects, and, the Borrower will obtain all other such permits, approvals and findings as may be necessary for the foregoing and for such Loan and the proper application thereof; the Borrower has complied with or will comply with all applicable provisions of law requiring any notification, declaration, filing or registration

12

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 and Bondholders, as applicable, as follows:

(a) Organization and Authority. The Borrower:

(1) is a duly organized and validly existing municipality of the State and is a duly organized and validly existing Borrower; and

(2) has all requisite power and authority to own and operate its properties, to levy the Ad Valorem Revenues, and to carry on its activities as now conducted and as presently proposed to be conducted.

(b) Full Disclosure. There is no fact that the Borrower knows of which has not been specifically disclosed in writing to the Council that materially and adversely affects or, except for pending or proposed legislation or regulations that are a matter of general public information affecting State municipalities generally, that will materially affect adversely the properties, activities, prospects or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform its obligations under this Agreement.

The financial statements, including balance sheets, and any other written statement furnished by the Borrower to the Council and Wells Fargo Bank, National Association, as underwriter of the Bonds do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Council and Wells Fargo Bank, National Association, as underwriter of the Bonds in writing which materially affects adversely or is likely to materially affect adversely the financial condition of the Borrower, or its ability to make the payments under this Agreement when and as the same become due and payable.

(c) Pending Litigation. To the knowledge of the Borrower there are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower, except as specifically described in writing to the Council and Wells Fargo Bank, National Association, as underwriter of the Bonds, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, prospects or condition (financial or otherwise) of the Borrower, or the existence or powers or ability of the Borrower to enter into and perform its obligations under this Agreement.

11

with any agency or other governmental body or officer in connection with the acquisition or installation of the Unspent Proceeds Projects, including construction and renovation work necessary for such installation, financing or refinancing thereof or reimbursement of the Borrower therefore; and any such action, construction, installation, financing, refinancing or reimbursement contemplated in this Loan Agreement is consistent with, and does not violate or conflict with, the terms of any such agency or other governmental consent, order or other action which is applicable thereto. No further consent, approval or authorization of, or filing, registration or qualification with, any governmental authority is required on the part of the Borrower as a condition to the execution and delivery of this Loan Agreement, or to amounts becoming outstanding hereunder.

(g) Compliance with Law. The Borrower is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject, and which are material to its properties, operations, finances or status as a municipal corporation or subdivision of the State.

(h) Use of Proceeds and Unspent Proceeds.

(1) The Borrower will apply the proceeds of the Loan from the Council solely for the refinancing of the Project, including the refinancing of the Refinanced Loans.

(2) The Borrower will apply the Unspent Proceeds solely for the financing of the Unspent Proceeds Projects. The Borrower shall, as quickly as reasonably possible, with due diligence, pay for the Unspent Proceeds Projects out of the Unspent Proceeds, provided that the Borrower may amend the Unspent Proceeds Projects without the consent of the Council or the Trustee (but with notice thereto), with a favorable opinion of Bond Counsel (to the effect that such an amendment and the completion of the revised Unspent Proceeds Projects will not adversely affect the validity or tax-exempt status of the Bonds) regarding the amended Unspent Proceeds Projects, to provide for the financing of a different or additional Unspent Proceeds Project if the Borrower, after the date hereof, deems it to not be in the interest of the Borrower to acquire or construct any item of such Unspent Proceeds Project or the cost of the Unspent Proceeds Project proves to be less than the amounts in the Unspent Proceeds Funds and the investment earnings thereon. Notwithstanding the foregoing, all such proceeds shall be expended as quickly as reasonably possible, with due diligence. The Borrower will provide the Trustee with a requisition in the form of the requisition attached hereto as Exhibit E for the expenditure of the remaining amounts of the Unspent Proceeds in the Unspent Proceeds Fund.

(3) Items of Cost of the Unspent Proceeds Project which may be financed include all reasonable or necessary direct or indirect costs of or incidental to the acquisition, construction or installation of the Unspent Proceeds Project, including operational expenses during this construction period which would qualify for capitalization under generally accepted accounting principles, the incidental costs of placing the same in use and financing expenses (including the application or origination fees, if any, of the Council and Borrower’s Counsel fees), but not operating expenses.

13

(3) The Borrower understands that the actual Loan proceeds received by it are less than the sum of the face amount of the Loan Agreement plus the reoffering premium in an amount equal to a discount as described in Section 3.01 hereof. The Borrower will accordingly be responsible for repaying, through the Basic Payments portion of its Loan Repayments, the portion of the Bonds issued to fund the Loan including the portion issued to fund the underwriting discount, original issue premium and other fees and costs of issuing the Bonds.

(4) The Borrower covenants that it will make no use of the proceeds of the Bonds which are in its control at any time during the term of the Bonds which would cause such Bonds to be "Arbitrage Bonds" within the meaning of Section 148 of the Code.

(5) The Borrower, by the Trustee's acceptance of the Indenture, covenants that the Borrower shall neither take any action nor fail to take any action or to the extent that it may do so, permit any other party to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

(i) Project and Unspent Proceeds Project. All items constituting the Project are permitted to be financed and refinanced with the proceeds of the Bonds and the Loan pursuant to the Act; and all items constituting the Unspent Proceeds Project are permitted to be financed and refinanced with the Unspent Proceeds pursuant to the Act.

(j) Compliance with Interlocal Act and Interlocal Agreement. To the knowledge of the Council all agreements and transactions provided for herein or contemplated hereby are in full compliance with the terms of the Interlocal Agreement and the Interlocal Act.

(k) Additional Funding. It is hereby ascertained, determined and declared as follows:

(1) The Borrower has heretofore issued and has presently outstanding and unpaid the Refinanced Loans.

(2) The Borrower deems it necessary, desirable and in the best financial interest of the Borrower that the Refinanced Loans be refunded in order to effectuate interest cost savings and a reduction in the debt service applicable to bonded indebtedness. Simultaneously with the issuance of the Bonds, a sufficient portion of the proceeds of the Bonds and other funds available will, at the Borrower's request and instruction as provided in Section 3.03 hereof, be transferred by the Council directly to the Escrow Holder for deposit by the Escrow Holder into the Escrow Account established pursuant to the Escrow Deposit Agreement, to effectuate the refunding and defeasance of the Refinanced Loans by providing for the payment of the

14

necessary to enable the Trustee to exercise and enforce its rights under this Loan Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or required by the Trustee to validate, preserve and protect the position of the Trustee under this Loan Agreement.

(e) Keeping of Records and Books of Account. The Borrower shall keep or cause to be kept proper records and books of account, in which correct and complete entries will be made in accordance with generally accepted accounting principles, consistently applied (except for changes concurred in by the Borrower's independent auditors) reflecting all of its financial transactions.

(f) Payment of Taxes, Etc. The Borrower shall pay all legally contracted obligations when due and shall pay all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, which, if unpaid, might become a lien or charge upon any of its properties, provided that it shall not be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by appropriate proceedings, which shall operate to stay the enforcement thereof.

(g) Compliance with Laws, Etc. Subject to an annual appropriation of legally available funds, the Borrower shall comply with the requirements of all applicable laws, the terms of all grants, rules, regulations and lawful orders of any governmental authority, non-compliance with which would, singularly or in the aggregate, materially adversely affect its business, properties, earnings, prospects or credit, unless the same shall be contested by it in good faith and by appropriate proceedings which shall operate to stay the enforcement thereof.

(h) Tax-exempt Status of Bonds. The Council and the Borrower understand that it is the intention hereof that the interest on the Bonds not be included within the gross income of the holders thereof for federal income tax purposes. In furtherance thereof, the Borrower and the Council each agree that they will take all action within their control which is necessary in order for the interest on the Bonds or this Loan to remain excluded from gross income for federal income taxation purposes and shall refrain from taking any action which results in such interest becoming included in gross income.

The Borrower and the Council further covenant that, to the extent they have control over the proceeds of the Bonds, they will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds, with respect to the payments derived from the Bonds or hereunder or with respect to the issuance of other Council obligations, which action or failure to act may cause the Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder. In furtherance of the covenant contained in the preceding sentence, the Borrower and the Council agree to comply with the Tax Certificate as to Arbitrage and the provisions of Section 141 through 150 of

16

principal of, premium, if any, and interest on the Refinanced Loans as provided in the Escrow Deposit Agreement.

(3) The refunding of the Refinanced Loans in the manner herein provided is hereby authorized.

SECTION 2.02. Covenants of Borrower. The Borrower makes the following covenants and representations as of the date first above written and such covenants shall continue in full force and effect during the Loan Term:

(a) Security for Loan Repayment. 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. 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 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 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 the Additional Payments. Such covenant is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereinafter entered into.

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

(d) Further Assurance. The Borrower shall execute and deliver to the Trustee all such documents and instruments and do all such other acts and things as may be reasonably

15

the Internal Revenue Code of 1986, as amended, including the letter of instruction attached as an Exhibit to the Tax Certificate, delivered by Bryant Miller Olive P.A. to the Borrower and the Council simultaneously with the issuance of the Bonds, as such letter may be amended from time to time, as a source of guidelines for achieving compliance with the Code.

(i) Information Reports. The Borrower covenants to provide the Council with all material and information it possesses or has the ability to possess necessary to enable the Council to file all reports required under Section 149(e) of the Code to assure that interest paid by the Council on the Bonds shall, for purposes of the federal income tax, be excluded from gross income.

(j) Limited Obligations. Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder 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 or the Trustee, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Borrower, with respect to the Additional Payments. The obligations with respect to the Additional Payments 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, 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.

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.

17

(k) Reporting Requirements.

(i) The Borrower will file or cause to be filed 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.

[Remainder of page intentionally left blank]

18

ARTICLE IV

LOAN TERM AND LOAN CLOSING REQUIREMENTS

SECTION 4.01. Commencement of Loan Term. The Borrower's obligations under this Loan Agreement shall commence on the date hereof unless otherwise provided in this Loan Agreement.

SECTION 4.02. Termination of Loan Term. The Borrower's obligations under this Loan Agreement shall terminate after payment in full of all amounts due under this Loan Agreement and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth in Exhibit D attached hereto; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations of the Council owed on the Bonds and agreed to by the Borrower pursuant to Section 5.03(b)(6) 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 ordinance of the Borrower substantially in the form of Exhibit B attached hereto;

(b) An opinion of the Borrower's Counsel in the form of Exhibit C attached hereto to the effect that the Loan Agreement is a valid and binding obligation of the Borrower and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel 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 of Unspent Proceeds for the Unspent Proceeds Project, and (ii) that it is reasonably anticipated by the Borrower that the Unspent Proceeds will be fully expended as quickly as reasonably possible, with due diligence, 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;

20

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 \$14,770,000 which after adding the net original issue premium of \$630,621.90 results in \$15,400,621.90 in loan proceeds. This amount includes an amount equal to \$171,642.49 which reflects the cost of the initial issuance of the Bonds subject to the terms and conditions contained in this Loan Agreement which shall be deducted for costs of issuance and the underwriter's discount. The amounts advanced net of the cost of the initial issuance are to be used by the Borrower for the purpose of refunding the Refunded Bonds, in accordance with the provisions of this Loan Agreement.

SECTION 3.02. Evidence of Loan. The Borrower's obligation hereunder to repay amounts advanced pursuant to Section 3.01, together with interest thereon, and other payments required under this Loan Agreement, shall be evidenced by this Loan Agreement.

SECTION 3.03. Loan For Purpose of Refunding. The Borrower acknowledges that the Council, pursuant to the Borrower's request and instruction, is depositing a portion of the proceeds of the Loan as set forth and as directed by the terms of the Escrow Deposit Agreement dated as of December 4, 2012, by and between the Council and Deutsche Bank Trust Company Americas, as escrow agent, in order to refund and defease the Refunded Bonds. The Borrower covenants that it will direct no other use of such portion of the Bond proceeds, agrees to the disbursement of the Loan proceeds in such manner, and further acknowledges that the escrow is to be held irrevocably by the escrow agent for such purpose.

[Remainder of page intentionally left blank]

19

(e) This executed Loan Agreement;

(f) An executed Escrow Deposit Agreement;

(g) An opinion (addressed to the Council, the Trustee and the Borrower) of Bond Counsel to the effect that such financing, refinancing or reimbursement with Loan proceeds is permitted under the Act, the Indenture and the ordinance authorizing this Loan Agreement and will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation or adversely affect the validity, due authorization for or legality of the Bonds; and

(h) Such other certificates, documents, opinions and information as the Council, the Trustee 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.

[Remainder of page intentionally left blank]

21

ARTICLE V

LOAN REPAYMENTS

SECTION 5.01. Payment of Basic Payments. The Borrower shall pay to the order of the Council all Loan Repayments in lawful money of the United States of America to the Trustee. No such Loan Repayment shall be in an amount such that interest on the Loan is in excess of the maximum rate allowed by the laws of the State of Florida or of the United States of America. The Loan shall be repaid in Basic Payments, consisting of:

- (a) principal in the amounts and on the dates set forth in Exhibit D; plus
(b) interest calculated at the rates, in the amounts and on the dates set forth in Exhibit D;

On or before the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing March 20, 2013, and extending through September 20, 2028, unless the due date of the Basic Payments is accelerated pursuant to the terms of Section 8.03 hereof.

SECTION 5.02. [Reserved].

SECTION 5.03. Payment of Additional Payments. In addition to Basic Payments, Borrower agrees to pay on demand of the Council or the Trustee, the following Additional Payments:

- (a) (i) the fees of the Program Administrator; and (ii) costs and fees related to the Bonds: the annual fees of the Trustee; annual fees of the Registrar and Paying Agent; the annual fees or expenses of the Council, if any, including the fees of any provider of arbitrage rebate calculations; the fees of the rating agencies (to the extent not previously paid from the Cost of Issuance Fund).
(b) All reasonable fees and expenses of the Council or Trustee relating to this Loan Agreement, including, but not limited to:
(1) the cost of reproducing this Loan Agreement;
(2) the reasonable fees and disbursements of Counsel utilized by the Council, the Trustee in connection with the Loan, this Loan Agreement and the enforcement thereof;

from the Borrower, the amount of the missed credit shall, to the extent of the amount collected, be credited in proportion to the amount of credit missed, to the Borrower from the past-due Loan Repayments.

(c) The credits may be accumulated. If the credit allowable for an Interest Period is more than required on the next ensuing Interest Payment Date to satisfy the current Loan Repayment, it may be used on the following Interest Payment Date.

SECTION 5.05. Obligations of Borrower Unconditional. Subject in all respects to the provisions of this Loan Agreement, including but not limited to Section 2.02(a) hereof, the obligations of the Borrower to make the Loan Repayments required hereunder and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Bonds remain outstanding or any Loan Repayments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever. This Loan Agreement shall be deemed and construed to be a "net contract," and the Borrower shall pay absolutely net the Loan Repayments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the Council, the Trustee, or any other party or parties.

SECTION 5.06. Refunding Bonds. In the event the Bonds are refunded, all references in this Loan Agreement to Bonds shall be deemed to refer to the refunding bonds or, in the case of a crossover refunding, to the Bonds and the refunding bonds (but Borrower shall never be responsible for any debt service on or fees relating to crossover refunding bonds which are covered by earnings on the escrow fund established from the proceeds of such bonds). The Council agrees not to issue bonds or other debt obligations to refund the Bonds without the prior written consent of the Authorized Representative of the Borrower.

SECTION 5.07. Prepayment. The Loan may be prepaid in whole or in part by the Borrower on the dates and in the amounts on which the Bonds are subject to optional redemption and notice provisions pursuant to Section 3.01 of the Indenture. The Borrower shall provide the Issuer at least sixty (60) days notice of any prepayment of its Loan.

[Remainder of page intentionally left blank]

(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, including, but not limited to, all fees and expenses related to the prepayment and defeasance of the Loan and the Bonds;

(5) all taxes (including any recording and filing fees) in connection with the execution and delivery of this Loan Agreement and the pledge and assignment of the Council's right, title and interest in and to the Loan and the Loan Agreement, pursuant to the Indenture (and with the exceptions noted therein), and all expenses, including reasonable attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof;

(6) the Borrower's share of any amounts owed to the United States of America as rebate obligations on the Bonds related to the Borrower's Loan, which obligation shall survive the termination of this Loan Agreement;

(7) fees and costs of maintaining a rating on the Loan; and

(8) (i) any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities or claims (or actions in respect thereof), to which the Council or Trustee may become subject under any federal or state securities laws, federal or state tax laws, or other statutory law or at common law or otherwise, caused by or arising out of the Borrower's action or failure to act, and (ii) any and all fees and expenses of any inquiries or audits by any regulatory agencies, caused by or arising out of or based upon the Loan Agreement, the Bonds, the issuance of the Bonds or the use of Bond proceeds, unless the same are caused, in part, by the Council's or the Trustee's actions or failure to act whereby such fees and expenses shall be apportioned among the parties.

SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.

(a) On each Interest Payment Date the Trustee shall credit against Borrower's obligation to pay its Loan Repayments, any interest earnings which were received during the prior Interest Period by the Trustee on the Funds and Accounts (except the Project Loan Fund and the Unspent Proceeds Fund) held under the Indenture, or shall increase the Borrower's obligation to pay its Loan Repayment, by any investment losses which were incurred during the prior Interest Period on the Funds and Accounts (except the Project Loan Fund and the Unspent Proceeds 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

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 or the Trustee, as provided herein, including any fees and expenses in connection with such repayment, if any. If, at any time, the Borrower shall have made provision for payment of, the principal amount of the Loan, interest thereon and redemption premiums, if any, with respect to the Bonds and shall have paid all amounts due pursuant to Section 5.03 hereof, then, and in that event, the covenant regarding the Non-Ad Valorem Revenues and the lien on the revenues pledged, if any, to the Council for the benefit of the holders of the Bonds shall be no longer in effect and all future obligations of the Borrower under this Loan Agreement shall cease. For purposes of the preceding sentence, in order for the Borrower to have made "provision for payment," the Borrower shall have deposited sufficient cash and/or Governmental Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Council, the principal, interest and prepayment premiums, if any, received that will be sufficient (as reflected in an accountant's verification report provided to the Trustee by the Borrower) to make timely payment of the principal, interest and prepayment premiums, if any, on the Outstanding Loan. The prepayment premium, if any, shall be calculated based on the prepayment date selected by the Borrower in accordance with Section 5.07 hereof.

If the Borrower determines to prepay all or a portion of the Loan pursuant to Section 5.07 hereof, upon the required timely notice by the Borrower the Council shall redeem a like amount of Bonds which corresponds in terms of amount and scheduled maturity date to such Loan prepayment pursuant to Section 3.01 of the Indenture.

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, as provided herein, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under Section 5.03 hereof, except as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least 60 days' irrevocable notice by mail, with receipt confirmed, to the Council.

[Remainder of page intentionally left blank]

ARTICLE VII

ASSIGNMENT AND PAYMENT BY THIRD PARTIES

SECTION 7.01. Assignment by Council. The Borrower expressly acknowledges that this Loan Agreement and the obligations of the Borrower to make payments hereunder (with the exception of certain of the Council rights to indemnification, fees, notices and expenses), have been pledged and assigned to the Trustee as security for the Bonds under the Indenture, and that the Trustee shall be entitled to act hereunder and thereunder in the place and stead of the Council whether or not the Bonds are in default.

SECTION 7.02. Assignment by Borrower. This Loan Agreement may not be assigned by the Borrower for any reason without the express prior written consent of the Council and the Trustee.

[Remainder of page intentionally left blank]

(g) The Borrower admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the Borrower or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than 60 days;

(h) Default under any agreement for borrowed money to which the Borrower is a party, or any agreement securing the same, outstanding in the amount of \$100,000 or more if, as a result thereof, such indebtedness may be declared immediately due and payable;

(i) Any material provision of this Loan Agreement shall at any time for any reason cease to be valid and binding on the Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by the Borrower or any governmental agency or authority, or if the Borrower shall deny any further liability or obligation under this Loan Agreement; or

(j) Final judgment for the payment of money in the amount of \$250,000 or more is rendered against the Borrower, the payment of which would materially adversely affect the Borrower's ability to meet its obligations hereunder (it being agreed that, if insurance or adequate reserves are available to make such payment, such judgment would not materially affect the Borrower's ability to meet its obligations hereunder) and at any time after 90 days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) the Borrower shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused the execution of or levy under such judgment, order, decree or process of the enforcement thereof to have been stayed pending determination of such appeal, provided that such execution and levy would materially adversely affect the Borrower's ability to meet its obligations hereunder; or (iii) the Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes or other applicable law.

SECTION 8.02. Notice of Default. The Borrower agrees to give the Trustee 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, in addition to any other remedies herein or by law provided, have the right, at its or their option

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 written notice of the failure has been provided to the Borrower by the Trustee or the Council, unless the Council, 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 or the Trustee, but cannot be cured within the applicable 30-day period, the Council and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;

(d) Any warranty, representation or other statement by the Borrower or by an officer or agent of the Borrower contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect when made;

(e) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days of such filing;

(f) The Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

without any further demand or notice, to take such steps and exercise such remedies as provided in Section 9.02 of the Indenture, and, without limitation, one or more of the following:

(a) Declare all Loan Repayments, in an amount equal to 100% of the principal amount thereof plus all accrued interest thereon to the date on which such Loan Repayments shall be used to redeem Bonds pursuant to Section 3.02 of the Indenture and all other amounts due hereunder, to be due and payable within 180 days, and upon notice to the Borrower the same shall become due and payable by the Borrower within 180 days without further notice or demand.

(b) Take whatever other action at law or in equity which may appear necessary or desirable to collect amounts then due and thereafter to become due hereunder or to enforce any other of its or their rights hereunder.

SECTION 8.04. [Reserved].

SECTION 8.05. No Remedy Exclusive; Waiver, Notice. No remedy herein conferred upon or reserved to the Council or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Council or the Trustee to exercise any remedy reserved to it in this Article VIII, it shall not be necessary to give any notice other than such notice as may be required in this Article VIII.

SECTION 8.06. Application of Moneys. Any moneys collected by the Council or the Trustee pursuant to Section 8.03 hereof shall be applied (a) first, to pay any attorney's fees or other expenses owed by the Borrower pursuant to Section 5.03(b)(3) and (4) hereof, (b) second, to pay interest due on the Loan, (c) third, to pay principal due on the Loan, (d) fourth, to pay any other amounts due hereunder, and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder but which are not due, as they become due (in the same order, as to amounts which come due simultaneously, as in (a) through (d) in this Section 8.06).

[Remainder of page intentionally left blank]

ARTICLE IX
MISCELLANEOUS

SECTION 9.01. Notices. All notices, certificates or other communication hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

Council: Florida Municipal Loan Council
c/o Florida League of Cities
301 South Bronough Street, Suite 300
Tallahassee, Florida 32301

Trustee: Deutsche Bank Trust Company Americas
Trust & Securities Services (Municipal Group)
60 Wall Street, 27th Floor
New York, New York 10005

Borrower: City of Deerfield Beach, Florida
150 N.E. 2nd Avenue
Deerfield Beach, Florida 33441
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.

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.

30

SECTION 9.12. Payments Due on Holidays. With the exception of Basic Payments, if the date for making any payment or the last date for performance of any act or the exercise of any right, as provided in this Loan Agreement, shall be other than on a Business Day, such payments may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement.

SECTION 9.13. Calculations. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

SECTION 9.14. Time of Payment. Any Loan Repayment or other payment hereunder which is received by the Trustee or Council after 2:00 p.m. (New York time) on any day shall be deemed received on the following Business Day.

[Remainder of page intentionally left blank]

32

SECTION 9.06. Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 9.07. Benefit of Bondholders; Compliance with Indenture. This Loan Agreement is executed in part to induce the purchase by others of the Bonds. Accordingly, all covenants, agreements and representations on the part of the Borrower and the Council, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the holders from time to time of the Bonds. 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 and Unspent Proceeds 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.

31

IN WITNESS WHEREOF, the Florida Municipal Loan Council has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers and the City of Deerfield Beach, Florida, has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attached by its duly authorized officers. All of the above occurred as of the date first above written.

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____
Name: Isaac Salver
Title: Chairman

ATTEST:

By: _____
Name: Patti Hilaman
Title: Deputy Executive Director

33

LOAN AGREEMENT

EXHIBIT A

CITY OF DEERFIELD BEACH, FLORIDA

CITY OF DEERFIELD BEACH, FLORIDA
USE OF LOAN PROCEEDS

(SEAL)

DESCRIPTION OF REFINANCED LOANS TO BE REFINANCED

By: _____
Name: Peggy Noland
Title: Mayor

ATTESTED BY:

By: _____
Name: Ada Graham-Johnson, MMC
Title: City Clerk

Approved as to form and legality
this ____ day of _____, 2012.

By: _____
Name: Andrew S. Maurodis
Title: City Attorney

PROJECT	TOTAL AMOUNT
Refund the Borrower's outstanding 2000B GO Loan.	\$ _____
Refund the Borrower's outstanding 2003A GO Loan.	\$ _____
Refund the Borrower's outstanding 2003B GO Loan.	\$12,780,750.00

EXHIBIT B

EXHIBIT C

CERTIFIED ORDINANCE OF THE BORROWER

OPINION OF BORROWER'S COUNSEL

See Document No. ____

[Letterhead of Counsel to Borrower]

_____, 2012

Florida Municipal Loan Council
c/o Florida League of Cities, Inc.
301 Bronough Street, Suite 300
Tallahassee, Florida 32301

Deutsche Bank Trust Company Americas
Trust & Securities Services (Municipal Group)
60 Wall Street, 27th Floor
New York, New York 10005

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

Wells Fargo Bank, National Association
2363 Gulf-to-Bay Boulevard
Mail Code: W57517
Clearwater, Florida 33765

Ladies/Gentlemen:

I am the City Attorney to the City of Deerfield Beach, Florida (the "Borrower"), and have been requested by the Borrower to give this opinion in connection with the loan by the Florida Municipal Loan Council (the "Council") to the Borrower of funds to refinance (i) that certain Loan Agreement dated as of November 15, 2000 (the "2000B GO Loan"), (ii) that certain Loan Agreement dated as of May 1, 2003 (the "2003A GO Loan"), and (iii) that certain Loan Agreement dated as of December 1, 2003 (the "2003B GO Loan") or reimburse the Borrower for all or a portion of the cost thereof (collectively, the "Refinanced Loans"), as defined in, and as described in Exhibit A of the Loan Agreement dated as of December 1, 2012, between the Council and the Borrower (the "Loan Agreement").

In this connection, I have reviewed such records, certificates and other documents as I have considered necessary or appropriate for the purposes of this opinion, including applicable laws, and ordinances adopted by the City Council of the Borrower, the Loan Agreement, Trust Indenture dated as of December 1, 2012 (the "Indenture") between the Council and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), Ordinance No. 2012/047 enacted by the Borrower on October 16, 2012 (the "Ordinance"), a Continuing Disclosure Agreement dated as of December 1, 2012 between the Borrower and the Florida League of Cities, Inc. (the

"Continuing Disclosure Agreement"), the final Official Statement (the "Official Statement") with respect to the Bonds, and a Bond Purchase Contract dated November 14, 2012 among the Florida Municipal Loan Council, Wells Fargo Bank, National Association (the "Underwriter"), and the Borrower (the "Bond Purchase Contract"). Based on such review, and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

(a) The Borrower is a municipality duly organized and validly existing under the Constitution and laws of the State of Florida. The Borrower has the legal right and all requisite power and authority to enter into the Loan Agreement, to enact the Ordinance and to consummate the transactions contemplated thereby and otherwise to carry on its activities and own its property.

(b) The Borrower has duly enacted the Ordinance and duly authorized, executed and delivered the Loan Agreement, the Bond Purchase Contract and the Continuing Disclosure Agreement, and such instruments are legal and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except to the extent that the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity, and to the sovereign police powers of the State of Florida and the constitutional powers of the United States of America.

(c) The enactment of the Ordinance and the execution and delivery of the Continuing Disclosure Agreement, the Bond Purchase Contract and the Loan Agreement, the consummation of the transactions contemplated thereby, the refinancing of the indebtedness to be refinanced with the proceeds of the loan and the fulfillment of or compliance with the terms and conditions of the Loan Agreement, the Bond Purchase Contract and the Continuing Disclosure Agreement does not and will not conflict with or result in a material breach of or default under any of the terms, conditions or provisions of any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or it or its properties is otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Agreement.

(d) There is no litigation or legal or governmental action, proceeding, inquiry or investigation pending or, to the best of my knowledge, threatened by governmental authorities or to which the Borrower is a party or of which any property of the Borrower is subject, which has not been described in the Official Statement or otherwise disclosed in writing to the Council and which, if determined adversely to the Borrower, would individually or in the aggregate materially and adversely affect the validity or the enforceability of the Loan Agreement, the Bond Purchase Contract or the Continuing Disclosure Agreement.

C-2

EXHIBIT D
DEBT SERVICE SCHEDULE

D-1

(e) Any indebtedness being refinanced, directly or indirectly, with the proceeds of the Loan was initially incurred by the Borrower, and the proceeds of such indebtedness have been fully expended.

(f) Based upon my review of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the contents of the Official Statement, the statements and information with respect to matters of law relating to the Borrower in the Official Statement under the captions "PURPOSE OF THE BONDS - General", "SECURITY AND SOURCES OF PAYMENT - Limited Obligations; Trust Estate"; "Security of the Covenant Loan"; and "Security for the General Obligation Loan - Pledge of Full Faith and Credit", and "LITIGATION" (in each case only with respect to those matters specific to the Borrower), and "CONTINUING DISCLOSURE" are true and correct in all material respects, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, either as of its date or the date hereof. No opinion is expressed herein with respect to (i) actions or obligations of the Issuer or any other party other than the Borrower, (ii) documents to which the Borrower is not a party, and (iii) financial, statistical or tax matters or projections.

I am an attorney admitted to practice law only in the State of Florida and express no opinion as to the laws of any other state and further express no opinion as to (i) the status of interest on the Bonds under either Federal laws or the laws of the State of Florida, or (ii) economic or financial matters described in the Official Statement relating to the Borrower.

Very truly yours,

C-3

EXHIBIT E TO LOAN AGREEMENT
FORM OF REQUISITION CERTIFICATE

TO: DEUTSCHE BANK TRUST COMPANY AMERICAS, AS TRUSTEE
FROM: CITY OF DEERFIELD BEACH, FLORIDA (THE "BORROWER")
SUBJECT: LOAN AGREEMENT DATED AS OF THE ____ DAY OF _____, 20__

This represents Requisition Certificate No. ____ in the total amount of \$_____ for payment of those Costs of the [Unspent Proceeds] Project detailed in the schedule attached.

The undersigned does certify that:

1. All of the expenditures for which monies are requested hereby represent proper Costs of the [Unspent Proceeds] Project, have not been included in a previous Requisition Certificate and have been properly recorded on the Borrower's books as currently due and owing.
2. The monies requested hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for funds actually advanced for Costs of the [Unspent Proceeds] Project. The monies requested do not include retention or other monies not yet due or earned under construction contracts.
3. This requisition is in compliance with Section 5.03 of the Indenture.
4. After payment of monies hereby requested, to the knowledge of the undersigned, there will remain available to the Borrower sufficient funds to complete the [Unspent Proceeds] Project substantially in accordance with the plans therefor.
5. The Borrower is not in default under the Loan Agreement and nothing has occurred that would prevent the performance of its obligations under the Loan Agreement.

Executed this ____ day of _____, 20__.

CITY OF DEERFIELD BEACH, FLORIDA

By: _____
Name: _____
Title: _____

E-1

TABLE OF CONTENTS

	Page
ARTICLE I - DEFINITIONS	2
ARTICLE II - REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER AND COUNCIL	11
SECTION 2.01. Representations, Warranties and Covenants.....	11
SECTION 2.02. Covenants of Borrower.....	15
ARTICLE III - THE LOAN.....	20
SECTION 3.01. The Loan.....	20
SECTION 3.02. Evidence of Loan.....	20
ARTICLE IV - LOAN TERM AND LOAN CLOSING REQUIREMENTS.....	21
SECTION 4.01. Commencement of Loan Term.....	21
SECTION 4.02. Termination of Loan Term.....	21
SECTION 4.03. Loan Closing Submissions	21
ARTICLE V - LOAN REPAYMENTS.....	23
SECTION 5.01. Payment of Basic Payments	23
SECTION 5.02. Reserved.....	23
SECTION 5.03. Payment of Additional Payments.....	23
SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.....	24
SECTION 5.05. Obligations of Borrower Unconditional.....	25
SECTION 5.06. Refunding Bonds.....	25
SECTION 5.07. Prepayment.....	25
ARTICLE VI - DEFEASANCE.....	26
ARTICLE VII - ASSIGNMENT AND PAYMENT BY THIRD PARTIES	27
SECTION 7.01. Assignment by Council	27
SECTION 7.02. Assignment by Borrower	27
ARTICLE VIII - EVENTS OF DEFAULT AND REMEDIES	28
SECTION 8.01. Events of Default Defined	28
SECTION 8.02. Notice of Default.....	29
SECTION 8.03. Remedies on Default.....	29
SECTION 8.04. [Reserved].....	30
SECTION 8.05. No Remedy Exclusive; Waiver, Notice	30
SECTION 8.06. Application of Moneys.....	30
ARTICLE IX - MISCELLANEOUS	31
SECTION 9.01. Notices.....	31
SECTION 9.02. Binding Effect.....	31

COVENANT
LOAN AGREEMENT

By and Between

FLORIDA MUNICIPAL LOAN COUNCIL

and

CITY OF DEERFIELD BEACH, FLORIDA

Dated as of December 1, 2012

FLORIDA MUNICIPAL LOAN COUNCIL
REFUNDING AND IMPROVEMENT REVENUE BONDS, SERIES 2012B-1
(CITY OF DEERFIELD BEACH SERIES)

This Instrument Prepared By:

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

and

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

SECTION 9.03. Severability.....	31
SECTION 9.04. Amendments, Changes and Modifications	31
SECTION 9.05. Execution in Counterparts	32
SECTION 9.06. Applicable Law.....	32
SECTION 9.07. Benefit of Bondholders; Compliance with Indenture.....	32
SECTION 9.08. Consents and Approvals.....	32
SECTION 9.09. Immunity of Officers, Employees and Members of Council and Borrower	32
SECTION 9.10. Captions.....	33
SECTION 9.11. No Pecuniary Liability of Council.....	33
SECTION 9.12. Payments Due on Holidays	33
SECTION 9.13. Calculations.....	33
SECTION 9.14. Time of Payment.....	33

EXHIBIT A	USE OF LOAN PROCEEDS	A-1
EXHIBIT B	CERTIFIED ORDINANCE OF BORROWER	B-1
EXHIBIT C	OPINION OF BORROWER'S COUNSEL	C-1
EXHIBIT D	DEBT SERVICE SCHEDULE	D-1
EXHIBIT E	FORM OF REQUISITION CERTIFICATE	E-1

LOAN AGREEMENT

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

WITNESSETH:

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

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

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

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

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

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

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

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

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

WHEREAS, neither the Council, the Borrower nor the State or any political subdivision thereof (other than the Borrower to the extent of its obligations under this Agreement), shall in any way be obligated to pay the principal of, premium, if any, or interest on those certain revenue bonds of the Council designated "Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012B-1 (City of Deerfield Beach Series)" (the "Bonds") as the same shall become due, except as otherwise provided in the Indenture, and the issuance of the Bonds shall not directly, indirectly or contingently obligate the Borrower, the State or any political subdivision or municipal corporation thereof to levy or pledge any form of ad valorem taxation for their payment but shall be payable solely from the funds and revenues pledged under and pursuant to this Agreement and the Indenture.

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

ARTICLE I

DEFINITIONS

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

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

"2003A Indenture" means the Trust Indenture, dated as of May 1, 2003, by and between the Issuer and Wachovia Bank, National Association.

2

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

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

"Board" means the governing body of the Borrower.

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

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

"Bond Year" means a 12-month period beginning on October 2 and ending on and including the following October 1, except for the first period which begins on December 4, 2012.

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

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

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

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

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

4

"2003A Refunded Bonds" means the pro rata portion of the Issuer's Revenue Bonds, Series 2003A maturing in the years 2014 through and including 2022, 2025 and 2028, issued pursuant to the 2003A Indenture.

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

"2003B Refunded Bonds" means the pro rata portion of the Issuer's Revenue Bonds, Series 2003B maturing in the years 2014 through and including 2019, 2023 and 2028, issued pursuant to the Trust Indenture, dated as of December 1, 2003, by and between the Issuer and Wachovia Bank, National Association.

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

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

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

"Bonds" means the \$20,090,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012B-1 (City of Deerfield Beach Series) issued pursuant to Article II of the Indenture.

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

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

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

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

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

3

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

"Council" means the Florida Municipal Loan Council.

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

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

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

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

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

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

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

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

5

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

"Insured Bonds" means the Bonds maturing in the years 2019, through and including, 2029 and 2032.

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

"Interest Payment Date" means April 1 and October 1 of each year, commencing April 1, 2013.

"Interest Period" means the semi-annual period between Interest Payment Dates.

6

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

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

"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 2012B-1 Principal Fund created by Section 4.02 of the Indenture.

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

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

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

"Project" or "Projects" means a governmental undertaking approved by the governing body of the Borrower for a public purpose, including the refinancing of any indebtedness, as more specifically described in Exhibit A hereof.

"Project Loan Fund" means the 2012B-1 Project Loan Fund established pursuant to Section 4.02 of the Indenture.

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

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

"Refinanced Loans" means, collectively, the Borrower's outstanding 2003A CBA Loan and the 2003B CBA Loan.

8

"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 and refinance certain Project(s) in the amount specified in Section 3.01 herein.

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

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

"Loan Repayments" means the payments of principal and interest and other payments payable by the Borrower pursuant to the provisions of this Loan Agreement, including, without limitation, Additional Payments.

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

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

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

"Opinion of Bond Counsel" means an opinion by Bond Counsel which is selected by the Council and acceptable to the Trustee.

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

7

"Refunded Bonds" means the Borrower's outstanding loan portion of the 2003A Refunded Bonds and the Borrower's outstanding loan portion of the 2003B Refunded Bonds.

"Revenue Fund" means the 2012B-1 Revenue Fund created by Section 4.02 of the Indenture.

"Revenues" means all Loan Repayments paid to the Trustee for the respective accounts of the Borrower for deposit in the Principal Fund and Revenue Fund to pay principal of, premium, if any, and interest on the Bonds upon redemption, at maturity or upon acceleration of maturity, or to pay interest on the Bonds when due, and all receipts of the Trustee credited to the Borrower under the provisions of this Loan Agreement.

"S&P" means Standard & Poor's Rating Services, a business of Standard & Poor's Financial Services LLC, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the Council, with the approval of the Bond Insurer, by notice to the Trustee.

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

"State" means the State of Florida.

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

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

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

"Unspent Proceeds" means the remaining funds in the City of Deerfield Beach Account of the Project Loan Fund established pursuant to the 2003A Indenture transferred to the Series 2003A Unspent Proceeds Fund established to Section 4.02 of the Indenture.

"Unspent Proceeds Fund" means the Unspent Proceeds Fund established pursuant to Section 4.02 of the Indenture.

9

"Unspent Proceeds Project" means a governmental undertaking approved by the governing body of the Borrower for a public purpose, as more specifically described in Exhibit A of the 2003A CBA Loan.

[Remainder of page intentionally left blank]

10

(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. To the knowledge of the Borrower, no event has occurred and no condition exists that constitutes an Event of Default, or which, upon the execution and delivery of this Agreement and/or the passage of time or giving of notice or both, would constitute an Event of Default. The Borrower is not in violation in any material respect, and has not received notice of any claimed violation (except such violations as (i) heretofore have been specifically disclosed in writing to, and have been in writing specifically consented to by the Council and the Bond Insurer and (ii) do not, and shall not, have any material adverse effect on the transactions herein contemplated and the compliance by the Borrower with the terms hereof), of any terms of any agreement or other instrument to which it is a party or by which it, its properties or operations may be bound, which may materially adversely affect the ability of the Borrower to perform hereunder.

(f) Governmental Consent. The Borrower has obtained, or expects to obtain when required, all permits, approvals and findings of non-reviewability required by any governmental body or officer for the acquisition and/or installation of the Project and the Unspent Proceeds Project, including construction and renovation work, financing or refinancing of the Project and the Unspent Proceeds Project or the reimbursement of the Borrower for the Project and the Unspent Proceeds Project, or the use of such Project and the Unspent Proceeds Project, and, the Borrower will obtain all other such permits, approvals and findings as may be necessary for the foregoing and for such Loan and the proper application thereof; the Borrower has complied with or will comply with all applicable provisions of law requiring any notification, declaration, filing or registration with any agency or other governmental body or

12

ARTICLE II

REPRESENTATIONS, WARRANTIES AND COVENANTS OF BORROWER AND COUNCIL

SECTION 2.01. Representations, Warranties and Covenants. The Borrower and the Council represent, warrant and covenant on the date hereof for the benefit of the Trustee, the Borrower, the Bond Insurer and Bondholders, as applicable, as follows:

(a) Organization and Authority. The Borrower:

(1) is a duly organized and validly existing municipality of the State and is a duly organized and validly existing Borrower; and

(2) has all requisite power and authority to own and operate its properties, to covenant to budget and appropriate the Non-Ad Valorem Revenues, and to carry on its activities as now conducted and as presently proposed to be conducted.

(b) Full Disclosure. There is no fact that the Borrower knows of which has not been specifically disclosed in writing to the Council that materially and adversely affects or, except for pending or proposed legislation or regulations that are a matter of general public information affecting State municipalities generally, that will materially affect adversely the properties, activities, prospects or condition (financial or otherwise) of the Borrower or the ability of the Borrower to perform its obligations under this Agreement.

The financial statements, including balance sheets, and any other written statement furnished by the Borrower to the Council, the Bond Insurer and Wells Fargo Bank, National Association, as underwriter of the Bonds, do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein or herein not misleading. There is no fact known to the Borrower which the Borrower has not disclosed to the Council, the Bond Insurer and Wells Fargo Bank, National Association, as underwriter of the Bonds, in writing which materially affects adversely or is likely to materially affect adversely the financial condition of the Borrower, or its ability to make the payments under this Agreement when and as the same become due and payable.

(c) Pending Litigation. To the knowledge of the Borrower there are no proceedings pending, or to the knowledge of the Borrower threatened, against or affecting the Borrower, except as specifically described in writing to the Council, the Bond Insurer and Wells Fargo Bank, National Association, as underwriter of the Bonds, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, prospects or condition (financial or otherwise) of the Borrower, or the existence or powers or ability of the Borrower to enter into and perform its obligations under this Agreement.

11

officer in connection with the acquisition or installation of the Project and the Unspent Proceeds Project, including construction and renovation work necessary for such installation, financing or refinancing thereof or reimbursement of the Borrower therefor; and any such action, construction, installation, financing, refinancing or reimbursement contemplated in this Loan Agreement is consistent with, and does not violate or conflict with, the terms of any such agency or other governmental consent, order or other action which is applicable thereto. No further consent, approval or authorization of, or filing, registration or qualification with, any governmental authority is required on the part of the Borrower as a condition to the execution and delivery of this Loan Agreement, or to amounts becoming outstanding hereunder.

(g) Compliance with Law. The Borrower is in compliance with all laws, ordinances, governmental rules and regulations to which it is subject, and which are material to its properties, operations, finances or status as a municipal corporation or subdivision of the State.

(h) Use of Proceeds and Unspent Proceeds.

(1) The Borrower will apply the proceeds of the Loan from the Council solely for the financing of the Projects as set forth in Exhibit A hereto. If any component of the Project listed in Exhibit A is not paid for out of the proceeds of the Loan at the Closing of the Loan, the Borrower shall, as quickly as reasonably possible, with due diligence, and in any event prior to December 8, 2015, use the remainder of the amounts listed in Exhibit A and any investment earnings thereon to pay the cost of the Project, provided that, such time limit may be extended by the written consent of the Council with notice to the Trustee, and provided further that the Borrower may amend Exhibit A without the consent of the Council or the Trustee (but with notice thereto) but with a favorable opinion of Bond Counsel (to the effect that such an amendment and the completion of the revised Project will not adversely affect the validity or tax-exempt status of the Bonds) regarding the amended Exhibit A, to provide for the financing of a different or additional Project if the Borrower, after the date hereof, deems it to not be in the interest of the Borrower to acquire or construct any item of such Project or the cost of the Project proves to be less than the amounts listed on Exhibit A and the investment earnings thereon. Notwithstanding the foregoing, all such proceeds shall be expended prior to December 8, 2015. The Borrower will provide the Trustee with a requisition in the form of the requisition attached hereto as Exhibit E for the expenditure of the remaining amounts of the Loan in the Project Loan Fund.

(2) The Borrower will apply the Unspent Proceeds solely for the financing of the Unspent Proceeds Project. The Borrower shall, as quickly as reasonably possible, with due diligence, pay for the Unspent Proceeds Project out of the Unspent Proceeds, provided that the Borrower may amend the Unspent Proceeds Project without the consent of the Council or the Trustee (but with notice thereto), with a favorable opinion of Bond Counsel (to the effect that such an amendment and the completion of the revised Unspent Proceeds Project will not adversely affect the validity or tax-exempt status of the Bonds) regarding the amended Unspent Proceeds Project, to provide for the financing of a different or additional Unspent Proceeds

13

Project if the Borrower, after the date hereof, deems it to not be in the interest of the Borrower to acquire or construct any item of such Unspent Proceeds Project or the cost of the Unspent Proceeds Project proves to be less than the amounts in the Unspent Proceeds Funds and the investment earnings thereon. Notwithstanding the foregoing, all such proceeds shall be expended as quickly as reasonably possible, with due diligence. The Borrower will provide the Trustee with a requisition in the form of the requisition attached hereto as Exhibit E for the expenditure of the remaining amounts of the Unspent Proceeds in the Unspent Proceeds Fund.

(2) Items of Cost of the Project and the Unspent Proceeds Project which may be financed include all reasonable or necessary direct or indirect costs of or incidental to the acquisition, construction or installation of the Project and the Unspent Proceeds Project, including operational expenses during this construction period which would qualify for capitalization under generally accepted accounting principles, the incidental costs of placing the same in use and financing expenses (including the application or origination fees, if any, of the Bond Insurer and the Council and Borrower's Counsel fees), but not operating expenses.

(3) The Borrower understands that the actual Loan proceeds received by it are less than the sum of the face amount of the Loan Agreement plus the reoffering premium in an amount equal to a discount as described in Section 3.01 hereof. The Borrower will accordingly be responsible for repaying, through the Basic Payments portion of its Loan Repayments, the portion of the Bonds issued to fund the Loan including the portion issued to fund the underwriting discount, net original issue premium and other fees and costs of issuing the Bonds.

(4) The Borrower covenants that it will make no use of the proceeds of the Bonds which are in its control at any time during the term of the Bonds which would cause such Bonds to be "Arbitrage Bonds" within the meaning of Section 148 of the Code.

(5) The Borrower, by the Trustee's acceptance of the Indenture, covenants that the Borrower shall neither take any action nor fail to take any action or to the extent that it may do so, permit any other party to take any action which, if either taken or not taken, would adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

(i) Project and Unspent Proceeds Project. All items constituting the Project are permitted to be financed and refinanced with the proceeds of the Bonds and the Loan pursuant to the Act; and all items constituting the Unspent Proceeds Project are permitted to be financed and refinanced with the Unspent Proceeds pursuant to the Act.

(j) Compliance with Interlocal Act and Interlocal Agreement. To the knowledge of the Council 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.

14

programs now maintained by the Borrower which generate Non-Ad Valorem Revenues or to maintain the charges it presently collects for any such services or programs.

During such time as the Loan is outstanding hereunder, the Borrower agrees that, as soon as practicable upon the issuance of debt by the Borrower which is secured by its Non-Ad Valorem Revenues, it shall deliver to the Council a certificate setting forth the calculations of the financial ratios provided below and certifying that it is in compliance with the following: (i) Non-Ad Valorem Revenues (average of actual receipts over the prior two years) must cover projected maximum annual debt service on debt secured by and/or payable solely from such Non-Ad Valorem Revenues by at least 1.5x; and (ii) projected maximum annual debt service requirements for all debt secured by and/or payable solely from such Non-Ad Valorem Revenues will not exceed 20% of Governmental Fund Revenues (defined as general fund, special fund, debt service fund and capital projects funds), exclusive of (i) ad valorem revenues restricted to payment of debt service on any debt and (ii) any debt proceeds, and based on the Borrower's audited financial statements (average of actual receipts of the prior two years). For the purposes of these covenants maximum annual debt service means the lesser of the actual maximum annual debt service on all debt or 15% of the original par amount of the debt, in each case, secured by the Borrower's Non-Ad Valorem Revenues.

(b) Delivery of Information to the Council and the Bond Insurer. Borrower shall deliver to the Council and the Bond Insurer as soon as available and in any event within 270 days after the end of each Fiscal Year an audited statement of its financial position as of the end of such Fiscal Year and the related statements of revenues and expenses, fund balances and changes in fund balances for such Fiscal Year, all reported by an independent certified public accountant, whose report shall state that such financial statements present fairly Borrower's financial position as of the end of such Fiscal Year and the results of operations and changes in financial position for such Fiscal Year.

(c) Information. Borrower's chief financial officer shall, at the reasonable request of the Bond Insurer, discuss Borrower's financial matters with the Bond Insurer or their designee and provide the Bond Insurer with copies of any documents reasonably requested by the Bond Insurer or its designee unless such documents or material are protected or privileged from disclosure under applicable Florida law.

(d) Further Assurance. The Borrower shall execute and deliver to the Trustee all such documents and instruments and do all such other acts and things as may be reasonably necessary to enable the Trustee to exercise and enforce its rights under this Loan Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or required by the Trustee to validate, preserve and protect the position of the Trustee under this Loan Agreement.

16

(k) Additional Funding. It is hereby ascertained, determined and declared as follows:

(1) The Borrower has heretofore issued and has presently outstanding and unpaid the Refinanced Loans.

(2) The Borrower deems it necessary, desirable and in the best financial interest of the Borrower that the Refinanced Loans be refunded in order to effectuate interest cost savings and a reduction in the debt service applicable to bonded indebtedness. Simultaneously with the issuance of the Bonds, a sufficient portion of the proceeds of the Bonds and other funds available will, at the Borrower's request and instruction as provided in Section 3.03 hereof, be transferred by the Council directly to the Escrow Holder for deposit by the Escrow Holder into the Escrow Account established pursuant to the Escrow Deposit Agreement, to effectuate the refunding and defeasance of the Refinanced Loans by providing for the payment of the principal of, premium, if any, and interest on the Refinanced Loans as provided in the Escrow Deposit Agreement.

(3) The refunding of the Refinanced Loans in the manner herein provided is hereby authorized.

SECTION 2.02. Covenants of Borrower. The Borrower makes the following covenants and representations as of the date first above written and such covenants shall continue in full force and effect during the Loan Term:

(a) Security for Loan Repayment. Subject to the provisions of Section 2.02(f) hereof, the Borrower covenants and agrees to appropriate in its annual budget, by amendment, if required, and to pay when due under this Loan Agreement as promptly as money becomes available directly to the Trustee for deposit directly into the appropriate Fund or Account created in the Indenture, amounts of Non-Ad Valorem Revenues of the Borrower sufficient to satisfy the Loan Repayment as required under this Loan Agreement. Such covenant is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereafter entered into. Such covenant and agreement on the part of the Borrower to budget and appropriate such amounts of Non-Ad Valorem Revenues shall be cumulative, and shall continue until such Non-Ad Valorem Revenues or other legally available funds in amounts sufficient to make all required Loan Repayments, including delinquent Loan Repayments, shall have been budgeted, appropriated and actually paid to the Trustee for deposit into the appropriate Fund or Account. The Borrower further acknowledges and agrees that the Indenture shall be deemed to be entered into for the benefit of the Holders of any of the Bonds and that the obligations of the Borrower to include the amount of any deficiency in Loan Repayments in each of its annual budgets and to pay such deficiencies from Non-Ad Valorem Revenues may be enforced in a court of competent jurisdiction in accordance with the remedies set forth herein and in the Indenture. Notwithstanding the foregoing or any provision of this Loan Agreement to the contrary, the Borrower does not covenant to maintain any services or

15

(e) Keeping of Records and Books of Account. The Borrower shall keep or cause to be kept proper records and books of account, in which correct and complete entries will be made in accordance with generally accepted accounting principles, consistently applied (except for changes concurred in by the Borrower's independent auditors) reflecting all of its financial transactions.

(f) Payment of Taxes, Etc. The Borrower shall pay all legally contracted obligations when due and shall pay all taxes, assessments and governmental charges or levies imposed upon it or upon its income or profits, or upon any properties belonging to it, prior to the date on which penalties attach thereto, and all lawful claims, which, if unpaid, might become a lien or charge upon any of its properties, provided that it shall not be required to pay any such tax, assessment, charge, levy or claim which is being contested in good faith and by appropriate proceedings, which shall operate to stay the enforcement thereof.

(g) Compliance with Laws, Etc. Subject to an annual appropriation of legally available funds, the Borrower shall comply with the requirements of all applicable laws, the terms of all grants, rules, regulations and lawful orders of any governmental authority, non-compliance with which would, singularly or in the aggregate, materially adversely affect its business, properties, earnings, prospects or credit, unless the same shall be contested by it in good faith and by appropriate proceedings which shall operate to stay the enforcement thereof.

(h) Tax-exempt Status of Bonds. The Council and the Borrower understand that it is the intention hereof that the interest on the Bonds not be included within the gross income of the holders thereof for federal income tax purposes. In furtherance thereof, the Borrower and the Council each agree that they will take all action within their control which is necessary in order for the interest on the Bonds or this Loan to remain excluded from gross income for federal income taxation purposes and shall refrain from taking any action which results in such interest becoming included in gross income.

The Borrower and the Council further covenant that, to the extent they have control over the proceeds of the Bonds, they will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds, with respect to the payments derived from the Bonds or hereunder or with respect to the issuance of other Council obligations, which action or failure to act may cause the Bonds to be "arbitrage bonds" within the meaning of such term as used in Section 148 of the Code and the regulations promulgated thereunder. In furtherance of the covenant contained in the preceding sentence, the Borrower and the Council agree to comply with the Tax Certificate as to Arbitrage and the provisions of Section 141 through 150 of the Internal Revenue Code of 1986, as amended, including the letter of instruction attached as an Exhibit to the Tax Certificate, delivered by Bryant Miller Olive P.A. to the Borrower and the Council simultaneously with the issuance of the Bonds, as such letter may be amended from time to time, as a source of guidelines for achieving compliance with the Code.

17

(i) **Information Reports.** The Borrower covenants to provide the Council with all material and information it possesses or has the ability to possess necessary to enable the Council to file all reports required under Section 149(e) of the Code to assure that interest paid by the Council on the Bonds shall, for purposes of the federal income tax, be excluded from gross income.

(j) **Limited Obligations.** Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Borrower hereunder shall be payable only from Non-Ad Valorem Revenues budgeted and appropriated as provided for hereunder and nothing herein shall be deemed to pledge ad valorem taxation revenues or to permit or constitute a mortgage or lien upon any assets or property owned by the Borrower and no Bondholder or any other person, including the Council, the Bond Insurer or the Trustee, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Borrower. The obligations hereunder do not constitute an indebtedness of the Borrower within the meaning of any constitutional, statutory or charter provision or limitation, and neither the Trustee, the Council, the Bond Insurer or the Bondholders or any other person shall have the right to compel the exercise of the ad valorem taxing power of the Borrower or taxation of any real or personal property therein for the payment by the Borrower of its obligations hereunder. Except to the extent expressly set forth in this Loan Agreement, this Loan Agreement and the obligations of the Borrower hereunder shall not be construed as a limitation on the ability of the Borrower to pledge or covenant to pledge said Non-Ad Valorem Revenues or any revenues or taxes of the Borrower for other legally permissible purposes. Notwithstanding any provisions of this Agreement, the Indenture or the Bonds to the contrary, the Borrower shall never be obligated to maintain or continue any of the activities of the Borrower which generate user service charges, regulatory fees or any Non-Ad Valorem Revenues or the rates for such services or regulatory fees. Neither this Loan Agreement nor the obligations of the Borrower hereunder shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the Borrower, but shall be payable solely as provided in Section 2.02(a) hereof and is subject in all respects to the provisions of Section 166.241, Florida Statutes, and is subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the Borrower.

The Council and the Borrower understand that the amounts available to be budgeted and appropriated to make Loan Payments hereunder is subject to the obligation of the Borrower to provide essential services; however, such obligation is cumulative and would carry over from Fiscal Year to Fiscal Year.

(k) **Reporting Requirements.**

(i) The Borrower will file or cause to be filed with the Council and the Bond Insurer any official statement issued by, or on behalf of, the Borrower in connection with the incurrence of any additional indebtedness by the Borrower secured by Non-Ad Valorem

**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 \$20,090,000.00 which after adding a net original issue premium of \$494,793.80 results in \$20,584,793.80 in loan proceeds. This amount includes an amount equal to \$341,113.68 which reflects the cost of the initial issuance of the Bonds subject to the terms and conditions contained in this Loan Agreement which shall be deducted for costs of issuance, the Bond Insurance Premium, and the underwriter's discount. The amounts advanced net of the cost of the initial issuance are to be used by the Borrower for the purpose of financing or refinancing the cost of, or receiving reimbursement for the equity in, the Projects in accordance with the provisions of this Loan Agreement.

SECTION 3.02. Evidence of Loan. The Borrower's obligation hereunder to repay amounts advanced pursuant to Section 3.01, together with interest thereon, and other payments required under this Loan Agreement, shall be evidenced by this Loan Agreement.

SECTION 3.03. Portion of Loan For Purpose of Refunding. The Borrower acknowledges that the Council, pursuant to the Borrower's request and instruction, is depositing a portion of the proceeds of the Loan as set forth and as directed by the terms of the Escrow Deposit Agreement dated as of December 4, 2012, by and between the Council and Deutsche Bank Trust Company Americas, as escrow agent, in order to refund and defease the Refunded Bonds. The Borrower covenants that it will direct no other use of such portion of the Bond proceeds, agrees to the disbursement of the Loan proceeds in such manner, and further acknowledges that the escrow is to be held irrevocably by the escrow agent for such purpose.

[Remainder of page intentionally left blank]

Revenues. Such official statements shall be filed within sixty (60) days after the publication thereof.

(ii) The Borrower agrees to provide not later than December 31 of each year, a certificate of its Chief Financial Officer stating that to the best of its knowledge the Borrower is in compliance with the terms and conditions of this Loan Agreement, or, specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

[Remainder of page intentionally left blank]

ARTICLE IV

LOAN TERM AND LOAN CLOSING REQUIREMENTS

SECTION 4.01. Commencement of Loan Term. The Borrower's obligations under this Loan Agreement shall commence on the date hereof unless otherwise provided in this Loan Agreement.

SECTION 4.02. Termination of Loan Term. The Borrower's obligations under this Loan Agreement shall terminate after payment in full of all amounts due under this Loan Agreement and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth in Exhibit D attached hereto; provided, however, that all covenants and all obligations provided hereunder specified to so survive (including the obligation of the Borrower to pay its share of the rebate obligations of the Council owed on the Bonds and agreed to by the Borrower pursuant to Section 5.03(b)(7) hereof and any amounts owed the Bond Insurer) shall survive the termination of this Loan Agreement and the payment in full of principal and interest hereunder. Upon termination of the Loan Term as provided above, the Council and the Trustee shall deliver, or cause to be delivered, to the Borrower an acknowledgment thereof.

SECTION 4.03. Loan Closing Submissions. Concurrently with the execution and delivery of this Loan Agreement, the Borrower is providing to the Trustee the following documents each dated the date of such execution and delivery unless otherwise provided below:

(a) Certified ordinance of the Borrower substantially in the form of Exhibit B attached hereto;

(b) An opinion of the Borrower's Counsel in the form of Exhibit C attached hereto to the effect that the Loan Agreement is a valid and binding obligation of the Borrower and opining to such other matters as may be reasonably required by Bond Counsel, underwriter's counsel, the Bond Insurer and acceptable to Borrower's Counsel;

(c) A certificate of the officials of the Borrower who sign this Loan Agreement to the effect that the representations and warranties of the Borrower are true and correct;

(d) A certificate signed by the Authorized Representative of the Borrower, in form and substance satisfactory to Bond Counsel, stating (i) the estimated dates and the amounts of projected expenditures for the Project and the Unspent Proceeds Project, and (ii) that it is reasonably anticipated by the Borrower that the Loan proceeds will be fully advanced for the Project and expended by the Borrower prior to December 4, 2015, and that it is reasonable anticipated by the Borrower that the Unspent Proceeds will be fully expended as quickly as reasonably possible, with due diligence, and (iii) 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 executed Escrow Deposit Agreement;

(g) An opinion (addressed to the Council, the Trustee, the Bond Insurer and the Borrower) of Bond Counsel to the effect that such financing, refinancing or reimbursement with Loan proceeds is permitted under the Act, the Indenture and the ordinance authorizing this Loan Agreement and will not cause the interest on the Bonds to be included in gross income for purposes of federal income taxation or adversely affect the validity, due authorization for or legality of the Bonds; and

(h) Such other certificates, documents, opinions and information as the Council, the Trustee, the Bond Insurer or Bond Counsel may require, such requirement to be evidenced (in the case of parties other than the Trustee) by written notice of such party to the Trustee of such requirement.

All opinions and certificates shall be dated the date of the Closing.

[Remainder of page intentionally left blank]

22

(3) reasonable extraordinary fees of the Trustee following an Event of Default hereunder;

(4) all other reasonable out-of-pocket expenses of the Trustee, the Bond Insurer and the Council in connection with the Loan, this Loan Agreement and the enforcement thereof, including, but not limited to, all fees and expenses related to the prepayment and defeasance of the Loan and the Bonds;

(5) all taxes (including any recording and filing fees) in connection with the execution and delivery of this Loan Agreement and the pledge and assignment of the Council's right, title and interest in and to the Loan and the Loan Agreement, pursuant to the Indenture (and with the exceptions noted therein), and all expenses, including reasonable attorneys' fees, relating to any amendments, waivers, consents or collection or enforcement proceedings pursuant to the provisions hereof;

(6) the Borrower's share of any amounts owed to the United States of America as rebate obligations on the Bonds related to the Borrower's Loan, which obligation shall survive the termination of this Loan Agreement;

(7) fees and costs of maintaining a rating on the Loan; and

(8) (i) any and all losses, damages, expenses (including reasonable legal and other fees and expenses), liabilities or claims (or actions in respect thereof), to which the Council, the Bond Insurer or Trustee may become subject under any federal or state securities laws, federal or state tax laws, or other statutory law or at common law or otherwise, caused by or arising out of the Borrower's action or failure to act, and (ii) any and all fees and expenses of any inquiries or audits by any regulatory agencies, caused by or arising out of or based upon the Loan Agreement, the Bonds, the issuance of the Bonds or the use of Bond proceeds, unless the same are caused, in part, by the Council's or the Trustee's actions or failure to act whereby such fees and expenses shall be apportioned among the parties.

SECTION 5.04. Interest Earnings or Investment Losses and Excess Payments.

(a) On each Interest Payment Date the Trustee shall credit against Borrower's obligation to pay its Loan Repayments, any interest earnings which were received during the prior Interest Period by the Trustee on the Funds and Accounts (except the Project Loan Fund and the Unspent Proceeds Fund) held under the Indenture, or shall increase the Borrower's obligation to pay its Loan Repayment, by any investment losses which were incurred during the prior Interest Period on the Funds and Accounts (except the Project Loan Fund and the Unspent Proceeds 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

24

ARTICLE V

LOAN REPAYMENTS

SECTION 5.01. Payment of Basic Payments. The Borrower shall pay to the order of the Council all Loan Repayments in lawful money of the United States of America to the Trustee. No such Loan Repayment shall be in an amount such that interest on the Loan is in excess of the maximum rate allowed by the laws of the State of Florida or of the United States of America. The Loan shall be repaid in Basic Payments, consisting of:

(a) principal in the amounts and on the dates set forth in Exhibit D; plus

(b) interest calculated at the rates, in the amounts and on the dates set forth in Exhibit D;

On or before the fifteenth (15th) day of the month immediately preceding each Interest Payment Date, the Trustee shall give Borrower notice in writing of the total amount of the next Basic Payment due. The Basic Payments shall be due on each March 20th and September 20th, or if such day is not a Business Day, the next preceding Business Day (a "Loan Repayment Date"), commencing March 20, 2013, and extending through September 20, 2032, unless the due date of the Basic Payments is accelerated pursuant to the terms of Section 8.03 hereof.

SECTION 5.02. [Reserved].

SECTION 5.03. Payment of Additional Payments. In addition to Basic Payments, Borrower agrees to pay on demand of the Council or the Trustee, the following Additional Payments:

(a) (i) the fees of the Program Administrator; and (ii) costs and fees related to the Bonds: the annual fees of the Trustee; annual fees of the Registrar and Paying Agent; the annual fees or expenses of the Council, if any, including the fees of any provider of arbitrage rebate calculations; the bond Insurance Premium of the Bond Insurer; the fees of the rating agencies (to the extent not previously paid from the Cost of Issuance Fund).

(b) All reasonable fees and expenses of the Council or Trustee relating to this Loan Agreement, including, but not limited to:

(1) the cost of reproducing this Loan Agreement;

(2) the reasonable fees and disbursements of Counsel utilized by the Council, the Trustee and the Bond Insurer in connection with the Loan, this Loan Agreement and the enforcement thereof;

23

from the Borrower, the amount of the missed credit shall, to the extent of the amount collected, be credited in proportion to the amount of credit missed, to the Borrower from the past-due Loan Repayments.

(c) The credits may be accumulated. If the credit allowable for an Interest Period is more than required on the next ensuing Interest Payment Date to satisfy the current Loan Repayment, it may be used on the following Interest Payment Date.

SECTION 5.05. Obligations of Borrower Unconditional. Subject in all respects to the provisions of this Loan Agreement, including but not limited to Section 2.02(a) hereof, the obligations of the Borrower to make the Loan Repayments required hereunder and to perform and observe the other agreements on its part contained herein, shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any Bonds remain outstanding or any Loan Repayments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever. This Loan Agreement shall be deemed and construed to be a "net contract," and the Borrower shall pay absolutely net the Loan Repayments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement or counterclaim that the Borrower might otherwise have against the Council, the Trustee, the Bond Insurer or any other party or parties.

SECTION 5.06. Refunding Bonds. In the event the Bonds are refunded, all references in this Loan Agreement to Bonds shall be deemed to refer to the refunding bonds or, in the case of a crossover refunding, to the Bonds and the refunding bonds (but Borrower shall never be responsible for any debt service on or fees relating to crossover refunding bonds which are covered by earnings on the escrow fund established from the proceeds of such bonds). The Council agrees not to issue bonds or other debt obligations to refund the Bonds without the prior written consent of the Authorized Representative of the Borrower.

SECTION 5.07. Prepayment. The Loan may be prepaid in whole or in part by the Borrower on the dates and in the amounts on which the Bonds are subject to optional redemption and notice provisions pursuant to Section 3.01 of the Indenture. The Borrower shall provide the Issuer at least sixty (60) days notice of any prepayment of its Loan.

[Remainder of page intentionally left blank]

25

ARTICLE VI

DEFEASANCE

This Loan Agreement shall continue to be obligatory and binding upon the Borrower in the performance of the obligations imposed by this Loan Agreement and the repayment of all sums due by the Borrower under this Loan Agreement shall continue to be secured by this Loan Agreement as provided herein until all of the indebtedness and all of the payments required to be made by the Borrower shall be fully paid to the Council, the Bond Insurer or the Trustee, as provided herein, including any fees and expenses in connection with such repayment, if any. If, at any time, the Borrower shall have made provision for payment of, the principal amount of the Loan, interest thereon and redemption premiums, if any, with respect to the Bonds and shall have paid all amounts due pursuant to Section 5.03 hereof, then, and in that event, the covenant regarding the pledge of and the lien on the revenues pledged, if any, to the Council for the benefit of the holders of the Bonds shall be no longer in effect and all future obligations of the Borrower under this Loan Agreement shall cease. For purposes of the preceding sentence, in order for the Borrower to have made "provision for payment," the Borrower shall have deposited sufficient cash and/or Governmental Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Council, the principal, interest and prepayment premiums, if any, received that will be sufficient (as reflected in an accountant's verification report provided to the Trustee by the Borrower) to make timely payment of the principal, interest and prepayment premiums, if any, on the Outstanding Loan. The prepayment premium, if any, shall be calculated based on the prepayment date selected by the Borrower in accordance with Section 5.07 hereof.

If the Borrower determines to prepay all or a portion of the Loan pursuant to Section 5.07 hereof, upon the required timely notice by the Borrower the Council shall redeem a like amount of Bonds which corresponds in terms of amount and scheduled maturity date to such Loan prepayment pursuant to Section 3.01 of the Indenture.

If the Borrower shall make advance payments to the Council in an amount sufficient to retire the Loan of the Borrower, including redemption premium and accrued interest to the next succeeding redemption date of the Bonds, as provided herein, all future obligations of the Borrower under this Loan Agreement shall cease, including the obligations under Section 5.03 hereof, except as provided in Section 4.02 hereof. However, prior to making such payments, the Borrower shall give at least 60 days' irrevocable notice by mail, with receipt confirmed, to the Council and the Bond Insurer.

[Remainder of page intentionally left blank]

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 written notice of the failure has been provided to the Borrower by the Trustee or the Council, unless the Council, the Bond Insurer and the Trustee shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Council, the Bond Insurer or the Trustee, but cannot be cured within the applicable 30-day period, the Council, the Bond Insurer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the failure is corrected;
- (d) Any warranty, representation or other statement by the Borrower or by an officer or agent of the Borrower contained in this Loan Agreement or in any instrument furnished in compliance with or in reference to this Loan Agreement, is false or misleading in any material respect when made;
- (e) A petition is filed against the Borrower under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days of such filing;
- (f) The Borrower files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

ARTICLE VII

ASSIGNMENT AND PAYMENT BY THIRD PARTIES

SECTION 7.01. Assignment by Council. The Borrower expressly acknowledges that this Loan Agreement and the obligations of the Borrower to make payments hereunder (with the exception of certain of the Council rights to indemnification, fees, notices and expenses), have been pledged and assigned to the Trustee as security for the Bonds under the Indenture, and that the Trustee shall be entitled to act hereunder and thereunder in the place and stead of the Council whether or not the Bonds are in default.

SECTION 7.02. Assignment by Borrower. This Loan Agreement may not be assigned by the Borrower for any reason without the express prior written consent of the Council, the Bond Insurer and the Trustee.

SECTION 7.03. Payments by the Bond Insurer. The Borrower acknowledges that payment under this Loan Agreement from funds received by the Trustee or Bondholders from the Bond Insurer do not constitute payment under this Loan Agreement for the purposes hereof or fulfillment of its obligations hereunder.

[Remainder of page intentionally left blank]

(g) The Borrower admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the Borrower or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than 60 days;

(h) Default under any agreement for borrowed money to which the Borrower is a party, or any agreement securing the same, outstanding in the amount of \$100,000 or more if, as a result thereof, such indebtedness may be declared immediately due and payable;

(i) Any material provision of this Loan Agreement shall at any time for any reason cease to be valid and binding on the Borrower, or shall be declared to be null and void, or the validity or enforceability of this Loan Agreement shall be contested by the Borrower or any governmental agency or authority, or if the Borrower shall deny any further liability or obligation under this Loan Agreement; or

(j) Final judgment for the payment of money in the amount of \$250,000 or more is rendered against the Borrower, the payment of which would materially adversely affect the Borrower's ability to meet its obligations hereunder (it being agreed that, if insurance or adequate reserves are available to make such payment, such judgment would not materially affect the Borrower's ability to meet its obligations hereunder) and at any time after 90 days from the entry thereof, unless otherwise provided in the final judgment, (i) such judgment shall not have been discharged, or (ii) the Borrower shall not have taken and be diligently prosecuting an appeal therefrom or from the order, decree or process upon which or pursuant to which such judgment shall have been granted or entered, and have caused the execution of or levy under such judgment, order, decree or process of the enforcement thereof to have been stayed pending determination of such appeal, provided that such execution and levy would materially adversely affect the Borrower's ability to meet its obligations hereunder; or (iii) the Borrower is not obligated with respect to such judgment pursuant to the provisions of Chapter 768, Florida Statutes or other applicable law.

SECTION 8.02. Notice of Default. The Borrower agrees to give the Trustee, the Bond Insurer and the Council prompt written notice if any petition, assignment, appointment or possession referred to in Section 8.01(e), 8.01(f) and 8.01(g) is filed by or against the Borrower or of the occurrence of any other event or condition which constitutes a Default or an Event of Default, or with the passage of time or the giving of notice would constitute an Event of Default, immediately upon becoming aware of the existence thereof.

SECTION 8.03. Remedies on Default. Whenever any Event of Default referred to in Section 8.01 hereof shall have happened and be continuing, the Council or the Trustee shall, with the written consent of the Bond Insurer or upon the direction of the bond Insurer with respect to the Insured Bonds, 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 due and payable within 180 days, and upon notice to the Borrower the same shall become due and payable by the Borrower within 180 days without further notice or demand.

(b) Take whatever other action at law or in equity which may appear necessary or desirable to collect amounts then due and thereafter to become due hereunder or to enforce any other of its or their rights hereunder.

SECTION 8.04. [Reserved].

SECTION 8.05. No Remedy Exclusive; Waiver, Notice. No remedy herein conferred upon or reserved to the Council or the Trustee is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right, remedy or power shall be construed to be a waiver thereof, but any such right, remedy or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Council or the Trustee to exercise any remedy reserved to it in this Article VIII, it shall not be necessary to give any notice other than such notice as may be required in this Article VIII.

SECTION 8.06. Application of Moneys. Any moneys collected by the Council or the Trustee pursuant to Section 8.03 hereof shall be applied (a) first, to pay any attorney's fees or other expenses owed by the Borrower pursuant to Section 5.03(b)(3) and (4) hereof, (b) second, to pay interest due on the Loan, (c) third, to pay principal due on the Loan, (d) fourth, to pay any other amounts due hereunder, and (e) fifth, to pay interest and principal on the Loan and other amounts payable hereunder but which are not due, as they become due (in the same order, as to amounts which come due simultaneously, as in (a) through (d) in this Section 8.06).

30

that no such amendment with respect to the Insured Bonds shall be effective unless it shall have been consented to in writing by the Bond Insurer.

SECTION 9.05. Execution in Counterparts. This Loan Agreement may be simultaneously executed in several counterparts, each of which, when so executed and delivered, shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.06. Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 9.07. Benefit of Bondholders; Compliance with Indenture. This Loan Agreement is executed in part to induce the purchase by others of the Bonds. Accordingly, all covenants, agreements and representations on the part of the Borrower and the Council, as set forth in this Loan Agreement, are hereby declared to be for the benefit of the holders from time to time of the Bonds and the Bond Insurer. The Borrower covenants and agrees to do all things within its power in order to comply with and to enable the Council to comply with all requirements and to fulfill and to enable the Council to fulfill all covenants of the Indenture. The Borrower also acknowledges that the Council has delegated certain of its duties under the Indenture to its Program Administrator, including the direction to make investments in accordance with Article VII thereof, including but not limited to the investment of the Borrower's Project Loan Fund and the Unspent Proceeds Fund.

The rights granted to the Bond Insurer under the Indenture or any Bond document to request, consent to or direct any action are rights granted to the Bond Insurer in consideration of its issuance of the Bond Insurance. Any exercise by the Bond Insurer of such rights is merely an exercise of the Bond Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the Bondholders and such action does not evidence any position of the Bond Insurer, affirmative or negative, as to whether the consent of the Bondholders or any other person is required in addition to the consent of the Bond Insurer. The Bond Insurer is recognized as a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

SECTION 9.08. Consents and Approvals. Whenever the written consent or approval of the Council shall be required under the provisions of this Loan Agreement, such consent or approval may be given by an Authorized Representative of the Council or such other additional persons provided by law or by rules, regulations or resolutions of the Council.

SECTION 9.09. Immunity of Officers, Employees and Members of Council and Borrower. No recourse shall be had for the payment of the principal of or premium or interest hereunder or for any claim based thereon or upon any representation, obligation, covenant or agreement in this Loan Agreement against any past, present or future official officer, member, counsel, employee, director or agent, as such, of the Council or the Borrower, either directly or through the Council or the Borrower, or respectively, any successor public or private

32

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Notices. All notices, certificates or other communication hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

Council:	Florida Municipal Loan Council c/o Florida League of Cities 301 South Bronough Street, Suite 300 Tallahassee, Florida 32301
Bond Insurer:	Assured Guaranty Municipal Corp. 31 West 52nd Street New York, New York 10019 Attn: Managing Director of Surveillance
Trustee:	Deutsche Bank Trust Company Americas Trust & Securities Services (Municipal Group) 60 Wall Street, 27th Floor New York, New York 10005
Borrower:	City of Deerfield Beach, Florida 150 N.E. 2nd Avenue Deerfield Beach, Florida 33441 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,

31

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.

33

IN WITNESS WHEREOF, the Florida Municipal Loan Council has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers and the City of Deerfield Beach, Florida, has caused this Loan Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attached by its duly authorized officers. All of the above occurred as of the date first above written.

LOAN AGREEMENT

CITY OF DEERFIELD BEACH, FLORIDA

(SEAL)

By: _____
 Name: Peggy Noland
 Title: Mayor

FLORIDA MUNICIPAL LOAN COUNCIL

(SEAL)

By: _____
 Name: Isaac Salver
 Title: Chairman

ATTESTED BY:

By: _____
 Name: Ada Graham-Johnson, MMC
 Title: City Clerk

ATTEST:

By: _____
 Name: Patti Hilaman
 Title: Deputy Executive Director

Approved as to form and legality
 this ____ day of _____, 2012.

By: _____
 Name: Andrew S. Maurodis
 Title: City Attorney

EXHIBIT A

CITY OF DEERFIELD BEACH, FLORIDA
 USE OF LOAN PROCEEDS

EXHIBIT B

CERTIFIED ORDINANCE OF THE BORROWER

DESCRIPTION OF PROJECTS TO BE FINANCED OR REFINANCED

See Document No. ____

<u>PROJECT</u>	<u>TOTAL AMOUNT</u>
Refund the Borrower's outstanding 2003A CBA Loan.	\$5,365,362.50
Refund the Borrower's outstanding 2003B CBA Loan.	\$1,835,450.00
Acquire and construct street improvements, park improvements and related parking improvements and other capital projects authorized by law, a portion of which improvements will be undertaken by the community redevelopment agency (the "CRA") established by the Borrower to implement portions of the CRA's community redevelopment plan.	\$13,000,000.00

EXHIBIT C

OPINION OF BORROWER'S COUNSEL

[Letterhead of Counsel to Borrower]

December 4, 2012

Florida Municipal Loan Council
c/o Florida League of Cities, Inc.
301 Bronough Street, Suite 300
Tallahassee, Florida 32301

Deutsche Bank Trust Company Americas
Trust & Securities Services (Municipal Group)
60 Wall Street, 27th Floor
New York, New York 10005

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

Wells Fargo Bank, National Association
2363 Gulf-to-Bay Boulevard
Mail Code: W57517
Clearwater, Florida 33765

Ladies/Gentlemen:

I am the City Attorney to the City of Deerfield Beach, Florida (the "Borrower"), and have been requested by the Borrower to give this opinion in connection with the loan by the Florida Municipal Loan Council (the "Council") to the Borrower of funds to finance, refinance or reimburse the Borrower for all or a portion of the cost the certain Projects as defined in, and as described in Exhibit A of the Loan Agreement (the "Projects"), dated as of December 1, 2012, between the Council and the Borrower (the "Loan Agreement").

In this connection, I have reviewed such records, certificates and other documents as I have considered necessary or appropriate for the purposes of this opinion, including applicable laws, and ordinances adopted by the City Council of the Borrower, the Loan Agreement, Trust Indenture dated as of December 1, 2012 (the "Indenture") between the Council and Deutsche Bank Trust Company Americas, as trustee (the "Trustee"), Ordinance No. 2012/047 enacted by the Borrower on October 16, 2012 (the "Ordinance"), a Continuing Disclosure Agreement dated as of December 1, 2012 between the Borrower and the Florida League of Cities, Inc. (the "Continuing Disclosure Agreement"), the final Official Statement (the "Official Statement") with respect to the Bonds, and a Bond Purchase Contract dated November 14, 2012 among the Florida Municipal Loan Council, Wells Fargo Bank, National Association (the "Underwriter"),

C-1

and the Borrower (the "Bond Purchase Contract"). Based on such review, and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

(a) The Borrower is a municipality duly organized and validly existing under the Constitution and laws of the State of Florida. The Borrower has the legal right and all requisite power and authority to enter into the Loan Agreement, to enact the Ordinance and to consummate the transactions contemplated thereby and otherwise to carry on its activities and own its property.

(b) The Borrower has duly enacted the Ordinance and duly authorized, executed and delivered the Loan Agreement, the Bond Purchase Contract and the Continuing Disclosure Agreement, and such instruments are legal and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, except to the extent that the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity, and to the sovereign police powers of the State of Florida and the constitutional powers of the United States of America.

(c) The enactment of the Ordinance and the execution and delivery of the Continuing Disclosure Agreement, the Bond Purchase Contract and the Loan Agreement, the consummation of the transactions contemplated thereby, the purchase or construction of the Project or the reimbursement for costs of the acquisition or construction thereof or the refinancing of the indebtedness to be refinanced with the proceeds of the loan and the fulfillment of or compliance with the terms and conditions of the Loan Agreement, the Bond Purchase Contract and the Continuing Disclosure Agreement does not and will not conflict with or result in a material breach of or default under any of the terms, conditions or provisions of any agreement, contract or other instrument, or law, ordinance, regulation, or judicial or other governmental order, to which the Borrower is now a party or it or its properties is otherwise subject or bound, and the Borrower is not otherwise in violation of any of the foregoing in a manner material to the transactions contemplated by the Loan Agreement.

(d) There is no litigation or legal or governmental action, proceeding, inquiry or investigation pending or, to the best of my knowledge, threatened by governmental authorities or to which the Borrower is a party or of which any property of the Borrower is subject, which has not been described in the Official Statement or otherwise disclosed in writing to the Council and which, if determined adversely to the Borrower, would individually or in the aggregate materially and adversely affect the validity or the enforceability of the Loan Agreement, the Bond Purchase Contract or the Continuing Disclosure Agreement.

(e) Any indebtedness being refinanced, directly or indirectly, with the proceeds of the Loan was initially incurred by the Borrower, and the proceeds of such indebtedness have been fully expended.

C-2

(f) Based upon my review of the Official Statement and without having undertaken to determine independently the accuracy or completeness of the contents of the Official Statement, the statements and information with respect to matters of law relating to the Borrower in the Official Statement under the captions "PURPOSE OF THE BONDS - General", "SECURITY AND SOURCES OF PAYMENT - Limited Obligations; Trust Estate"; "Security of the Covenant Loan"; and "Security for the General Obligation Loan - Pledge of Full Faith and Credit", and "LITIGATION" (in each case only with respect to those matters specific to the Borrower), and "CONTINUING DISCLOSURE" are true and correct in all material respects, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, either as of its date or the date hereof. No opinion is expressed herein with respect to (i) actions or obligations of the Issuer or any other party other than the Borrower, (ii) documents to which the Borrower is not a party, and (iii) financial, statistical or tax matters or projections.

I am an attorney admitted to practice law only in the State of Florida and express no opinion as to the laws of any other state and further express no opinion as to (i) the status of interest on the Bonds under either Federal laws or the laws of the State of Florida, or (ii) economic or financial matters described in the Official Statement relating to the Borrower.

Very truly yours,

C-3

EXHIBIT D
DEBT SERVICE SCHEDULE

D-1

EXHIBIT E TO LOAN AGREEMENT
FORM OF REQUISITION CERTIFICATE

TO: DEUTSCHE BANK TRUST COMPANY AMERICAS, AS TRUSTEE
FROM: CITY OF DEERFIELD BEACH, FLORIDA (THE "BORROWER")
SUBJECT: LOAN AGREEMENT DATED AS OF THE ____ DAY OF _____, 20__

This represents Requisition Certificate No. ____ in the total amount of \$_____ for payment of those Costs of the [Unspent Proceeds] Project detailed in the schedule attached.

The undersigned does certify that:

1. All of the expenditures for which monies are requested hereby represent proper Costs of the [Unspent Proceeds] Project, have not been included in a previous Requisition Certificate and have been properly recorded on the Borrower's books as currently due and owing.

2. The monies requested hereby are not greater than those necessary to meet obligations due and payable or to reimburse the Borrower for funds actually advanced for Costs of the [Unspent Proceeds] Project. The monies requested do not include retention or other monies not yet due or earned under construction contracts.

3. This requisition is in compliance with Section 5.03 of the Indenture.

4. After payment of monies hereby requested, to the knowledge of the undersigned, there will remain available to the Borrower sufficient funds to complete the [Unspent Proceeds] Project substantially in accordance with the plans therefor.

5. The Borrower is not in default under the Loan Agreement and nothing has occurred that would prevent the performance of its obligations under the Loan Agreement.

Executed this ____ day of _____, 20__.

CITY OF DEERFIELD BEACH, FLORIDA

By: _____
Name: _____
Title: _____

E-1

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

Upon delivery of the Bonds in definite form, Bryant Miller Olive P.A., Bond Counsel, proposes to render its opinion with respect to the Bonds in substantially the following form:

December 4, 2012

Florida Municipal Loan Council
Tallahassee, Florida

RE: \$20,090,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012B-1 (City of Deerfield Beach Series)

\$14,770,000 Florida Municipal Loan Council Refunding Revenue Bonds, Series 2012B-2 (City of Deerfield Beach Series)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Florida Municipal Loan Council (the "Council") of its \$20,090,000 Florida Municipal Loan Council Refunding and Improvement Revenue Bonds, Series 2012B-1 (City of Deerfield Beach Series) (the "Series 2012B-1 Bonds") and \$14,770,000 Florida Municipal Loan Council Refunding Revenue Bonds, Series 2012B-2 (City of Deerfield Beach Series) (the "Series 2012B-2 Bonds and, together with the Series 2012B-1 Bonds, the "Bonds"), pursuant to the Constitution and laws of the State of Florida, including Article VII, Section 12 of the Florida Constitution and Chapter 132, Chapter 166, Part II and Chapter 163, Part I, Florida Statutes, as amended, a Trust Indenture dated as of December 1, 2012, between the Council and Deutsche Bank Trust Company Americas, as Trustee (the "Indenture"), and Resolution No.98-1 adopted by the Council on December 17, 1998, Resolution 2002-4 adopted by the Council on October 23, 2002, each as amended and supplemented, Resolution No. 2012-09 adopted September 20, 2012 (collectively, the "Resolution"). In such capacity, we have examined such law and certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion. Any capitalized undefined terms used herein shall have the meanings set forth in the Indenture.

The proceeds of the Bonds will be loaned to the City of Deerfield Beach, Florida (the "Borrower") for the purpose of (i) refunding certain loans made to the Borrower by the Council which provided proceeds for the purpose of financing, refinancing or reimbursing the cost of qualified projects of such Borrower, (ii) with respect to the Series 2012B-1 Bonds, financing certain additional capital improvements in and for the Borrower, and (iii) paying certain costs of issuing the Bonds pursuant to Loan Agreements between the Council and the 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 Agreements and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. We have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Kraig A. Conn, Esquire, Counsel to the Council, as to the due creation and valid existence of the Council, the due adoption of the Resolution, the due execution and delivery of the Bonds and the compliance by the Council with all conditions contained in the resolutions of the Council precedent to the issuance of the Bonds. Finally, we have assumed the proper authorization, execution and delivery of the Loan Agreements by the Borrower and the validity of such Loan Agreements and in rendering this opinion are not passing upon such matters.

The Bonds do not constitute a general obligation or indebtedness of the Council or the Borrower (other than the Basic Payment paid by the Borrower which is a general obligation of the Borrower under the Loan Agreement which secures the Series 2012B-2 Bonds) within the meaning of any constitutional, statutory or other limitation of indebtedness and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power of the Council or the Borrower (other than the Basic Payment paid by the Borrower which is a general obligation of the Borrower under the Loan Agreement which secures the Series 2012B-2 Bonds) or taxation in any form of any real or personal property for the payment of the principal or interest on the Bonds.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based on our examination, we are of the opinion that under existing law:

1. The Resolution constitutes a valid and binding obligation of the Council enforceable against the Council in accordance with its terms.
2. The Indenture has been duly executed by the Council and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Council enforceable upon the Council in accordance with its terms.
3. The Bonds have been duly authorized, executed and delivered by the Council and are valid and special obligations of the Council enforceable in accordance with their terms, payable solely from the sources provided therefor in the Indenture.

4. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinions set forth in the preceding two sentences are subject to the condition that the Council and the Borrower comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Council has covenanted in the Indenture and the Borrower has covenanted in its Loan Agreements to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

It is to be understood that the rights of the owners of the Bonds and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity, to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of the Official Statement or any other offering material relating to the Bonds, except as may be set forth in any supplemental opinion of even date herewith. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Bonds. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Council or the underwriter with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds or regarding the perfection or priority of the lien on the revenues pledged and created by the Indenture. Further, we express no opinion regarding federal income tax consequences arising with respect to the Bonds other than as expressly set forth herein.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX F

GENERAL INFORMATION REGARDING THE CITY OF DEERFIELD BEACH, FLORIDA

THE FOLLOWING INFORMATION CONCERNING THE CITY OF DEERFIELD BEACH, FLORIDA AND BROWARD COUNTY, FLORIDA, IS INCLUDED ONLY FOR THE PURPOSE OF PROVIDING GENERAL BACKGROUND INFORMATION. THE COMPILATION OF SUCH INFORMATION ON BEHALF OF THE CITY INVOLVED ORAL AND WRITTEN COMMUNICATION WITH THE VARIOUS SOURCES INDICATED. THE UNDERWRITER HAS MADE NO INVESTIGATION INTO THE ACCURACY OF SUCH INFORMATION AND THE INFORMATION IS SUBJECT TO CHANGE, ALTHOUGH EFFORTS HAVE BEEN MADE TO UPDATE THE INFORMATION WHERE PRACTICABLE.

BASIC PAYMENTS WITH RESPECT TO THE LOAN RELATING TO THE SERIES 2012B-2 BONDS ARE SECURED BY A PLEDGE OF THE FULL FAITH AND CREDIT OF THE CITY OF DEERFIELD BEACH. OTHERWISE, PAYMENTS DUE UNDER THE LOANS AND WITH RESPECT TO THE BONDS ARE NOT A GENERAL OBLIGATION OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF DEERFIELD BEACH, FLORIDA.

General Description and Location

The City of Deerfield Beach, Florida (the "City") was incorporated in 1925 and is located in Broward County (the "County"). The City occupies a land area of 23 square miles. The City provides a broad range of municipal services. These services include public safety, sanitation, water and sewer, recreational and cultural activities, public improvements, planning, zoning, highways and streets and general administrative services. It does not provide primary or secondary education or health care. Those services are provided by the School Board of Broward County and the North Broward Hospital District, respectively.

Source: City of Deerfield Beach, Florida Comprehensive Annual Financial Report.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Population

Population trends for the City and the County are reflected in the following table:

Population Trends 1990-2011 City of Deerfield Beach, Florida and Broward County, Florida

<u>Year</u>	<u>City of Deerfield Beach</u>	<u>Average Annual Percentage Increase/ Decrease</u>	<u>Broward County</u>	<u>Average Annual Percentage Increase/ Decrease</u>
1990	47,240	--	1,255,531	--
2000	74,424	57.5	1,623,018	29.3
2001	74,946	0.70	1,668,560	2.83
2002	75,144	0.26	1,709,118	2.43
2003	75,113	(0.04)	1,731,347	1.30
2004	75,495	0.51	1,754,893	1.36
2005	75,886	0.52	1,777,638	1.30
2006	75,184	(0.93)	1,787,636	0.56
2007	74,091	(1.47)	1,759,591	(1.59)
2008	74,723	1.01	1,751,234	(0.48)
2009	75,185	0.85	1,766,476	0.87
2010	75,018	(0.22)	1,748,066	(1.05)
2011	76,389	1.83	1,780,172	1.84

Source: U.S. Department of Commerce, Bureau of the Census 1990 and 2000.

Government

The City operates under the commission/manager form of government. The City Commission develops legislation and policies to direct the City but employs a professional City Manager to oversee operations. The Mayor, elected at-large to a four-year term, acts as the formal representative of the City and presides over Commission meetings. The public elects four City Commissioners who serve four-year terms. Listed below are the current mayor and City Council members and the year of their term expiration.

<u>Elected Officials</u>	<u>Year Term Expires</u>
Peggy Moland, Mayor	2013
Martin Popelsky	2013
Bill Ganz	2013
Joseph R. Miller	2015
Ben Preston	2015

There are currently 458 employees of the City, and the City is under contract with the Broward County Sheriff's Office for police and fire services.

Source: City of Deerfield Beach, Florida; Deerfield Beach Human Resources Department.

Employee Relations

Under the State of Florida Public Employees Relations Act, Chapter 447, Florida Statutes, the employees of the City have certain rights, including the right to bargain collectively through representatives of their choosing on questions of wages, hours and other terms of employment. The Public Employees Relations Act and the Florida State Constitution prohibit strikes by municipal employees.

Florida is a right-to-work state and while employees may be designated by the State of Florida Public Employees Relations Commission as being within a bargaining unit, the employees have a statutory right to join or to refrain from joining the union, as they see fit. At the present time, the employees of the City are represented by a union.

The City Charter creates a civil service system, which is charged with screening applicants and hearing and determining appeals for disciplinary actions.

Source: City of Deerfield Beach, Florida.

Budget Preparation

The City is required by law to formulate a budget annually with respect to all departments of the City and to hold public hearings thereon as follows:

- a. Prior to September 1, the Mayor submits to the City Council a proposed operating budget for the General Fund for the ensuing fiscal year, commencing October 1. The operating budget includes proposed expenditures and the means of funding them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance.

- d. At any time, the Mayor may transfer any unencumbered appropriation balance or portion thereof between classifications of expenditures within an office or department. At the request of the Mayor and within the last six months of the fiscal year, the City Commission may transfer, by resolution, any unencumbered appropriation balance or portion thereof from one office or department to another. At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the fund from which it was appropriated and shall be subject to future appropriations.

Employees' Pension Trust

The City, as a single employer, maintains three defined benefit pension plans covering full-time firefighters employed by the City prior to October 1, 2011, police officers employed by the City prior to January 13, 1990 and non-uniformed employees hired before April 17, 1990. The Fire Pension Plan, Police Pension Plan and Non-uniformed Pension Plan are individual plans administered for each of three employee categories: fire, police and non-uniformed personnel. Each plan is governed by its own board of trustees, which is responsible for establishing employee benefit provisions within the framework of Chapters 175 and 185 of the Florida Statutes and local ordinances. Retirement, disability and death benefits and annual cost-of-living adjustments are provided by all three plans to members and beneficiaries. New members are no longer admitted to the fire and police and non-uniformed defined benefit plans.

Covered employees in the fire and non-uniformed benefit plans are required to contribute 9% of their gross salary. Beginning on January 13, 1990, participants in the police pension plan were no longer required to contribute to the plan. Prior to that time, a 9% contribution of gross salary was mandatory. The member's contribution rate is fixed by the authorizing ordinance and the City's contribution rate is actuarially determined.

The following is funded status information for each defined benefit pension plan as of September 30, 2010, the most recent actuarial valuation date:

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (Excess of Assets over AAL)(b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll {(b-a)/c}
Fire	\$86,997,197	\$101,861,896	\$14,864,699	85.4%	\$11,313,910	131.4%
Police	36,192,921	50,068,994	13,876,073	72.3	-	N/A
Non-Uniformed*	56,383,536	64,282,850	7,899,314	87.7	2,382,749	33.5

**Effective October 1, 2000, the actuarial cost method was changed from the Entry Age Normal Cost Method to the Aggregate Cost Method, which does not produce a UAAL. As the ARC was calculated using the aggregate cost method, the information in the schedule of funding progress is calculated using the entry age actuarial costs method as a surrogate for the funding progress of the plan.*

The City's annual required contribution for the current year and related information for each plan is as follows:

	<u>Fire</u>	<u>Police</u>	<u>Non-uniformed</u>
Contribution rates:			
City	19.70%	N/A	76.22%
Plan members	9.00%	0.00%	9.00%
Annual required contribution	\$3,321,431	\$1,498,638	\$1,816,148
Percentage contributed	100%	100%	100%
Actuarial valuation date	10/01/10	10/01/10	10/01/10
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of pay, closed	Level percentage of pay, closed	Level percentage of pay, closed
Remaining amortization period	30 years	20 years	15 years
Asset valuation method	5 year smoothed market	4 year smoothed market	4 year smoothed market
Actuarial assumptions:			
Investment rate of return	7.625%	6.750%	7.500%
Projected salary increase	5% to 11%	N/A	6.00%
Includes inflation of	4.00%	3% to 3.50%	4.00%
Cost of living adjustments	None	None	None

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Information regarding fiscal year 2011 participant data for the three pension plans is as follows:

	<u>Fire</u>	<u>Police</u>	<u>Non-uniformed</u>	<u>Total</u>
<i>Number of plan members:</i>				
Retirees and beneficiaries				
currently receiving benefits	60	77	116	253
Vested terminated employees	0	0	16	16
<i>Active employees:</i>				
Fully vested	97	0	32	129
Non-vested	23	0	0	23
<i>Benefit provisions:</i>				
Normal retirement benefit equals:				
Average salary for years shown	3	3	3	
At the rate of/per year of service	(b)	3.00%	3.00%	
Maximum years of service	30	30	30	
<i>Normal retirement eligibility:</i>				
Age/service years	52/10	47/10	64/10	
(Alternative)	N/A/20	47/20	55/25	
<i>Early retirement eligibility</i>				
Age/service years	47/10	47/10	55/10	

(b) The Fire Pension Plan's accrual rate is 3% for the first 10 years of service and 3.25% thereafter.

The Annual Pension Cost ("APC") is a measure of the periodic cost of an employer's participation in a defined benefit pension plan. As of the valuation dates indicated, three year historical trend information on the plans is presented in the table below:

	<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
<i>Fire</i>				
	2011	\$3,313,162	100.2%	\$(355,645)
	2010	3,067,935	100.3%	(347,376)
	2009	2,822,022	97.5%	(339,299)
<i>Police</i>				
	2011	\$1,500,142	99.9%	\$(81,077)
	2010	1,266,012	103.1%	(82,581)
	2009	1,249,843	101.2%	(43,278)
<i>Non-uniformed</i>				
	2011	\$1,816,148	100.0%	-
	2010	1,622,159	100.0%	-
	2009	802,633	100.0%	\$(448,936)

The derivation of the net pension asset for the Fire, Police and Non-uniformed Pension plans as of September 30, 2011 follows:

	<u>Fire</u>	<u>Police</u>	<u>Non-uniform</u>
a. Annual required contribution ("ARC")	\$3,321,431	\$1,498,638	\$1,816,148
b. Interest on Net Pension Obligation/(Asset) ("NPO"/"NPA")	(26,487)	(5,781)	-
c. Adjustment to ARC	18,218	7,285	-
d. Annual pension cost (a+b+c)	3,313,162	1,500,142	1,816,148
e. Actual contributions	3,321,431	1,498,638	1,816,148
f. NPO at beginning of year	(347,376)	(82,581)	-
g. Increase(decrease) in NPO/(NPA) (d-e)	(8,269)	1,504	-
h. NPO/(NPA) at end of year (f+g)	(355,645)	(81,077)	-

On January 13, 1990 the police officers of the City merged with the Broward County Sheriff's Office ("BSO"). On October 1, 2011, the City's fire/rescue department was merged into the BSO. BSO now provides police, fire and emergency services to the City's residents. The initial term of the contract with BSO is for five years, through September 30, 2015. State law provides that these officers, who are now employees of the Broward County Sheriff's Office, could make an irrevocable election to remain in the City's pension plan.

Other Postemployment Benefits

The City provides a single employer defined benefit postemployment health insurance benefit to its general employees, firefighters and police officers who are members of the Deerfield Beach Municipal Police Officers' Retirement Trust Fund. The City offers three fully-insured PPO plans for retirees. The City pays the premiums for the retiree only until the age of 65. The retiree pays the premium for an optional Medicare Supplementary coverage offered to post-65 retirees. Spouses of retired participants are eligible to participate in the retiree health care plan. Coverage continues to surviving spouses of deceased retirees for firefighters only. Coverage is terminated for spouses of all other retirees upon the death of the retiree.

Pursuant to Section 112.0801, Florida Statutes, general employees, firefighters and police officers who retire from the City may continue their participation in a City-sponsored health and/or dental insurance plan at the same premiums applicable to active employees. Since retiree claims are expected to result in higher costs to the plan, on average, than those for active employees on an actuarial basis, there is an implicit subsidy included in the premiums for the retirees.

Benefit provisions and City contribution requirements are established and may be amended by the City Commission. As of September 30, 2011, there were 195 retired employees receiving a monthly benefit with an additional 517 eligible for participation in the future. Benefit payments totaled \$1,611,826 for the year.

The City funds its OPEB obligation on a pay-as-you-go basis. Annual OPEB cost (AOC) is a measure of the periodic cost of an employer's participation in a defined benefit OPEB plan. Details of the City's AOC and Net OPEB Obligation (NOO) for the year ended September 30, 2011 as follows:

Annual required contribution	\$4,236,129
Interest on plan obligation	33,571
Adjustment to ARC	<u>(37,645)</u>
Annual OPEB cost (AOC)	4,232,055
Actual contributions made	<u>(1,611,826)</u>
Increase in NOO	2,620,229
NOO – Beginning of year	<u>746,026</u>
NOO – End of year	<u>\$3,366,255</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the last three fiscal years follow:

<u>Fiscal Year</u>	<u>AOC</u>	<u>Contribution</u>	<u>Percent Contributed</u>	<u>NOO</u>
2009	\$1,702,300	\$1,160,847	68.2%	\$541,453
2010	1,711,060	1,506,487	88.0%	746,026
2011	4,232,055	1,611,826	38.1%	3,366,255

As of the October 1, 2010 valuation date, the actuarial accrued liability for benefits was \$52,101,328 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$52,101,328. The payroll for active participating employees for that period was approximately \$33,561,568 and the unfunded actuarial accrued liability as a percentage of payroll was 155.2%. The annual OPEB cost and the actuarial accrued liability increased due to increased costs for claims based on the age-graded, sex distinct, monthly per capita cost.

Economic Base

Total employment in the County in 2011 reached approximately 985,251. Leading economic sectors based on relative employment levels include: government, retail and wholesale trade, services and manufacturing. The following is a list of the top ten non-governmental employers currently in the County.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

Major Non-Governmental Employers in Broward County, Florida (2011)

<u>Firm</u>	<u>Type of Business</u>	<u>Employees</u>
American Express	Financial Services	4,846
Nova Southeastern University	Education	3,919
PRC	Business Services	3,000
Kaplan Higher Education	Education	3,000
The Answer Group	Computer Services	2,800
Motorola	Communication	1,700
Interbond Corp. of America dba BrandsMart U.S.A.	Retail	1,700
JM Family Enterprises	Automotive	1,500
Spirit Airlines	Travel	1,466
Citrix Systems	Computer Services	1,428

Source: City of Deerfield Beach Chamber of Commerce.

The following is a list of the principal employers in the City of Deerfield Beach:

City of Deerfield Beach Principal Employers (2011)

<u>Employer</u>	<u>Employees</u>
North Broward Hospital	1,410
Publix Corporation	1,268
JM Family Enterprises	1,051
Sun-Sentinal	716
United Parcel Service (UPS)	538
City of Deerfield Beach	452
Broward Sheriff's Office	329
List Industries	230
Double Eagle Distribution	148
Medics Ambulance Service	146

Source: Employer's Human Resource Department; City of Deerfield Beach, Planning & Growth Management Department; Florida Agency for Workforce Innovation.

Recreation

The City's parks system maintains 266 developed acres at 30 sites. In 2003, the City commissioned a 25-year Parks and Recreation System Master Plan. The goal of the Master Plan is to assist the City in expanding and revitalizing its parks and recreation system to meet the needs and desires of its growing population. The City has begun capital improvement projects throughout its parks system with funding coming from various grants and bond dollars.

The recreation amenities available throughout the City include an aquatics center, athletic fields, gymnasium, outdoor basketball courts, tennis center and tot lots. The department also oversees the Blue Wave award winning beach, neighborhood parks, nature preserves and cemeteries. The department sponsors a wide variety of special events throughout the year, including the annual Festival of the Arts, movies at the beach or in the park, Moonlight Melodies Summer Beach Concerts, and a host of holiday-themed events in the Fall, Winter and Spring.

Transportation

Deerfield Beach Station, also known as the Old Deerfield Beach Seaboard Air Line Railway Station, is a train station in Deerfield Beach, which is served by Amtrak intercity rail and Tri-Rail commuter trail. Of the eighteen Florida stations served by Amtrak, Deerfield Beach was the eleventh-busiest in 2011, boarding or detraining an average of approximately 86 passengers daily.

Fort Lauderdale-Hollywood International Airport (FLL / KFLL) is located 17 miles from the City of Deerfield Beach and offers international and domestic flights. In 2011, the airport processed 38,314,369 passengers. The airport's close proximity to cruise line terminals in Port Everglades has also made it popular among tourists bound for the Caribbean.

Palm Beach International Airport (PBI / KPBI), which has international and domestic flights from West Palm Beach, Florida, is 25 miles from the City of Deerfield Beach. In 2011, the airport processed 5,769,583 passengers.

Miami International Airport (MIA) is located 38 miles from the City of Deerfield Beach and is operated by the Miami-Dade Aviation Department and the property of Miami-Dade County government. Founded in 1928, MIA is the largest U.S. gateway for Latin America and the Caribbean and is one of the leading international passenger and freight airports in the world. In 2009, 33,886,025 passengers traveled through the airport making the airport the 25th busiest airport in the world.

Taxes

Florida has no personal state income tax or inheritance tax. There is a state corporate tax of 5.5 percent on net income (with an exemption on the first \$5,000 of corporate profit) and a state retail sales tax of 6 percent (with permitted local optional sales taxes in excess of that). Ad valorem (real estate) taxes combine city, county and school districts levies, plus special districts. Florida's Homestead Exemption Act exempts home owner's taxes on the first \$50,000 of assessed value. Property in the City and County is assessed at approximately 100% of true market value.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

City of Deerfield Beach, Florida
Schedule of Bond and Long-Term Debt
As of September 30, 2011⁽¹⁾

<u>Obligation⁽¹⁾</u>	<u>Issue Date</u>	<u>Original Issue Amount</u>	<u>Unpaid Balance at 9/30/11</u>	<u>FY 2011 Principal</u>	<u>FY 2011 Interest</u>	<u>FY 2011 Total Debt Service</u>
General Obligation Bonds, Series 2000 Series A & B	2000	\$12,799,030	\$8,827,433	\$487,235	\$466,009	\$953,244
General Obligation Bonds, Series 2003A	2003	5,140,000	1,920,000	505,000	124,725	629,725
General Obligation Bonds, Series 2003B	2003	15,410,000	13,050,000	420,000	653,600	1,073,600
Covenant Bonds, Series 2003A	2003	6,825,000	5,685,000	210,000	294,300	504,300
Covenant Bonds, Series 2003B	2003	2,480,000	2,020,000	70,000	101,494	171,494
Covenant Bonds, Series 2006	2006	5,965,000	5,420,000	155,000	238,069	393,069
DEP Loans	1999	28,293,037	19,167,958	1,331,464	563,137	1,894,601
Revenue Bonds, Series 2008A	2008	<u>17,028,786</u>	<u>16,019,116</u>	<u>604,676</u>	<u>796,006</u>	<u>1,400,682</u>
Total		93,940,853	72,109,507	3,783,375	3,237,340	7,020,715

⁽¹⁾ All represent debt issued through the Florida Municipal Loan Council, except for DEP Loan.

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX G

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF DEERFIELD BEACH,
FLORIDA, FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2011**

[THIS PAGE INTENTIONALLY LEFT BLANK]



Independent Auditor's Report

To the Honorable Mayor and Members of the
City Commission
City of Deerfield Beach, Florida

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deerfield Beach, Florida (the "City"), as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Deerfield Beach Municipal Firemen's Pension Trust Fund, City of Deerfield Beach Non-Uniformed Employees' Retirement Plan, and the City of Deerfield Beach Municipal Police Officer's Retirement Plan, which statements represent 93% of the total assets and 56% of the total revenue of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Deerfield Beach Municipal Firemen's Pension Trust Fund, City of Deerfield Beach Non-Uniformed Employees' Retirement Plan, and the City of Deerfield Beach Municipal Police Officer's Retirement Plan is based on the reports of the other auditors.

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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Deerfield Beach, Florida as of September 30, 2011, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1D to the financial statements, the City adopted the recognition and disclosure requirements of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, during fiscal year 2011.

In accordance with *Government Auditing Standards*, we have also issued under separate cover a report dated May 30, 2012, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

1

Member of the BSM International network of independent accounting, tax and consulting firms.

City of Deerfield Beach, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2011

The management of the City of Deerfield Beach (City) presents this narrative overview and analysis to facilitate both a short and long-term analysis of the financial activities of the City of Deerfield Beach for the fiscal year ended September 30, 2011. This Management's Discussion and Analysis is based on currently known facts, decisions and conditions that existed as of the date of the independent auditor's report. The information presented is in accordance with Governmental Accounting Standards Board Statement Number 34 (GASB 34). We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i - iv of this report.

Financial Highlights

- The total assets of the City of Deerfield Beach at September 30, 2011 increased \$0.2 million from \$234.5 million to \$234.7 million, or 0.1% from the prior year.
- The City's total liabilities decreased by \$1.7 million, from \$100.0 million to \$98.3 million from the prior year. This resulted from scheduled principal payments.
- The assets of the City of Deerfield Beach exceeded its liabilities at the close of the most recent fiscal year by \$136.4 million (net assets). Of this amount, \$63.7 million was from governmental activities and \$72.7 million was from business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$27.5 million, a decrease of \$3.7 million, in comparison with the amount reported for the prior fiscal year. Of this amount, \$3.0 million was non-spendable; \$16.8 million was restricted; \$3.9 million was assigned, and \$3.8 million was unassigned and therefore available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance in the General Fund was \$4.7 million, or 5.9% of total General Fund expenditures and transfers. The City has a reserve policy of maintaining an amount in reserves that is at least 10% and 5%, respectively, of total General Fund expenditures and transfers for unassigned and committed fund balance. It is the City Commission's intent that ending fund balances be restored to these levels as soon as fiscal conditions allow.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of Deerfield Beach's basic financial statements. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Deerfield Beach's finances, in a manner similar to a private-sector business and include both long-term and short-term information about the City's financial status.

The statement of net assets presents information on all of the City of Deerfield Beach's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Deerfield Beach is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving

3

The management's discussion and analysis, the budgetary comparison information, the pension fund schedules of funding progress and employer contributions, and the schedule of funding progress – other post employment benefits as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required 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 City's basic financial statements. The accompanying introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey LLP

Fort Lauderdale, Florida
May 30, 2012

2

City of Deerfield Beach, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2011

rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in a future fiscal period. Examples of such items include earned but uncollected ad valorem taxes and earned, but unexpensed absences.

Both of the government-wide financial statements distinguish functions of the City of Deerfield Beach that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, economic environment, public safety, human services, physical environment, transportation, and culture and recreation. The business-type activities of the City of Deerfield Beach include water and sewer activity and solid waste services.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate Community Redevelopment Agency (CRA) for which the City is financially accountable. Although legally separate, the CRA's governing body is identical to the City Commission, and because the services of the CRA are exclusively for the benefit of the City and its residents, it is included as an integral part of the primary government.

The government-wide financial statements can be found on pages 14 - 16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Deerfield Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for activities where the emphasis is placed on available financial resources, rather than upon net income determination. Therefore, unlike the government-wide financial statements, governmental fund financial statements focus on the acquisition and use of current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Deerfield Beach maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for those funds that are considered significant (major) to the City as a whole. These financial statements report two major funds: general fund and community redevelopment agency fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements that are found on pages 62 - 75 of this report.

The City of Deerfield Beach adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 17 and 19 of this report.

4

Proprietary funds. Proprietary funds are used to account for activities where the emphasis is placed on net income determination. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements with greater detail. The City of Deerfield Beach uses enterprise funds to account for its water and sewer operations as well as its solid waste activities. The enterprise funds, both of which are considered to be major funds of the City, are reported separately as proprietary fund financial statements in the basic financial statements.

The basic proprietary fund financial statements can be found on pages 21 - 25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Deerfield Beach's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 26 - 27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28 - 56 of this report and should be read in conjunction with the City's financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the City of Deerfield Beach's progress in funding its obligation to provide pension and other post employment benefits to its employees, budgetary comparisons for the general fund and the budget to accounting principles generally accepted in the United States of America reconciliation schedule. RSI can be found on pages 57 - 61 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the RSI. Combining and individual fund statements and schedules can be found on pages 62 - 75 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Deerfield Beach, assets exceeded liabilities by \$136.4 million at the close of fiscal year 2011.

The largest portion of the City of Deerfield Beach's net assets (69.2%) reflects its investment in capital assets (e.g., land, buildings, equipment, improvements, utility plants and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City of Deerfield Beach uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Deerfield Beach's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Deerfield Beach's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$36,803,729	\$40,181,055	\$32,812,320	\$31,294,937	\$69,616,049	\$71,475,992
Capital assets	83,582,142	82,296,090	81,648,136	80,879,049	165,130,278	162,977,139
Total assets	120,385,871	122,477,145	114,460,456	111,973,986	234,746,327	234,453,131
Current liabilities	5,915,798	5,245,999	2,866,885	2,948,622	8,582,683	8,194,621
Long-term liabilities	50,752,066	50,359,589	38,985,508	41,404,225	89,737,574	91,763,814
Total liabilities	56,667,864	55,605,588	41,852,393	44,352,847	98,320,257	99,958,435
Net assets:						
Invested in capital assets,						
net of related debt	46,212,686	42,523,352	46,174,577	47,731,493	94,387,263	90,254,845
Restricted	18,784,355	19,803,912	8,887,096	-	27,671,464	19,803,912
Unrestricted	(1,279,034)	4,546,293	15,646,387	19,889,646	14,367,353	24,435,939
Total net assets	\$63,718,007	\$66,873,557	\$72,708,063	\$67,621,139	\$136,426,070	\$134,494,696

An additional portion of the City of Deerfield Beach's net assets, approximately 20.3%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$14.4 million) may be used to meet the government's ongoing obligations to citizens and creditors.

The net assets of business-type activities increased by \$5.1 million to \$72.7 million in 2011. This increase was primarily due to decreases in wastewater charges from Broward County, as well as the overall excess of system revenues over expenses.

The City's current and other assets decreased by \$1.9 million from \$71.5 million to \$69.6 million. Conversely, capital assets increased by \$2.1 million from \$163.0 million to \$165.1 million, or 1.3% from the prior year. Both the decrease in the current and other assets as well as the increase in capital assets were due to the construction of various water and wastewater facilities as well as other roadway and infrastructure improvements which occurred during the fiscal year.

Current liabilities increased by 4.7% from \$8.2 million to \$8.6 million. This increase was due to a decrease in construction obligations at the end of the year, as a result of the near-completion of various major capital improvements during fiscal year 2011.

The City's total noncurrent liabilities decreased by \$2.1 million from \$91.8 million to \$89.7 million, or approximately 2.3%, from the prior year. This was due primarily to scheduled principal repayments on bonds and loans payable.

City of Deerfield Beach's Change in Net Assets

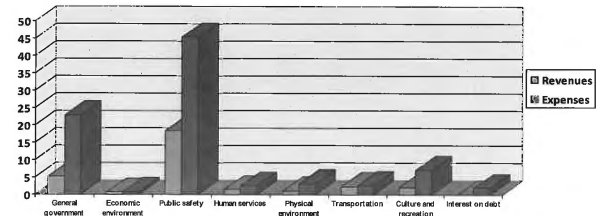
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 24,910,883	\$ 21,887,046	\$ 39,733,401	\$ 39,299,798	\$ 64,644,284	\$ 61,186,844
Operating grants/contributions	5,009,285	6,999,594	-	-	5,009,285	6,999,594
Capital grants/contributions	2,038,731	925,167	292,206	12,240	2,330,937	937,407
General revenues:						
Taxes	49,445,010	49,881,574	-	-	49,445,010	49,881,574
Grants and contributions not restricted to specific programs and miscellaneous	1,674,028	1,240,010	-	-	1,674,028	1,240,010
Unrestricted investment earnings	77,980	169,249	31,833	9,771	109,813	170,220
Total revenues	83,156,897	81,063,840	40,057,440	39,321,809	123,213,337	120,415,449
Expenses:						
General government	22,805,473	18,528,933	-	-	22,805,473	18,528,933
Economic environment	770,651	1,415,860	-	-	770,651	1,415,860
Public safety	45,398,408	44,400,644	-	-	45,398,408	44,400,644
Human services	2,510,309	2,722,603	-	-	2,510,309	2,722,603
Physical environment	3,062,598	5,875,926	-	-	3,062,598	5,875,926
Transportation	2,579,100	2,811,620	-	-	2,579,100	2,811,620
Culture and recreation	7,223,675	6,465,100	-	-	7,223,675	6,465,100
Interest on long-term-debt	1,923,219	1,970,464	-	-	1,923,219	1,970,464
Water and sewer	-	-	20,182,450	21,264,592	20,182,450	21,264,592
Solid waste	-	-	14,795,080	15,307,635	14,795,080	15,307,635
Total expenses	86,304,433	84,291,150	34,977,530	36,572,227	121,281,963	120,863,377
Change in net assets	(3,148,536)	(3,197,510)	5,079,910	2,749,582	1,931,374	(447,898)
Transfer	(7,014)	-	7,014	-	-	-
Change in net assets	(3,155,550)	(3,197,510)	5,086,924	2,749,582	1,931,374	(447,898)
Net assets, October 1	66,873,557	70,071,067	67,621,139	64,871,557	134,494,696	134,942,624
Net assets, September 30	\$ 63,718,007	\$ 66,873,557	\$ 72,708,063	\$ 67,621,139	\$ 136,426,070	\$ 134,494,696

Governmental activities. Governmental activities decreased the City's net assets by \$3.2 million. The City's total revenues amounted to \$83.2 million in governmental activities. Of these revenues, 59.5% is generated from taxes, 29.9% is from charges for services, operating grants/contributions comprise 6.0%, capital grants/contributions make up 2.5%, grants and contributions not restricted to specific programs and miscellaneous revenues equals 2.0%, and unrestricted investment earnings generates 0.1%. Most of the decrease in the City's net assets mentioned above, was primarily due to decrease in collections from operating grants and contributions as well as decreases in ad valorem and franchise taxes, all of which have been impacted adversely by the global economic downturn.

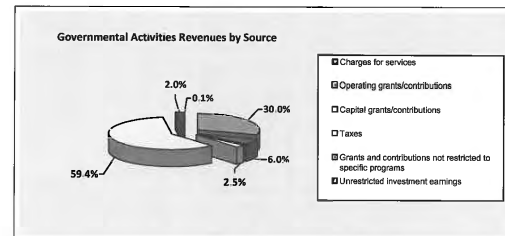
The City's expenses cover a broad range of services, with approximately 52.6% of governmental activity expenses related to public safety (fire/rescue and police protection). General government expenses constitute the largest component of the change in total expenses due to an increase in the case reserves for insurance claims as well as an increase in the provision for other post employment benefits other than pension. The City's governmental activities had 3.8% more expenses than revenues. However, for business-type activities, revenues exceeded expenses by a 12.9% margin.

The next chart compares program revenues and expenses for the individual governmental activities for the current year. As the chart reflects, all governmental activities relied on general revenues to support the function.

Governmental Activities - Expenses and Program Revenues (Dollars in Millions)

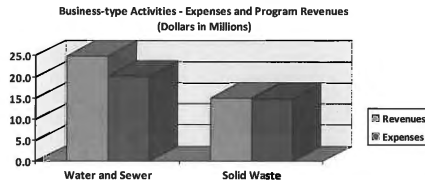


The next chart shows the percent of the total for each source of revenue supporting governmental activities.

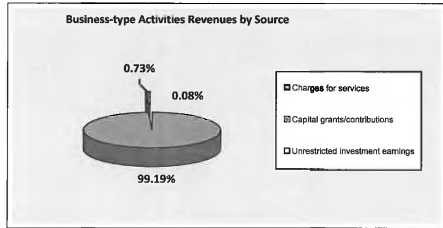


Business-type activities. Business-type activities increased the City's net assets by \$5.1 million. This increase in the net assets of business-type activities was due primarily to an excess of revenues over expenses.

The following chart compares program revenues to expenses by individual business-type activity for the current year. These business-type activities recover more costs through program revenues than governmental activities and the water and sewer fund, generating sufficient revenues to cover current expenses.



The following chart shows that 99.19% of revenues from business-type activities are generated by charges for services.



Financial Analysis of the City's Funds

The City of Deerfield Beach uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Deerfield Beach's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Deerfield Beach's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Deerfield Beach's governmental funds reported combined ending fund balances of \$27.5 million, a decrease of \$3.7 million from the prior year's ending balances of \$31.2 million. Approximately 13.7% of the combined fund balances (\$3,773,362) constitute *unassigned fund balance* that is available to meet the City's current and future needs. The remainder of fund balance is *non-spendable, restricted, committed and assigned* to indicate that it is not available for new spending.

- Parks & Recreation - increase of \$44,150 in appropriations for expenses in connection with Pioneer Park Improvements Project, Phases I and II.
- Other Unclassified (Non-departmental) - decrease of \$44,150 in appropriations in furtherance of the Pioneer Park Improvements Project, Phases I and II.

The more significant budget-to-actual variances in the General Fund arose as a result of the following:

- Franchise taxes - as a result of the current economic downturn, this revenue source was below what was originally anticipated.
- Licenses and permits - increase in electrical and mechanical permit revenues as a result of commercial project that was not anticipated.
- Parks & Recreation - expenditures exceeded amounts budgeted due to personnel costs incurred as a result of restructuring of the department.
- Fire/Rescue - expenditures incurred exceeded amounts budgeted as a result of increases in pension contributions as well as increased overtime costs.
- Insurance/Safety - expenditures incurred exceeded amounts budgeted as a result of increased health and workers' compensation claims costs.

Capital Assets and Debt Administration

Capital assets. The City of Deerfield Beach's capital assets for its governmental and business-type activities as of September 30, 2011, amounted to \$165.1 million (net of accumulated depreciation). These capital assets include land, buildings, improvements other than building (such as improvements to parks), equipment, utility plants in service and infrastructure (roads, highways, bridges, etc.). The total increase in the City's capital assets for the current fiscal year was 1.3% (1.6% for governmental activities and 1.08% for business-type activities). The following table summarizes the City's capital assets.

City of Deerfield Beach's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 11,730,316	\$ 11,595,299	\$ 50,531	\$ 50,531	\$ 11,780,847	\$ 11,645,830
Buildings	27,890,185	28,793,489	665,495	725,174	28,555,680	29,518,663
Improvements other than buildings	2,434,525	2,414,064	32,444,213	31,998,137	34,878,738	34,412,201
Equipment	2,793,051	3,115,255	2,781,287	3,685,249	5,554,348	6,780,504
Utility plants in service	-	-	21,393,419	22,409,004	21,393,419	22,409,004
Infrastructure	22,814,596	23,178,098	-	-	22,814,596	23,178,098
Construction in progress	15,910,470	13,200,887	24,233,181	21,830,854	40,143,651	35,031,741
Total	\$ 83,562,142	\$ 82,298,090	\$ 81,548,130	\$ 80,679,049	\$ 165,130,278	\$ 162,877,138

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance was \$4.7 million, while total fund balance was \$9.4 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 5.9% of total general fund expenditures, while total fund balance represents approximately 11.7% of that same amount.

The total fund balance of the City of Deerfield Beach's General Fund decreased by \$3.9 million during the current fiscal year, which was less than prior year's decrease of \$6.7 million. Key factors in this decrease are as follows:

- Property tax revenue decreased by \$0.7 million as a result of the continued decline in the taxable values of real property.
- Fire assessment fees increased by \$2.0 million as a result of an increase in the rate charged to property owners.
- Intergovernmental revenue decreased by \$1.6 million as a result of decreases in non-recurring reimbursements for hurricane-related expenditures that were received in the previous fiscal year.
- Public safety expenditures increased by approximately \$0.4 million due to increased costs incurred for police and fire protection.
- Physical environment expenditures decreased by \$2.9 million as a result of the elimination of the Parks Maintenance Division and the subsequent merger of some of its employees into one of three recreational zones. Physical environment expenditures also decreased as a result of the elimination of 106 full and part-time positions, which became effective at the beginning of fiscal year 2011.
- Culture and recreation expenditures increased by \$1.0 million as a result of restructuring of the Parks & Recreation Department due to the elimination of the Parks Maintenance Division noted above.

The Community Redevelopment Agency Fund accounts for revenues collected from and expenditures incurred within the community redevelopment area which borders Federal Highway to the west and State Road A1A to the east. At the end of the fiscal year, the restricted and total fund balance in this fund totaled \$9.1 million, which represents a decrease of \$1.2 million from the prior year. This decrease was due to the CRA incurring additional expenditures as a result of increased projects and programs in the CRA target area.

Proprietary funds. The City of Deerfield Beach's proprietary funds provide the same type of information found in the government-wide business-type activities financial statements, but in more detail.

Unrestricted net assets of the water and sewer fund at the end of the year amounted to \$15.7 million. The Solid Waste Fund had a deficit of \$33,403 at the end of the fiscal year. Factors concerning the finances of these two funds have already been addressed in the discussion of the City of Deerfield Beach's business-type activities.

General Fund Budgetary Highlights

As a result of an increase in grant funding for the City's Emergency Home Energy Assistance Program, during the year, the General Fund budget increased by \$36,738. This increase directly impacted the Senior Services Department. Further, there were interdepartmental budget transfers totaling \$44,150 that required approval of the City Commission, as follows:

Major capital asset events during the current fiscal year included the following:

- Completion of the Cove Shopping Center Parking improvements project, which amounted to approximately \$2.2 million.
- Construction in progress of the reverse osmosis water treatment plant and various other water and wastewater facility improvements with an estimated cost of \$3.9 million.
- Pre-construction and design of the Deerfield Beach International Fishing Pier.
- Construction in progress of the Dixie Highway Flyover, which is funded by the American Recovery and Reinvestment Act as well as the Florida Department of Transportation.

Additional information on the City of Deerfield Beach's capital assets can be found in Note III (C) on pages 41 - 42 of this report.

Long-term debt. At year-end, the City of Deerfield Beach had \$23.8 million in general obligation bonds outstanding. The City also had \$13.1 million in outstanding covenant bonds (for which the City must "covenant" and appropriate funds necessary to pay the annual debt service), but which are primarily backed by sources other than ad valorem taxes. The business-type activities had \$16.0 million outstanding in revenue bonds and \$19.2 million outstanding in loans payable at the end of the fiscal year. No new debt was issued during the fiscal year.

The City continues to maintain high investment grade ratings from the three major rating agencies. Ratings of A from Fitch Ratings, AA- from Standard and Poor's Corporation and Aa2 from Moody's Investors' Service, Inc. remain unchanged from the prior fiscal year.

City of Deerfield Beach's Outstanding Debt (Bonds, Loans and Leases Payable)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds (backed by the City)	\$ 23,797,434	\$ 25,209,669	\$ -	\$ -	\$ 23,797,434	\$ 25,209,669
Revenue bonds	-	-	16,019,116	16,623,792	16,019,116	16,623,792
Covenant bonds	13,125,000	13,560,000	-	-	13,125,000	13,560,000
Add/(subject) premium/(discount)	684,963	729,972	-	-	684,963	729,972
Capital leases	882,697	1,375,734	1,640,043	2,472,783	2,531,740	3,848,517
Loan payable	-	-	19,167,958	20,489,422	19,167,958	20,489,422
Total bonds, loans and leases payable	\$ 38,470,094	\$ 40,875,375	\$ 36,836,117	\$ 39,595,997	\$ 75,306,211	\$ 80,471,372

The City's general obligation debt per capita, excluding enterprise fund debt, was \$315 at the end of fiscal year 2011. The City's outstanding net general obligation debt was 0.29% of the City's assessed property value. Neither the Florida statutes nor the current ordinances of the City of Deerfield Beach specify a legal debt margin.

Additional information on the City of Deerfield Beach's long-term debt can be found in Note III (H) on pages 45 - 48 of this report.

Economic Factors and Next Year's Budgets and Rates

During the preparation of the budget for the ensuing fiscal year, the City evaluated the long-term impacts of the national and local economies in conjunction with business decisions made. The following are the major assumptions used in formulating the fiscal 2012 budget:

- The nation's economy will continue to contract amidst a global economic crisis.
- Florida will continue to experience a continued downturn in the housing market therefore limiting increases in the taxable value of property.
- Franchise taxes, namely the electric franchise tax, are expected to decrease by 8.7% in fiscal year 2012. This is as a result of fluctuations in consumption and the price of fuel.
- Property tax revenue will decrease by 19.8% due to decreases in the taxable values of properties within City limits as well as the imposition of a 10% municipal public service (utility) tax, which is projected to generate approximately \$6.2 million in revenue.
- The City's population will remain stable.
- Salaries and related benefits will decline by approximately 5% as a result of worker concessions.
- Water and sewer as well as solid waste rates will remain constant.

During the current fiscal year, total fund balance in the General Fund amounted to \$9.4 million. The City has no plans to utilize any of its available General Fund balance for spending in Fiscal Year 2012.

Requests for Information

This financial report is designed to provide a general overview of the City of Deerfield Beach's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Deerfield Beach, 150 N.E. 2nd Avenue, Deerfield Beach, Florida 33441.

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,501,579	\$ 2,262,321	\$ 3,763,900
Investments	6,540,612	12,254,501	18,795,113
Receivables (net of allowances)	2,904,052	5,173,464	8,077,556
Due from other governments	2,493,823	-	2,493,823
Inventories	343,383	173,206	516,589
Prepays	918,388	24,308	942,696
Deferred charges	596,871	-	596,871
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	3,766,795	5,972,793	9,739,588
Investments	13,925,353	6,961,727	20,887,080
Due from other governments	1,622,704	-	1,622,704
Real estate held for resale	980,717	-	980,717
Permanently restricted:			
Investments	1,209,312	-	1,209,312
Capital assets:			
Nondepreciable	27,649,786	24,283,712	51,933,498
Depreciable (net)	55,932,356	57,264,424	113,196,780
Total assets	120,385,871	114,360,456	234,746,327
LIABILITIES			
Accounts payable	2,690,141	1,448,057	4,138,198
Accrued liabilities	573,457	146,420	719,877
Accrued interest payable	765,753	574,786	1,340,549
Due to other governments	37,576	-	37,576
Unearned revenue	724,440	-	724,440
Payable from restricted assets:			
Accounts payable	1,108,537	-	1,108,537
Accrued liabilities	14,904	-	14,904
Customer deposits	-	497,612	497,612
Non-current liabilities:			
Due within one year:			
Compensated absences	2,504,622	872,826	3,377,548
Insurance claims payable	1,198,000	-	1,198,000
Due to other governments	123,763	-	123,763
Bonds, loans and leases payable	2,350,701	2,606,571	4,957,272
Due in more than one year:			
Compensated absences	713,529	206,667	920,196
Net OPEB liability	2,296,448	1,069,807	3,366,255
Insurance claims payable	5,162,086	-	5,162,086
Due to other governments	263,525	-	263,525
Bonds, loans and leases payable	36,118,392	34,229,537	70,348,929
Total liabilities	56,667,864	41,652,293	98,320,257
NET ASSETS			
Invested in capital assets,			
net of related debt	46,212,696	48,174,577	94,387,283
Restricted for:			
Debt service	122,012	1,730,648	1,852,660
Rate stabilization	-	7,156,451	7,156,451
Perpetual care:			
Nonexpendable	1,209,312	-	1,209,312
Expendable	1,496,527	-	1,496,527
Economic environment	11,196,303	-	11,196,303
Public safety	1,315,993	-	1,315,993
Human services	264,352	-	264,352
Physical environment	491,134	-	491,134
Transportation	2,337,090	-	2,337,090
Culture and recreation	361,632	-	361,632
Unrestricted (deficit)	(1,279,034)	15,646,387	14,367,353
Total net assets	\$ 63,718,007	\$ 72,708,063	\$ 136,426,070

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

CITY OF DEERFIELD BEACH, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Functions/Programs	Expenses	Program Revenues		
		Operating Services	Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 22,805,473	\$ 5,253,744	\$ -	\$ -
Economic environment	770,651	-	703,834	17,000
Public safety	45,399,408	15,899,993	1,898,464	652,556
Human services	2,510,309	23,387	1,285,179	166,941
Physical environment	3,092,598	186,497	141,235	655,658
Transportation	2,579,100	1,684,182	751,922	522,908
Culture and recreation	7,223,675	1,863,060	228,651	23,668
Interest and fiscal charges	1,923,219	-	-	-
Total governmental activities	86,304,433	24,910,863	5,009,285	2,038,731
Business-Type activities:				
Water and sewer	20,182,450	24,807,442	-	85,306
Solid waste	14,795,080	14,925,959	-	206,900
Total business-type activities	34,977,530	39,733,401	-	292,206
Total	\$ 121,281,963	\$ 64,644,264	\$ 5,009,285	\$ 2,330,937

Governmental Activities	Business-Type Activities	Net (Expense) Revenue and Changes in Net Assets	
		Business-Type Activities	Total
\$ (17,551,729)	\$ -	\$ -	\$ (17,551,729)
(49,817)	-	-	(49,817)
(26,948,395)	-	-	(26,948,395)
(1,034,802)	-	-	(1,034,802)
(2,109,208)	-	-	(2,109,208)
379,912	-	-	379,912
(5,108,296)	-	-	(5,108,296)
(1,923,219)	-	-	(1,923,219)
(54,345,554)	-	-	(54,345,554)
-	4,710,298	4,710,298	4,710,298
-	337,779	337,779	337,779
-	5,048,077	5,048,077	5,048,077
(54,345,554)	5,048,077	5,048,077	(49,297,477)

General revenues:			
Property taxes	33,409,541	-	33,409,541
Incremental property taxes	1,382,280	-	1,382,280
Sales taxes	3,890,338	-	3,890,338
Franchise taxes	9,429,873	-	9,429,873
Motor fuel taxes	1,283,545	-	1,283,545
Alcoholic beverage/mobile home license taxes	49,433	-	49,433
Grants and contributions not restricted to specific programs	1,241,144	-	1,241,144
Unrestricted investment earnings	77,980	31,833	109,813
Miscellaneous	432,884	-	432,884
Transfers	(7,014)	7,014	-
Total general revenues and transfers	51,190,004	38,847	51,228,851
Change in net assets	(3,155,550)	5,086,924	1,931,374
Net assets - beginning	66,873,557	67,621,139	134,494,696
Net assets - ending	\$ 63,718,007	\$ 72,708,063	\$ 136,426,070

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

CITY OF DEERFIELD BEACH, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

CITY OF DEERFIELD BEACH, FLORIDA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	General	Community Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,501,579	\$ 1,217,655	\$ 2,549,140	\$ 5,268,374
Investments	6,540,612	7,797,149	7,337,516	21,675,277
Receivables (net):				
Accounts	2,876,501	-	25,254	2,901,755
Assessments	842	-	-	842
Interest	1,475	11	9	1,495
Due from other funds	1,246,637	646,079	-	1,892,716
Due from other governments	2,493,623	-	1,622,704	4,116,327
Inventories	343,383	-	-	343,383
Real estate held for resale	-	-	980,717	980,717
Prepaid items	480,706	-	960	481,666
Total assets	\$ 15,485,558	\$ 9,660,894	\$ 12,516,300	\$ 37,662,752
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,690,141	\$ 521,626	\$ 587,901	\$ 3,799,668
Accrued payroll	720,296	6,685	14,904	741,885
Due to other funds	-	-	1,892,716	1,892,716
Due to other governments	36,734	-	842	37,576
Unassigned/deferred revenue	2,846,846	-	1,023,936	3,870,782
Total liabilities	6,094,017	528,311	3,520,299	10,142,627
Fund balances:				
Non-spendable	824,089	-	2,190,989	3,015,078
Restricted	-	9,132,583	7,713,690	16,846,273
Assigned	3,885,412	-	-	3,885,412
Unassigned (deficit)	4,682,040	-	(908,678)	3,773,362
Total fund balances	9,391,541	9,132,583	8,996,001	27,520,125
Total liabilities and fund balances	\$ 15,485,558	\$ 9,660,894	\$ 12,516,300	\$ 37,662,752

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

17

Fund balances, total governmental funds:	\$ 27,520,125
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.	
Governmental capital assets	144,497,640
Less: accumulated depreciation	(60,915,498)
Net capital assets	83,582,142
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Accrued interest payable on long-term bonds	(765,753)
Bonds and notes payable	(36,922,434)
Due to other governments	(387,288)
Capital leases payable	(882,697)
Insurance claims payable	(6,226,562)
Net OPEB liability	(2,296,448)
Compensated absences	(3,218,151)
Total	(50,699,333)
Revenues are deferred in the governmental funds because they are not available to pay current period expenditures. They are, however, recognized in the government activities.	2,946,342
The pension assets are not considered current financial resources and are therefore not reported in the funds.	436,722
Bond premiums, discounts, gains and losses related to the issuance of long-term debt are charged to "Other Financing Sources and Uses" when debt is issued in the governmental funds. These items, however, must be capitalized and amortized over the life of the bonds in the government-wide financial statements.	
Bond premium, beginning	(729,971)
Amortization	65,009
Unamortized premium, September 30, 2011	(664,962)
Financing costs related to the issuance of long-term debt are expensed by governmental funds in the fund financial statements; under full accrual accounting, these amounts are treated as an asset and are amortized over the life of the debt in the government-wide financial statements.	
Bond issuance costs, beginning	641,184
Amortization	(44,213)
Unamortized deferred charges, September 30, 2011	596,971
Net assets of governmental activities	\$ 63,718,007

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

18

CITY OF DEERFIELD BEACH, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

CITY OF DEERFIELD BEACH, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General	Community Redevelopment Agency	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 32,670,366	\$ 1,382,280	\$ -	\$ 34,282,646
Sales and use taxes	5,165,731	-	-	5,165,731
Fire assessment fees	8,090,526	-	-	8,090,526
Franchise fees	9,584,608	-	-	9,584,608
Local option gas tax	-	-	1,283,545	1,283,545
Local business taxes/permits	2,567,037	-	2,567,037	5,134,074
Intergovernmental	2,386,734	-	4,380,656	6,779,390
Charges for services	8,013,366	-	84,837	8,098,203
Fines and forfeitures	1,006,663	-	239,932	1,246,595
Investment earnings	32,311	21,825	24,018	78,154
Miscellaneous:				
Cemetery plot sales	-	-	87,350	87,350
Donations/contributions	2,094,336	-	155,806	2,250,142
Administrative fees	2,641,813	-	354,280	2,996,093
Other	567,603	100	17,421	585,124
Total revenues	75,033,084	1,404,205	6,627,845	83,065,134
EXPENDITURES				
Current:				
General government	19,943,800	-	-	19,943,800
Economic environment	-	492,961	285,690	778,651
Public safety	43,593,954	-	298,182	43,892,036
Human services	2,454,137	-	-	2,454,137
Physical environment	2,063,990	-	204,395	2,268,385
Transportation	58,431	-	1,612,476	1,670,907
Culture and recreation	6,212,700	76,431	244,437	6,533,568
Capital outlay	-	2,580,591	2,368,583	4,949,174
Debt service:				
Principal	422,375	-	1,917,897	2,340,272
Interest and fiscal charges	28,681	-	1,826,356	1,955,037
Total expenditures	74,777,968	3,149,983	8,858,016	86,785,967
Excess (deficiency) of revenues over expenditures	255,116	(1,745,778)	(2,230,171)	(3,720,833)
OTHER FINANCING SOURCES (USES)				
Transfers in	958,202	1,256,339	3,939,744	6,154,285
Transfers out	(5,106,582)	(689,300)	(365,417)	(6,161,299)
Total other financing sources (uses)	(4,148,380)	567,039	3,574,327	(7,014)
Net change in fund balances	(3,893,264)	(1,178,739)	1,344,156	(3,727,847)
Fund balances - beginning	13,284,805	10,311,322	7,651,845	31,247,972
Fund balances - ending	\$ 9,391,541	\$ 9,132,583	\$ 8,996,001	\$ 27,520,125

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

19

Net change in fund balances-total governmental funds	\$ (3,727,847)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	
Expenditures for capital assets	5,194,992
Less: current year's depreciation	(4,017,881)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	90,763
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported in the funds:	
Increase in long-term portion of insurance claims payable	(1,456,673)
Increase in net pension asset	6,765
Increase in net OPEB liability	(1,718,624)
In the statement of activities, certain operating expenses - compensated absences (sick and vacation pay) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amounts actually used (paid). During the fiscal year, compensated absences used, \$2,262,561, exceeded the amount earned, \$2,109,896.	152,865
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Debt retired:	
Principal repayments	2,340,272
Note payable	8,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The net change in interest reported in the statement of activities is the net result of accrued interest on bonds, leases and notes payable.	31,818
Change in net assets of governmental activities	\$ (3,155,550)

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

20

CITY OF DEERFIELD BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,716,444	\$ 535,877	\$ 2,252,321
Investments	12,254,501	-	12,254,501
Restricted cash and cash equivalents:			
Customer deposits	439,050	58,562	497,612
Revenue bond covenant accounts	984,016	-	984,016
Receivables (net):			
Accounts	3,251,100	1,686,141	4,937,241
Delinquent assessments	37,488	-	37,488
Interest	198,735	-	198,735
Due from other funds	750,000	-	750,000
Inventories	173,206	-	173,206
Prepaid items	24,308	-	24,308
Total current assets	19,828,848	2,280,580	22,109,428
Noncurrent assets:			
Restricted cash and cash equivalents:			
Revolving loan covenant accounts	746,632	-	746,632
Bond construction accounts	3,549,809	-	3,549,809
Rate stabilization	194,724	-	194,724
Restricted investments:			
Rate stabilization	6,961,727	-	6,961,727
Capital assets:			
Land	50,531	-	50,531
Buildings	1,810,875	-	1,810,875
Utility plants in service	35,059,134	-	35,059,134
Improvements other than buildings	63,569,799	48,500	63,618,299
Equipment	6,239,725	12,684,836	18,924,561
Construction in progress	24,233,181	-	24,233,181
Less accumulated depreciation	(51,568,574)	(10,579,871)	(62,148,445)
Total capital assets (net of accumulated depreciation)	79,394,671	2,153,465	81,548,136
Total noncurrent assets	90,847,563	2,153,465	93,001,028
Total assets	110,676,411	4,434,045	115,110,456

21

CITY OF DEERFIELD BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable	990,383	457,674	1,448,057
Accrued payroll	86,322	60,098	146,420
Due to other funds	-	750,000	750,000
Customer deposits payable	439,050	58,562	497,612
Compensated absences	476,775	396,151	872,926
Matured interest payable	574,796	-	574,796
Capital leases payable - current	-	644,289	644,289
Bonds payable, current	592,344	-	592,344
Loan payable, current	1,369,938	-	1,369,938
Total current liabilities	4,529,608	2,366,774	6,896,382
Noncurrent liabilities:			
Compensated absences	123,424	83,243	206,667
Net OPEB liability	561,552	508,255	1,069,807
Capital leases payable	-	1,004,754	1,004,754
Bonds payable	15,426,762	-	15,426,762
Loan payable	17,798,021	-	17,798,021
Total noncurrent liabilities	33,909,759	1,596,252	35,506,011
Total liabilities	38,439,367	3,963,026	42,402,393
NET ASSETS			
Invested in capital assets, net of related debt	47,670,155	504,422	48,174,577
Restricted for:			
Debt service	1,730,648	-	1,730,648
Rate stabilization	7,156,451	-	7,156,451
Unrestricted	15,679,790	(33,403)	15,646,387
Total net assets	\$ 72,237,044	\$ 471,019	\$ 72,708,063

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

22

CITY OF DEERFIELD BEACH, FLORIDA
 STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Total
Operating revenues:			
Charges for sales and services:			
Water sales pledged as security for revolving loans	\$ 15,264,714	\$ -	\$ 15,264,714
Sewer charges pledged as security for revolving loans	8,858,603	-	8,858,603
Solid waste charges	-	14,505,477	14,505,477
Engineering fees	61,243	-	61,243
Miscellaneous	622,882	420,482	1,043,364
Total operating revenues	24,807,442	14,925,959	39,733,401
Operating expenses:			
Personal services	5,897,624	4,734,421	10,632,045
Contractual services	553,285	71,038	624,323
Electricity	881,357	-	881,357
Insurance	1,232,583	970,481	2,203,064
Fixed charges	34,446	17,858	52,304
County wastewater charge	4,385,246	-	4,385,246
County raw water charge	47,718	-	47,718
Disposal fees	-	6,074,254	6,074,254
General administrative charge	1,967,170	946,267	2,913,437
Commodities	1,520,781	973,821	2,494,602
Depreciation	3,099,257	944,974	4,044,231
Fiscal charges	11,161	-	11,161
Total operating expenses	19,630,628	14,733,114	34,363,742
Operating income (loss)	5,176,814	192,845	5,369,659
Non-operating revenues (expenses):			
Investment earnings	31,833	-	31,833
Interest charges	(551,822)	(61,966)	(613,788)
Total non-operating expenses	(519,989)	(61,966)	(581,955)
Income (loss) before contributions and transfers	4,656,825	130,879	4,787,704
Capital contributions - tap fees	3,060	-	3,060
Capital contributions - other	82,246	206,900	289,146
Transfers in	7,014	-	7,014
Change in net assets	4,749,145	337,779	5,086,924
Total net assets - beginning	67,487,899	133,240	67,621,139
Total net assets - ending	\$ 72,237,044	\$ 471,019	\$ 72,708,063

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

23

CITY OF DEERFIELD BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 25,529,145	\$ 15,265,045	\$ 40,794,190
Payments to suppliers	(10,605,005)	(8,983,894)	(19,588,899)
Payments to employees	(5,981,289)	(4,708,255)	(10,689,544)
Net cash provided by operating activities	8,942,851	1,572,896	10,515,747
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	7,014	-	7,014
Collection (repayment) of interfund loans	200,401	(200,401)	-
Net cash provided by (used in) non-capital financing activities	207,415	(200,401)	7,014
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital contributed from connection fees	3,060	-	3,060
Acquisition and construction of capital assets	(4,624,182)	-	(4,624,182)
Principal paid on:			
Capital lease	-	(823,740)	(823,740)
Loan	(1,331,463)	-	(1,331,463)
Interest paid on:			
Capital lease	-	(61,900)	(61,900)
Loan	(1,167,814)	-	(1,167,814)
Deposits	(719)	(66)	(785)
Collection of special assessment levies	3,460	-	3,460
Net cash used in capital and related financing activities	(7,117,658)	(885,706)	(8,003,364)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales and maturities of investments	14,141,643	-	14,141,643
Purchase of investments	(19,410,952)	-	(19,410,952)
Interest and dividends received	31,937	-	31,937
Net cash used in investing activities	(5,237,372)	-	(5,237,372)
Net increase (decrease) in cash and cash equivalents	(3,204,764)	486,789	(2,717,975)
Cash and cash equivalents, beginning of year	10,640,715	107,650	10,748,365
Cash and cash equivalents, end of year	\$ 7,435,951	\$ 594,439	\$ 8,030,390
Cash and cash equivalents	\$ 1,716,444	\$ 535,877	\$ 2,252,321
Cash and cash equivalents - restricted (current)	1,031,385	58,562	1,089,947
Cash and cash equivalents - restricted (noncurrent)	4,688,122	-	4,688,122
Cash and cash equivalents, end of year	\$ 7,435,951	\$ 594,439	\$ 8,030,390

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

(Continued)

24

CITY OF DEERFIELD BEACH, FLORIDA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

CITY OF DEERFIELD BEACH, FLORIDA
 PENSION TRUST FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 SEPTEMBER 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 5,176,814	\$ 192,845	\$ 5,369,659
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation expense	3,099,257	944,974	4,044,231
Changes in assets and liabilities:			
Increase in accounts receivable, net of allowances	702,302	332,335	1,034,637
Increase in inventories	(6,681)	-	(6,681)
Decrease in prepaid items	992	-	992
Increase (decrease) in customer deposits	19,401	(6,100)	13,301
Decrease in accounts payable and accrued liabilities	(188,596)	(92,968)	(281,564)
Net increase in OPEB liability	472,973	428,632	901,605
Decrease in compensated absences payable	(333,611)	(226,822)	(560,433)
Total adjustments	3,766,037	1,380,051	5,146,088
Net cash provided by operating activities	\$ 8,942,851	\$ 1,572,896	\$ 10,515,747

Non-cash investing, capital and financing activities:			
Net depreciation in the value of investments reported at fair value	\$ (34,985)	\$ -	\$ (34,985)
Capital contribution from governmental units	82,246	206,900	289,146
Capital assets acquired through vouchers payable	256,306	-	256,306

25

	Fiduciary Funds
ASSETS:	
Cash and cash equivalents	\$ 8,247,736
Investments:	
Mutual funds	68,949,607
U.S. Government securities	14,917,233
Corporate equities	50,793,904
Corporate bonds and notes	16,114,875
Total investments	150,775,619
Receivables:	
Interest and dividends	401,970
Contributions receivable	125,245
Due from brokers	318,486
Total receivables	845,701
Total assets	159,869,056
LIABILITIES:	
Accounts payable	564,093
Total liabilities	564,093
NET ASSETS:	
Held in trust for pension benefits	\$ 159,304,963

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

26

CITY OF DEERFIELD BEACH, FLORIDA
 PENSION TRUST FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

CITY OF DEERFIELD BEACH, FLORIDA
 INDEX TO NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

	Fiduciary Funds
ADDITIONS:	
Contributions:	
Employer	\$ 5,527,180
Plan members	1,285,406
State of Florida	1,275,393
Total contributions	8,087,979
Investment earnings:	
Interest and dividends	4,217,860
Net decrease in the fair value of investments	(2,905,269)
Total investment earnings	1,312,591
Less investment expense	(868,054)
Net investment earnings	424,537
Other miscellaneous income	18,547
Total additions	8,531,063
DEDUCTIONS:	
Benefits paid	13,405,360
Administrative expenses	430,944
Total deductions	13,836,304
Change in net assets	(5,305,241)
Net assets held in trust for pension benefits:	
Beginning of year	164,610,204
End of year	\$ 159,304,963

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

27

	PAGE
NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	
A. Financial Reporting Entity	29
B. Government-wide and Fund Financial Statements	30
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	30
D. New Accounting Pronouncements Adopted	32
E. Assets, Liabilities, and Net Assets or Equity	32
1. Deposits and Investments	32
2. Receivables and Payables	33
3. Inventories and Prepaid Items	33
4. Restricted Assets	33
5. Capital Assets	33
6. Compensated Absences	34
7. Long-term Obligations	34
8. Fund Equity/Net Assets	34
9. Estimates	35
NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	
A. Excess of Expenditures Over Appropriations	35
B. Deficit Fund Equity	35
NOTE III - DETAILED NOTES ON ALL FUNDS	
A. Deposits and Investments	35
B. Receivables and Payables	40
C. Capital Assets	41
D. Construction Commitments	43
E. Unearned/Deferred Revenue	43
F. Interfund Receivables, Payables and Transfers	43
G. Capital Leases	44
H. Long-term Debt	45
1. Governmental Activities Debt	45
2. Business-type Activities Debt	46
3. Changes in Long-term Liabilities	47
4. Summary of Annual Debt Service Requirements	47
NOTE IV - OTHER INFORMATION	
A. Restricted Assets	48
B. Risk Management	48
C. Contingent Liabilities	49
D. Pension Information - Defined Benefit Plans	49
1. Plan Description	49
2. Funding Policy	50
3. Funded Status and Funding Progress	51
4. Annual Required Contributions	51
5. Three-year Trend Information	53
E. Defined Contribution Plan	53
F. Deferred Compensation Plan	54
G. Other Post-employment Benefits	54
H. Subsequent Events	55
I. New Accounting Pronouncements Not Yet Adopted	55

28

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the City of Deerfield Beach's ("the City") significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The basic financial statements include both government-wide and fund financial statements. The government-wide focus is on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories.

The City's fiduciary funds are presented in the basic financial statements by type (i.e., pension). Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

A. Financial Reporting Entity

The City of Deerfield Beach is a political subdivision of the State of Florida, located in Broward County along the lower southeast coast of the state. Originally incorporated in June 1925, the Town of Deerfield was formed under the provisions of Chapter 10462, Special Acts of the 1925 Legislature. In June 1951, Chapter 27503, laws of the State of Florida, created a new charter abolishing the Town and changing its name to City of Deerfield Beach. Today, the City is approximately 16.5 square miles in area. In addition to the public safety, general government, recreation, and public works services provided to its 75,018 residents, the City operates water, sewer and solid waste enterprises. The City does not provide educational or hospital facilities. Those services are provided by the School Board of Broward County and the North Broward Hospital District, respectively.

The financial reporting entity covered by this report includes the City and its component unit. The reporting entity has been defined by GASB Statement No. 14 (as amended by GASB Statement No. 39) as the primary government and those component units for which the primary government is financially accountable. Financial accountability exists when a primary government appoints a voting majority of an organization's governing board and may either impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the primary government. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data for these entities are combined with data of the primary government.

The Deerfield Beach Community Redevelopment Agency (the "CRA"), which is largely responsible for redevelopment of the area that encompasses most of the beach district and the area along Hillsboro Boulevard from Federal Highway to the intracoastal waterway, was established in November 1999. The CRA is governed by a board which is comprised of the City's elected officials. The CRA is fiscally dependent upon the City. Accordingly, the CRA is a blended component unit and is presented as a special revenue fund. The CRA has a September 30 year-end. Separate financial statements for the CRA are not available.

The Deerfield Beach Housing Authority (the "Housing Authority") is a related organization because the mayor, with the concurrence of the City Commission, has the responsibility of appointing the members of the Housing Authority Board. Its operations are conducted within City boundaries. However, it is not included as a part of the financial reporting entity because it is fiscally independent and it has no financial accountability to the City. The Housing Authority's autonomy prohibits it from providing any financial benefit or imposing a financial burden upon the City. The Housing Authority is not exclusively for the benefit of City residents and the City Commission cannot impose its will over operations, cannot hire, reassign or dismiss management, and cannot remove Housing Authority board members without cause. The Housing Authority is responsible for ensuring that a complete and full financial accounting and an audit is made biennially by a certified public accountant.

29

as interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, if available. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The **Community Redevelopment Agency ("CRA") Fund** accounts for the proceeds of tax increment revenues and the related expenditures for redevelopment of the area that hovers along Hillsboro Boulevard and that encompasses most of the beach district from Federal Highway to the Intracoastal Waterway.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the provision of water and sewer services to the City's residents.

The **Solid Waste Fund** accounts for the provision of solid waste services to the City's residents.

Additionally, the City's **pension trust funds**, namely, Fire, Police and Non-uniformed pension funds, account for the activities of the retirement systems for these relevant classes of employees and accumulate resources for pension benefit payments to qualified retirees.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to apply subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods and services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Fund are charges to customers for the provision of water and sewer services. This fund also recognizes as revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Further, the Solid Waste Fund recognizes as revenue charges to customers for the provision of solid waste services. Operating expenses for both enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

31

The Northeast Focal Point CASA, Inc (hereinafter referred to as "CASA"), is a nonprofit entity which was organized under the laws of the State of Florida in September 1986. This organization raises funds and makes yearly pledges to the City to subsidize the costs of operating the City's children's, Alzheimer's, senior and adult day care facilities. GASB Statement No. 39 requires that a legally separate, tax-exempt organization should be reported as a component unit of the City, if all of the following are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the City; (2) the City is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization and (3) the economic resources received or held by the separate organization are significant to the City. The City believes that conditions (1) and (2) apply to CASA. However, the City does not believe that the economic resources held/received by that entity is "significant" to the City's operations. As such, it is not included as a part of the financial reporting entity.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within three months of the end of the current fiscal period, with the exception of property tax revenue, which is deferred unless taxes are received within sixty days subsequent to year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, pension, other post-employment benefits and claims and judgments, are recorded only when payment is due.

Property taxes, (when levied for), franchise taxes, intergovernmental revenue (when the eligibility requirements are met), licenses, special assessments, charges for services for ambulance fees, as well

30

D. New Accounting Pronouncements Adopted

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was issued in March 2009. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The impact of the implementation was to change the presentation of the governmental funds fund balances. The provisions of this Statement became effective for the City during the fiscal year and resulted in changes to the categorization of fund balance for governmental funds.

GASB Statement 59, Financial Instruments Omnibus, was issued in June 2010. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The provisions of this Statement became effective for the City during the fiscal year, however there was no impact.

E. Assets, Liabilities, and Net Assets or Equity

1. **Deposits and Investments** – The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The City has established an investment policy in accordance with Section 218.415, Florida Statutes that allows the City to invest in relatively low-risk securities, such as the State Treasurer's Investment Pool, and U.S. Government and Agencies securities. 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 State Treasurer's Investment Pool's reported value is the same as the value of the pool shares and is recorded at amortized cost. Resources of all funds, with the exception of the pension trust funds, have been combined into investment pools for the purpose of maximizing investment yields. Investment revenue is comprised of interest and dividends and realized and unrealized gains and losses on investments. Investment earnings on pooled investments are allocated monthly based upon equity balances of the respective funds. Accrued interest on pooled investments is grouped with investments on the balance sheet at year-end. In addition, the pension trust funds are authorized to invest in corporate bonds, stocks, money market funds, mortgages and notes.

2. **Receivables and Payables** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of allowance for uncollectibles. Management determines the allowance for uncollectible accounts, based upon a review of the accounts and its knowledge of the debtor's ability to pay. Property taxes are levied as of October 1 on property values assessed as of January 1 of the same year. The tax levy is divided into two billings: the first billing (mailed during September) is an estimate of the current year's levy based on the prior year's taxes; the second billing (mailed on November 1) reflects adjustments to the current year's actual levy. The billings are considered past due on April 1 of the subsequent year, at which time the applicable property is subject to lien, and penalties and interest are assessed.

Amounts reflected as "due from other governments" in the government-wide and the fund financial statements represent amounts that are owed to the City by other governmental entities for services rendered by the City in the capacity of a vendor or for amounts to be reimbursed in connection with grants and other cooperative agreements.

32

Water and sewer and solid waste charges to customers are based on actual consumption. Consumption is determined on a monthly basis. The City recognizes revenue and a related receivable for the estimated unbilled consumption as of September 30.

3. Inventories and Prepaid Items – Inventories consisting principally of expendable items held for consumption, are stated at lower of average cost or market. The consumption method is used for all inventories and prepaid items, that is, items of inventory/prepays are expended when they are consumed rather than when they are purchased.

Deferred charges on new debt issued are recorded as prepaid items in the government-wide financial statements. Further, certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

4. Restricted Assets – Certain resources of the City's Water and Sewer enterprise fund are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their uses are limited by applicable bond covenants and loan agreements. The state revolving loan sinking fund account is used to segregate resources that are accumulated for the payment of principal and interest on the City's revolving loans with the Florida Department of Environmental Protection.

The "general obligation bond construction account" is used to report those proceeds of general obligation bonds that are restricted for use in the construction of specified projects, as outlined in the bond covenants.

5. Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide and the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred, net of interest earned on related debt proceeds, during the construction phase of capital assets of business-type activities is included as part of the capitalized cost of the assets constructed. The City capitalized interest costs in the amount of \$781,221 during the fiscal year.

The City's property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

Asset Type	Years
Buildings	40
Building improvements	20
Roads	40
Bridges	50
Other infrastructure	20 - 50
Equipment	5 - 10

In the governmental fund financial statements, capital assets are reported as expenditures and no depreciation expense is recorded.

6. Compensated Absences – It is the City's policy to permit employees to accumulate earned, unused vacation and sick pay benefits. A portion of accumulated sick pay benefits are paid upon separation based on the number of years of service. All vacation pay and applicable portions of sick pay balances are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

7. Long-term Obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Debt principal payments and issuance costs, whether or not withheld from actual debt proceeds, are reported as debt service expenditures.

8. Fund Equity/Net Assets – In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report separate classifications of fund balance. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action performed prior to year-end, of the City Commission, such as resolutions and/or ordinances. Assigned fund balance represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The City has given the authority to assign fund balance to the City Manager. Assignment of fund balance may be a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the City Manager. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/expense for which it was assigned. Unassigned fund balance is the residual classification for the General Fund, plus any deficits of any other governmental funds.

It is the City's policy to obtain and maintain a minimum level of General Fund unassigned fund balance of at least 10% of General Fund operating expenditures and transfers. The disaster/emergency reserve fund balance is assigned by the City Commission as set forth in the annual budget (and any amendments thereto) to ensure the maintenance of services to the public during hurricanes and other natural disasters, as well as economic changes that might severely impact the City's ability to provide necessary public services.

The government-wide and proprietary fund financial statements utilize a net asset presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted.

Invested in Capital Assets (net of related debt) – is intended to reflect the portion of net assets which is associated with capital assets (net of accumulated depreciation), less outstanding capital asset related debt, net of unspent bond proceeds.

Restricted Net Assets – have third-party (statutory bond covenant or granting agency) limitations on their use or limitations which have been imposed through enabling legislation.

The government-wide statement of net assets reports \$27,671,454 of restricted net assets of which \$12,287,102 is restricted by enabling legislation.

Unrestricted Net Assets – have no third-party limitations on their use, and consists of all net assets that do not meet the definition of the other two components, and any net deficits that exist. The City Commission has the unrestricted authority to revisit or alter these managerial decisions.

9. Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

NOTE II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Excess of Expenditures Over Appropriations – For the year ended September 30, 2011, expenditures exceeded appropriations in several of the City's departments, the legal level of budgetary control. The Central Services, Parks & Recreation, Public Works and Fire/Rescue departments exceeded their budgets by \$14,904, \$361,561, \$103,092 and \$513,720, respectively. Further, the Insurance/Safety, Planning & Growth Management, and Police departments exceeded their budgets by \$1,131,121, \$16,060 and \$70,927, respectively. The Other/Unclassified Department also exceeded its budget by \$119,050.

B. Deficit Fund Equity – At September 30, 2011, the Capital Projects Grants Fund had a deficit fund balance of \$85,229. The Community Development Block Grant Fund also had a deficit fund balance in the amount of \$1,949. Deficits in these funds are expected to be funded by future grant reimbursements, which were not susceptible to accrual at September 30, 2011.

NOTE III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

1. Deposits – The City maintains a common cash and cash equivalents pool for use by all non-fiduciary funds. Deposits of the City, including time deposit accounts, demand deposit accounts and certificates of deposit, are defined as public deposits. Pursuant to the City's policies, all of the City's deposits are held in qualified public depositories pursuant to Chapter 280.03 of the Florida Statutes, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral having fair value equal to or greater than the average daily or monthly balance of all public deposits, times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public

depositories are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in fault. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss. At September 30, 2011, the carrying amount of the City's deposits totaled \$13,298,763.

2. Investments

Authorized Investments

The City's investments are categorized as investments for the City as a whole (hereinafter referred to as "general City investments") and those of its various defined benefit pension plans. The City is authorized by statute and policy to invest public funds (general City investments) in interest-bearing savings accounts, money market accounts and checking accounts, obligations of the United States government, its agencies and instrumentalities; certificates of deposit that are fully insured and collateralized; repurchase agreements having a defined termination date and collateralized by U.S. Treasury obligations; and Local Government Surplus Trust Funds, as administered by the Florida State Board of Administration ("SBA"). The City invested funds throughout the year in the SBA, which is not Securities and Exchange Commission ("SEC") registered, but which qualifies as a SEC 2a-7 like pool as well as a fluctuating net asset value ("NAV") pool. The City's investment in the SBA at September 30, 2011 represented less than 1% of the total investment assets of the SBA. The SBA investments are allocated among two funds, Fund A and Fund B (hereinafter referred to as "LGIP-A" and "LGIP-B"). For LGIP-A, a 2a7-like pool, the value of the City's position is the same as the value of the pool shares and is recorded at amortized cost. At September 30, 2011, the City's investment in LGIP-A was that of \$14,959. LGIP-B is accounted for as a fluctuating NAV pool. The balance of the City's investment in LGIP-B at year end amounted to \$2,294 with a net asset value factor of 0.071893.

The Florida Municipal Investment Trust (as administered by the Florida League of Cities) is an authorized investment under Section 218.415(115), Florida Statutes, for units of local government in Florida. The operation and administration of the Trust is the responsibility of a Board of Trustees, who are selected from the ranks of elected officials of governmental entities participating in the Trust. The fair value of the City's position in the Trust is the same as the value of the pool share.

The overriding objectives of the City's investment policy are preservation of its principal investment, while providing for liquidity and maximization of investment income.

Each of the City's three individual pension plans is governed by a Board of Trustees, which is responsible for determining the investment policies for the respective plan, namely the City's Fire, Police Officers, and Non-uniformed retirement pension plans. The investment policies for the various plans typically are devised to earn an average rate of return over the long term that will equal or exceed the return of a target index. The trustees are authorized to invest in a wide range of instruments, including but not limited to, federally-guaranteed obligations, bonds, stocks, or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or any state or organized territory of the United States, provided that the corporation is listed on any one or more of the recognized national stock exchanges or the National Market System of the NASDAQ Stock Market.

In acquiring these investments on behalf of the various plans, the trustees are required to exercise a level of care, which persons of prudence, discretion and intelligence would exercise when acquiring these same investments for their own (personal) accounts. As of September 30, 2011, the City had the following investments:

CITY OF DEERFIELD BEACH, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

	Pension Trust Funds	All Other Funds	Total
Investment in Florida Local Government Investment Trust:			
Pool A shares	\$ -	\$ 14,959	\$ 14,959
Pool B shares	-	2,294	2,294
Investment in Florida Municipal Investment Trust			
Money market funds	5,587,689	3,111,554	3,111,554
Mutual funds:			
Bond funds	17,412,702	-	17,412,702
International corporate equities	4,317,271	-	4,317,271
Other mutual funds	47,219,634	-	47,219,634
U.S. Government and agency securities	14,917,233	35,969,001	50,886,234
Domestic corporate bonds and notes	16,114,875	-	16,114,875
Domestic corporate equities	50,793,904	-	50,793,904
Total	\$ 156,363,308	\$ 41,046,928	\$ 197,410,236

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. In accordance with the City's investment policy, the City minimizes the interest rate risk of investments in the portfolio by placing limitations on the duration of such investments. With the exception of funds reserved for capital projects, all of the City's general investments shall be limited to instruments maturing within two years of purchase. This ensures that securities mature to meet cash requirements for operations, thereby avoiding the need to sell securities in the open market prior to maturity.

The Police Officers' Retirement Plan limits its exposure to interest rate risk by varying the durations of the maturities of its investment holdings.

Neither the Municipal Firefighter's Pension Trust Plan nor the Non-Uniform Employees' Retirement Plan has investment policies that use limits on investment maturities as a means of managing its exposure to fair value losses arising from interest rates.

Information about the sensitivity of the fair values of the City's and the Pension Plans' investments to market interest rate fluctuations is provided by the following tables that shows the distribution of the City's and the Plans' investments by maturity:

37

CITY OF DEERFIELD BEACH, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

Investment Type	Fair Value	Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
FL Local Gov't Invest. Tr.	\$ 17,253	\$ 17,253	\$ -	\$ -	\$ -
FL Municipal Investment Trust	3,111,554	-	3,111,554	-	-
Other money market funds	1,949,120	1,949,120	-	-	-
U.S. Treasuries	20,287,585	20,287,585	-	-	-
U.S. Agencies	15,681,416	11,889,760	3,682,656	-	-
Total	\$ 41,046,928	\$ 34,292,718	\$ 6,194,210	\$ -	\$ -

Investment Type	Fair Value	Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Bond funds	\$ 17,412,702	\$ 78,514	\$ 8,213,565	\$ 6,720,881	\$ 2,399,642
Other money market funds	5,420,775	5,420,775	-	-	-
U.S. Treasuries	5,069,198	1,022,130	1,084,073	1,027,489	1,935,506
U.S. Agencies	9,848,035	41,102	1,347,976	2,544,544	5,914,413
Domestic corporate bonds and notes	16,114,875	1,181,932	5,721,233	5,161,869	4,049,841
Total	\$ 53,865,885	\$ 7,744,453	\$ 16,366,847	\$ 15,454,683	\$ 14,299,402

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO's). State law limits investments in commercial paper and corporate bonds to the top 3 ratings issued by NRSRO's. It is the City's policy to limit its investments to the top ratings issued by NRSRO's. All Treasury obligations are guaranteed by the good faith and credit of the United States and are therefore not subject to credit risk. The amounts held in the LGIP-A is rated by Standard and Poor's. The current rating is AA+mm. LGIP-B, as well as the Florida Municipal Investment Trust, is not rated by any nationally recognized statistical rating agency. The following table discloses credit ratings by investment type, at September 30, 2011, as applicable:

38

CITY OF DEERFIELD BEACH, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

Quality Credit Rating		Fair Value
S & P	Moody's	
AAAm		\$ 17,253
AAAF		3,111,554
AAA		13,314,701
AA+		1,481,408
AA		1,280,887
AA-		422,114
A+		1,380,500
A		2,987,107
A-		1,581,802
BBB+		626,147
BBB		203,947
BBB-		206,774
BB+		405,670
BB		384,599
BB-		325,577
B+		274,299
B		261,840
B-		26,644
CCC+		145,942
CCC		17,040
Not rated		11,977,422
	Aaa	1,412,397
	Aa1	1,130,080
	Aa2	1,125,556
	Aa3	615,037
	A1	398,466
	A2	1,556,217
	A3	812,792
	Baa	1,054,336
	Baa1	409,226
	Baa2	192,928
Total credit risk securities		49,120,260
U.S. gov't and agency securities explicitly guaranteed		45,792,253
Total fixed income/credit risk securities		\$ 94,912,513
Total fixed income/credit risk securities - City		\$ 41,046,928
Total fixed income securities - pension trust funds		53,865,585
Total		\$ 94,912,513

Concentration of Credit Risk

The City limits its investments in any one issuer to no more than 5% of total investments, except for investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments, which are excluded from this requirement. There were no individual investments that represented 5% or more of the City's total investments at September 30, 2011. The three pension plans limit their exposures by limiting their investments in any one issuer to no more than 5% of Plan Net Assets other than those issued by the US Government or its agencies. None of the plans had holdings that exceeded the 5% limit.

39

CITY OF DEERFIELD BEACH, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All of the City's investments in corporate bonds and notes, and equities are held by the pension plans. These investments are held by the various pension plans' custodial banks and are registered in the name of the pertinent pension plan. With the exception of the investments with the SBA, all of the City's general investments were held by the City's custodial bank and were registered in the City's name as of year-end.

B. Receivables and Payables – The City reports the General, Community Redevelopment Agency (CRA), Water & Sewer and Solid Waste funds as major funds. Receivables at September 30, 2011 were as follows:

Governmental Activities	General	CRA	Other Governmental Funds	
			Total	
Receivables:				
Accounts	\$ 3,952,367	\$ -	\$ 25,254	\$ 3,977,621
Assessments	842	-	-	842
Interest	1,475	11	9	1,495
Gross receivables	3,954,684	11	25,263	3,979,958
Less: allowance for uncollectibles	(1,075,866)	-	-	(1,075,866)
Net receivables	\$ 2,878,818	\$ 11	\$ 25,263	\$ 2,904,092

Business-type Activities

Business-type Activities	Water and Sewer	Solid Waste	Total	
			Total	
Receivables:				
Accounts	\$ 3,659,489	\$ 1,863,177	\$ 5,522,666	
Assessments	37,488	-	37,488	
Interest	198,735	-	198,735	
Gross receivables	3,895,712	1,863,177	5,758,889	
Less: allowance for uncollectibles	(408,389)	(177,036)	(585,425)	
Net receivables	\$ 3,487,323	\$ 1,686,141	\$ 5,173,464	

Receivables of the Water and Sewer and Solid Waste Enterprise Funds are reported net of uncollectible amounts, and are as follows:

Uncollectible related to water sales	\$ 287,981
Uncollectible related to sewer charges	120,408
Uncollectible related to solid waste charges	177,036
Total uncollectibles for the current fiscal year	\$ 585,425

40

CITY OF DEERFIELD BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Payables at September 30, 2011 are as follows:

	Vendors	Retainage	Total payables and accruals
Governmental activities:			
General fund	\$ 2,690,141	\$ -	\$ 2,690,141
CRA fund	359,374	162,252	521,626
Other governmental funds	587,901	-	587,901
Total - governmental activities	\$ 3,637,416	\$ 162,252	\$ 3,799,668
Business-type activities:			
Water and sewer fund	\$ 811,701	\$ 178,682	\$ 990,383
Solid Waste fund	457,674	-	457,674
Total - business-type activities	\$ 1,269,375	\$ 178,682	\$ 1,448,057

C. Capital Assets – The following is a summary of capital asset activity for the year ended September 30, 2011:

	Beginning Balance	Increases	Decreases	Total
Governmental activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 11,595,299	\$ 144,017	\$ -	\$ 11,739,316
Construction in progress	13,200,987	2,709,483	-	15,910,470
Total capital assets not being depreciated	24,796,286	2,853,500	-	27,649,786
<i>Capital assets being depreciated:</i>				
Buildings	36,776,386	6,699	-	36,783,085
Improvements other than buildings	3,844,507	191,310	-	4,035,817
Equipment	19,114,576	927,534	120,783	19,921,327
Infrastructure	54,784,735	1,322,890	-	56,107,625
Total capital assets being depreciated	114,520,204	2,448,433	120,783	116,847,854
<i>Less: accumulated depreciation for:</i>				
Buildings	7,982,897	910,003	-	8,892,900
Improvements other than buildings	1,430,443	170,849	-	1,601,292
Equipment	15,999,321	1,249,738	120,783	17,128,276
Infrastructure	31,805,739	1,687,291	-	33,293,030
Total accumulated depreciation	57,018,400	4,017,881	120,783	60,915,488
Total capital assets being depreciated, net	57,501,804	(1,569,448)	-	55,932,356
Governmental activities capital assets, net	\$ 82,298,090	\$ 1,284,052	\$ -	\$ 83,582,142

41

CITY OF DEERFIELD BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

D. Construction Commitments – The City has outstanding commitments for construction and acquisition of property, plant and equipment. The following is a summary of the most significant of these commitments at September 30, 2011:

Project	Amounts Outstanding
Hillsboro Boulevard - Streetscape Improvements	\$ 686,585
Cove Shopping Center Parking Lot Improvements	706,660
West Water Treatment Reverse Osmosis Plant	10,868
West Water Treatment Plant Expansion	443,734
	\$ 1,847,847

E. Unearned/Deferred Revenue – Unearned revenue in the General Fund includes \$397,101 for local business taxes (formerly referred to as occupational licenses) relating to fiscal year 2011; and a contribution from a private organization for \$320,997 to support City operations. Deferred revenue in the General Fund includes ambulance transport fees of \$1,075,868 as well as local communications services taxes of \$51,578 which were not collected within 90 days of year-end; deferred property taxes of \$800,864 that were levied during the current fiscal year but were not received within 60 days of year-end and thus were not considered "available".

The Miscellaneous Grants non-major special revenue fund had \$791,379 of deferred revenue which represents grant reimbursements which the City did not receive within 90 days of fiscal year-end. The remaining \$168,682 was considered unearned revenue because the City received the funds in advance, but all the conditions for recognizing the revenue had not been satisfied at September 30, 2011. The Capital Grants non-major capital projects fund had \$37,973 in deferred revenue at September 30, 2011. This amount represents reimbursements from the Florida Department of Transportation for amounts incurred by the City in connection with improvements to the City's road and street facilities, which the City did not receive within 90 days of fiscal year end.

F. Interfund Receivables, Payables and Transfers – The interfund balances below represent short-term loans to cover temporary negative balances in each fund's equity in pooled cash at year-end. The composition of interfund balances at September 30, 2011 is as follows:

Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 1,246,637
Community Redevelopment Agency	General Construction Fund	646,079
Water and Sewer Fund	Solid Waste Fund	750,000
Total		\$ 2,642,716

43

CITY OF DEERFIELD BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

	Beginning Balance	Increases	Decreases	Total
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 50,531	\$ -	\$ -	\$ 50,531
Construction in progress	21,830,954	2,402,227	-	24,233,181
Total capital assets not being depreciated	21,881,485	2,402,227	-	24,283,712
<i>Capital assets being depreciated:</i>				
Buildings	1,810,875	-	-	1,810,875
Utility plants in service	35,059,134	-	-	35,059,134
Improvements other than buildings	61,410,289	2,208,010	-	63,618,299
Equipment	18,924,017	303,082	302,538	18,924,561
Total capital assets being depreciated	117,204,315	2,511,092	302,538	119,412,869
<i>Less: accumulated depreciation for:</i>				
Buildings	1,085,701	59,679	-	1,145,380
Utility plants in service	12,650,130	1,015,585	-	13,665,715
Improvements other than buildings	29,412,152	1,761,934	-	31,174,086
Equipment	15,258,768	1,207,034	302,538	16,163,264
Total accumulated depreciation	58,406,751	4,044,232	302,538	62,148,445
Total capital assets being depreciated, net	58,797,564	(1,533,140)	-	57,264,424
Business-type activities capital assets, net	\$ 80,679,049	\$ 869,087	\$ -	\$ 81,548,136

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	\$ 189,597
Public safety	1,137,244
Human services	56,172
Physical environment	824,213
Transportation	927,559
Culture and recreation	883,096
Total depreciation expense - governmental activities	\$ 4,017,881
Business-type activities:	
Water and sewer	\$ 3,099,257
Solid waste	944,975
Total depreciation expense - business-type activities	\$ 4,044,232

42

CITY OF DEERFIELD BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Interfund Transfers:

	Transfers to:				Total
	General	CRA Fund	Nonmajor Governmental	Water and Sewer Fund	
Transfers from:					
General	\$ -	\$ 1,256,339	\$ 3,850,243	\$ -	\$ 5,106,582
CRA Fund	689,300	-	-	-	689,300
Water and Sewer	-	-	-	-	-
Capital Grants	-	-	-	-	-
Nonmajor Governmental	268,902	-	89,501	7,014	365,417
Total	\$ 958,202	\$ 1,256,339	\$ 3,939,744	\$ 7,014	\$ 6,161,299

Transfers to the General Fund represent amounts paid by the nonmajor governmental funds for matching grant requirements for expenditures which were accounted for in the General Fund. The Community Redevelopment Agency Fund (CRA) is required to transfer amounts to the General Fund in connection with debt service payments made by the General Fund on behalf of the CRA. Transfers to the CRA represent tax incremental property tax revenues collected on behalf of the CRA. Transfers to the nonmajor governmental funds represent payment of debt service as well as payment for the City's match in connection with grants that require that the City participate in cost sharing for the funded project.

G. Capital Leases – The City has entered into master lease purchase agreements and other lease arrangements as lessee for financing the acquisition of equipment for public safety, public works and for parks and recreational facilities.

The City has also financed the acquisition of sanitation vehicles in its Solid Waste enterprise fund. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the date of inception. The future minimum lease obligations and the net present value of the minimum lease payments as of September 30, 2011, were as follows:

Fiscal Year	Governmental Activities	Business-Type Activities	Total
2012	\$ 422,023	\$ 667,404	\$ 1,089,427
2013	256,297	564,893	821,190
2014	153,799	358,792	512,591
2015	81,422	123,156	204,578
Total Minimum lease payments	913,541	1,714,245	2,627,786
Less: amount representing interest	(30,844)	(65,202)	(96,046)
Present value of future minimum lease payments	\$ 882,697	\$ 1,649,043	\$ 2,531,740

As of September 30, 2011, the equipment held under capital leases for governmental activities and business-type activities were \$2,020,018 and \$3,211,039, respectively. Accumulated depreciation for equipment held under capital leases was \$681,686 and \$1,485,203 for governmental and business-type activities, respectively, as of September 30, 2011.

44

CITY OF DEERFIELD BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

H. Long-Term Debt – Summarized below are the City's debt issued to finance the acquisition and construction of major capital facilities that were outstanding as of September 30, 2011:

1. Governmental Activities Debt:

- General Obligation Bonds, Series 2000** – The original amount of this issue was divided into two series: Series "A," for which \$9,978,847 in bonds were issued, and Series "B," for which \$2,820,183 in bonds were issued. The proceeds of these bonds were used to finance the construction of a public safety complex, a public works facility, parks improvements, right-of-way improvements and expansion of the senior services facilities. The combined outstanding bonds of the issue, \$8,827,433, have interest rates that range from 2.25% to 6.08%. For Series A, principal is due annually on April 1st and interest is payable semi-annually on April 1st and October 1st with the final maturity date being October 1, 2024. For Series B, principal is due annually on November 1st, and interest is payable semi-annually on May 1st and November 1st, with the final maturity date being November 1, 2027.
- General Obligation Bonds, Series 2003A** – The original amount of this issue was \$5,140,000, the proceeds of which were used for refunding two previously issued general obligation bonds, namely Series 1993 and 1995. The outstanding bonds of the issue, \$1,920,000, have interest rates that range from 3.00% to 5.00%. Principal is due annually on May 1st and interest is payable semi-annually on May 1st and November 1st, with the final maturity date being May 1, 2016.
- General Obligation Bonds, Series 2003B** – The original amount of this issue was \$15,410,000, which proceeds were used for the acquisition and construction of a public works facility, a fire station, neighborhood right-of-way improvements, and improvements to parks and recreational facilities. The interest rates on the bonds range from 1.32% to 4.77%. Principal is due annually on December 1st and interest is payable semi-annually on June 1st and December 1st, with the final maturity date being December 1, 2028. The remaining outstanding bonds of this issue total \$13,050,000.
- Covenant Bonds, Series 2003A** – These bonds were issued in connection with the City's General Obligation Bonds, Series 2003A, described previously. The principal amount of the loan was \$6,825,000, which was issued for the purpose of financing streetscape improvements in the City's Community Redevelopment Area. The remaining outstanding bonds of this issue, \$5,685,000, have interest rates that range from 3.00% to 5.00%. Principal is due annually on May 1st and interest is payable semi-annually on May 1st and November 1st, with the final maturity date being May 1, 2028. The City is required to budget and appropriate non-ad valorem tax revenues to pay the annual debt service on this issue.
- Covenant Bonds, Series 2003B** – These bonds were issued in connection with the City's General Obligation Bonds, Series 2003B, described previously. The principal amount of the loan was \$2,480,000, which was issued for the purpose of financing improvements in the City's beach district, more commonly described as "Ocean Way Improvements". The remaining outstanding bonds of this issue, \$2,020,000, have an interest rate that is similar to the general obligation debt issue. The interest and principal payments, as well as the final maturity dates, are identical to those of the general obligation issue.
- Covenant Bond, Series 2006** – The original amount of this issue was \$5,965,000. The proceeds of this bond issue were used to complete the construction of the public works facility and the municipal operations complex. The interest rates on these bonds range from 4.00% to 5.00%. Principal is due annually on October 1st and interest is payable

45

CITY OF DEERFIELD BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

3. Changes in Long-Term Liabilities – The following is a summary of changes in long-term liabilities for the year ended September 30, 2011:

	Beginning			Ending		Due One Year
	Balance	Additions	Reductions	Balance	One Year	
Governmental activities:						
Bonds payable:						
General obligation bonds	\$ 25,209,668	\$ -	\$ 1,412,235	\$ 23,797,434	\$ 1,427,497	
Covenant bonds	13,660,000	-	435,000	13,225,000	455,000	
Plus: Deferred amounts for premium discounts	729,872	-	65,009	664,863	64,287	
Total bonds payable	39,499,641	-	1,912,244	37,587,397	1,946,784	
Capital leases	1,375,734	-	493,037	882,697	403,937	
Net OPEB liability	577,824	1,716,824	-	2,294,648		
Claims and judgments	5,140,086	10,795,556	9,585,556	6,350,086	1,198,000	
Due to other governments	395,288	-	8,000	387,288	123,763	
Compensated absences	3,371,016	2,219,922	2,372,787	3,218,151	2,504,622	
Total governmental activities	\$ 50,369,589	\$ 14,734,102	\$ 14,341,624	\$ 50,752,067	\$ 6,177,086	
long-term liabilities						
Business-type activities:						
Capital leases	\$ 2,472,783	\$ -	\$ 823,740	\$ 1,649,043	\$ 644,289	
Net OPEB liability	168,202	901,605	-	1,069,807		
Compensated absences	1,640,028	440,427	1,001,308	1,079,145	872,826	
Bonds payable	16,523,792	-	604,676	16,019,116	552,344	
Loan payable	20,499,422	-	1,331,464	19,167,958	1,369,938	
Total business-type activities	\$ 41,404,225	\$ 1,342,032	\$ 3,761,188	\$ 38,985,069	\$ 3,479,497	
long-term liabilities						

The governmental activities claims and judgments as well as compensated absences are generally liquidated by the General Fund.

4. Summary of Annual Debt Service Requirements – The annual debt service requirements to maturity for debt outstanding as of September 30, 2011 are as follows:

Year Ending September 30	General Obligation Bonds			Covenant Bonds	
	Principal	Interest	Total	Principal	Interest
2012	\$ 1,427,497	\$ 1,229,447	\$ 2,656,944	\$ 455,000	\$ 621,141
2013	1,436,568	1,216,876	2,653,443	470,000	601,069
2014	1,226,282	1,477,400	2,703,682	465,000	573,794
2015	1,183,414	1,470,736	2,654,150	520,000	554,863
2016	1,168,401	1,487,874	2,656,275	540,000	528,013
2017-2021	5,285,014	7,591,749	13,276,763	3,155,000	2,191,408
2022-2026	5,868,562	7,406,928	13,275,490	4,000,000	1,361,950
2027-2031	6,201,716	1,765,324	7,967,040	3,105,000	428,463
2032-2033	-	-	-	385,000	17,325
Total	\$ 23,797,434	\$ 24,046,133	\$ 47,843,567	\$ 19,125,000	\$ 6,893,026

47

CITY OF DEERFIELD BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

semi-annually on April 1st and October 1st, with the final maturity date being October 1, 2031. The remaining outstanding bonds of this issue total \$5,420,000 with total interest payable of \$2,876,574 over the remainder of the term of the bonds. The principal and interest of this issue will be payable from and secured by a pledge of the City's electric franchise fees. For the current year, principal and interest of \$393,069 were paid, Electric franchise fees amounted to \$5,049,066 for fiscal year 2011.

- Due to Other Governments - U.S. Department of Housing & Urban Development (HUD)** – During the fiscal year, HUD's Office of Inspector General conducted an audit of the City's Community Development Division, which administers the Community Development Block Grant Program (CDBG), State Housing Initiative Partnership Program, and the Neighborhood Stabilization Program, among other programs. During the audit, it was discovered that expenditures totaling \$395,288 which had already been reimbursed under the CDBG Program were unallowable and would require repayment to HUD. The repayment agreement with HUD is interest-free and amounts are due in varying installments as follows: \$123,763 (FY2012); \$131,763 (FY2013); and \$131,762 (FY2014).

2. Business-Type Activities Debt:

- Loans Payable** – The City has entered into various loan agreements with the State of Florida Department of Environmental Protection to borrow up to \$28,520,115. The primary purpose of these loans is to construct water and wastewater facilities. As of September 30, 2009, the City borrowed \$28,293,037, with interest rates ranging from 2.27% to 3.57%. As of September 30, 2011, the aggregate outstanding principal amount of these loans totaled \$19,167,958. Interest and principal payments are due on May 15 and November 15 of each year for the State Drinking Water Revolving Loan. The unpaid principal balance of this loan as of September 30, 2011 was \$12,155,937. Principal and interest payments on the two Florida Water Pollution Control Construction loans are due on April 15 and October 15 of each year. At September 30, 2011, the unpaid principal balances of Water Pollution Control Loan No. WW69302L and Loan No. WW693030 were \$1,251,737 and \$5,760,284, respectively. Revenues of the Water and Sewer System have been pledged as security for repayment of these loans. Total principal and interest paid during the current year totaled \$1,894,601. Net revenues of the water and sewer system amounted to \$7,175,817 for the year ended September 30, 2011.
- Florida Municipal Loan Council Revenue Bonds, Series 2008A** – The original amount of this issue was \$17,028,786. The proceeds of this bond issue are to be used to construct a reverse osmosis water treatment addition to the City's west water treatment facility, as well as various other improvements to the water distribution system. The interest rate on these bonds is 4.81%. Principal is due annually on October 1st and interest is payable semi-annually on April 1st and October 1st, with the final maturity date being October 1, 2028. The remaining outstanding bonds of this issue total \$16,019,116. The principal and interest of this issue will be payable from and secured by a pledge of the City's water and sewer system revenues. Total principal and interest paid during the year amounted to \$1,400,882.

46

CITY OF DEERFIELD BEACH, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Business-Type Activities Debt

Year Ending September 30	Revolving Loans			Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,369,938	\$ 624,662	\$ 1,994,600	\$ 692,344	\$ 781,221	\$ 1,373,565
2013	1,409,547	485,053	1,894,600	599,389	764,395	1,363,784
2014	1,450,328	444,272	1,894,600	630,987	723,102	1,354,089
2015	1,492,912	402,268	1,894,600	662,017	692,532	1,354,549
2016	1,535,535	369,066	1,894,600	694,606	660,046	1,354,652
2017-2021	8,372,125	1,100,875	9,473,000	4,017,482	2,760,880	6,778,362
2022-2026	3,115,609	208,668	3,324,277	5,111,134	1,677,397	6,788,531
2027-2030	422,984	7,112	430,096	3,711,187	367,836	4,079,023
Total	\$ 19,167,958	\$ 3,532,095	\$ 22,700,053	\$ 16,019,116	\$ 8,417,308	\$ 24,436,424

NOTE IV – OTHER INFORMATION

A. Restricted Assets – The amounts shown below are those assets restricted by sources external to the City.

Ordinances and bond covenants pertaining to long-term debt and other agreements require segregation and restriction of certain assets represented by the following amounts as of September 30, 2011:

Governmental Activities	Total
Community Redevelopment Agency Funds	\$ 9,660,894
Cemetery reserve endowments	2,695,839
Local option gas tax	2,150,310
Impact fees	331,065
Grant funds	2,739,680
Law Enforcement/Crime Prevention /Other Trust Funds	1,346,185
Bond construction account	2,882,423
Loan debt service accounts	290,794
Total governmental activities restricted assets	\$ 22,097,190

	Water and Sewer Fund		Solid Waste Fund		Total
Customer deposits	\$ 439,050	\$ 58,562	\$ -	\$ 497,612	
Bond construction accounts	3,549,809	-	-	3,549,809	
Revenue bond covenant accounts	984,016	-	-	984,016	
Revolving loan covenant accounts	746,632	-	-	746,632	
Rate stabilization	7,156,451	-	-	7,156,451	
Total business-type activities restricted assets	\$ 12,875,958	\$ 58,562	\$ -	\$ 12,934,520	

B. Risk Management – The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters. Liability claims in the State of Florida are limited to some extent by Chapter 768.28 of the Florida Statutes, under the Doctrine of Sovereign Immunity. The General Fund provides coverage of up

48

to \$200,000 per participant for employee health claims. The General Fund also provides coverage for workers compensation claims. The City retains the risk of loss up to \$200,000 for general liability claims and \$200,000 for property damage claims. For all other risks of loss, the City has purchased an excess coverage insurance policy covering individual claims in excess of these specified amounts. Settled claims did not exceed the commercial coverage in any of the past three fiscal years.

Various funds of the City participate in the risk management program and make payments to the General Fund based on estimates of the amounts needed to cover costs of current year's claims. Claim expenditures and liabilities are reported when it is probable and a loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported (IBNRs). Claim liabilities are based upon the estimated ultimate cost of settling the claims including specific, incremental claim adjustment expenses, salvage, and subrogation and considering the effects of inflation and recent claim settlement trends including frequency and amount of payouts and other economic and social factors.

At September 30, 2011, the amount of these liabilities was \$6,380,086. Changes in the reported liability since September 30, 2010 resulted from the following:

Fiscal Year	Claims Payable October 1	Current Year's Claims and Changes in Estimates	Claims Payments	Liability September 30
2011	\$ 5,140,086	\$ 10,795,556	\$ (9,555,556)	\$ 6,380,086
2010	6,223,086	7,324,066	(8,407,066)	5,140,086

C. Contingent Liabilities – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally, the federal and state agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. Other than the Due To Other Governments amount indicated in the Long-Term Debt footnote, amounts, if any, of other expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City is currently the defendant in a number of litigation issues and claims that arose in the normal course of operations. City management has indicated that they intend to vigorously defend such matters, the ultimate outcome of which, in the opinion of management, will not have a material adverse effect on the financial condition of the City.

D. Pension Information – The following information is provided in accordance with GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and GASB Statement No. 50, *Pension Disclosures – an Amendment of GASB Statements No. 25 and 27*. These statements prescribe standards for the measurement, recognition and display of pension expenditures/expenses and related liabilities, assets and note disclosures in the financial statements of state and local governmental employers.

1. Plan Description – The City of Deerfield Beach, as a single employer, maintains three defined benefit pension plans covering full-time firefighters, police officers employed by the City prior to January 13, 1990 and non-uniformed employees hired before April 17, 1990. The Fire Pension Plan, Police Pension Plan and Non-uniformed Pension Plan are individual plans administered for each of three employee categories: fire, police and non-uniformed personnel. Each plan is governed by its own board of trustees, which is responsible for establishing employee benefit provisions within the framework of Chapters 175 and 185 of the Florida Statutes and local ordinances. Retirement, disability and death benefits and annual cost-of-living adjustments are

provided by all three plans to members and beneficiaries. New members are no longer admitted to the police and non-uniformed defined benefit plans.

The financial statements for the City's pension plans are prepared using the accrual basis of accounting. Contributions from plan members are recognized in the period in which the contributions are due. The City's contributions are recognized when due and when a formal commitment to provide the contributions has been made. Benefits and refunds are recognized when due and payable in accordance with the terms of each individual plan. All plan investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price on the City's balance sheet date. Securities without an established market price are reported at estimated fair value.

The Fire Pension Plan, as well as the Police Officers' Retirement Plan, issue publicly available financial reports that include financial statements and required supplementary information. The reports for the Police Officers' Retirement Plan may be obtained by writing or calling the following: Tegrif Plan Administrators, LLC, 4360 Northlake Blvd., Suite 206, Palm Beach Gardens, FL 33410; (561) 624-3277. The reports for the Fire Pension Plan may also be obtained by contacting the following: Freiman Little Actuaries, LLC, 4105 Savannahs Trail, Merritt Island, FL 32953; (321) 453-6542.

The Non-uniformed Employees' Retirement Plan also issues publicly available financial reports. These reports may be obtained via written request to the following: Benefits USA, Inc., 3810 Inverrary Blvd., Suite 302, Lauderhill, Florida 33319; or by calling (800) 425-2454.

On January 13, 1990 the police officers of the City of Deerfield Beach merged with the Broward County Sheriff's Office. State law provides that these officers, who are now employees of the Broward County Sheriff's Office, could make an irrevocable election to remain in the City's pension plan.

2. Funding Policy – The board of trustees of each plan establishes and may amend the contribution requirements of plan members and of the City.

The Fire Pension Fund, as well as the Police Pension Fund, is partially funded by contributions from the State of Florida. The state's contribution to the pension funds consists of excise taxes collected on fire and casualty insurance premiums on policies written within the City limits. For fiscal year 2011, the state contributed \$820,253 and \$455,140 to the Fire Pension and Police Pension Funds, respectively. On-behalf payments of fringe benefits and salaries for the City's employees were recognized as revenues and expenses during the period.

3. Funded Status and Funding Progress – The following is funded status information for each defined benefit pension plan as of September 30, 2010, the most recent actuarial valuation date:

	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (Excess of Assets over AAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
Fire	\$86,997,197	\$101,861,896	\$ 14,864,699	85.4%	\$11,313,910	131.4%
Police	36,192,921	50,068,994	13,876,073	72.3	-	N/A
Non-Uniformed*	56,383,536	64,282,850	7,899,314	87.7	2,382,749	331.5

*Effective October 1, 2000, the actuarial cost method was changed from the Entry Age Normal Cost Method to the Aggregate Cost Method, which does not produce a UAAL. As the ARC was calculated using the aggregate cost method, the information in the schedule of funding progress is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the plan.

The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time, relative to the AAL for benefits.

4. Annual Required Contributions – The City's annual required contribution for the current year and related information for each plan is as follows:

	Fire	Police	Non-uniformed
Contribution rates:			
City	19.70%	N/A	76.22%
Plan members	9.00%	0.00%	9.00%
Annual required contribution	\$3,321,431	\$1,498,638	\$1,816,148
Percentage contributed	100%	100%	100%
Actuarial valuation date	10/01/10	10/01/10	10/01/10
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of pay, closed	Level percentage of pay, closed	Level percentage of pay, closed
Remaining amortization period	30 years	20 years	15 years
Asset valuation method	5 year smoothed market	4 year smoothed market	4 year smoothed market
Actuarial assumptions:			
Investment rate of return	7.825%	6.750%	7.500%
Projected salary increases	5% to 11%	N/A	6.00%
Includes inflation of	4.00%	3% to 3.5%	4.00%
Cost of living adjustments	None	None	None

Information regarding fiscal year 2011 participant data for the three pension plans is as follows:

	Fire	Police	Non-uniformed	Total
Number of plan members:				
Retirees and beneficiaries				
currently receiving benefits	60	77	116	253
Vested terminated employees	0	0	16	16
Active employees:				
Fully vested	97	0	32	129
Non-vested	23	0	0	23
Benefit provisions:				
Normal retirement benefit equals:				
Average salary for years shown	3	3	3	
At the rate of/ per year of service	(b)	3.00%	3.00%	
Maximum years of service	30	30	30	
Normal retirement eligibility:				
Age/service years	52/10	47/10	64/10	
(Alternative)	N/A/20	47/20	55/25	
Early retirement eligibility:				
Age/service years	47/10	47/10	55/10	

(b) The Fire Pension Plan's accrual rate is 3% for the first 10 years of service and 3.25% thereafter.

Covered employees in the fire and non-uniformed defined benefit plans are required to contribute 9 percent of their gross salary. Beginning on January 13, 1990, participants in the police pension plan were no longer required to contribute to the plan. Prior to that time, a 9 percent contribution of gross salary was mandatory. The member's contribution rate is fixed by the authorizing ordinance and the City's contribution rate is actuarially determined. The actuarial assumptions and four/five-year smoothed market methods were selected to fund the plans with the intent of producing future required employer contributions which remain fairly level as a percentage of covered payroll. The contribution rate for normal cost is determined using the entry age or the aggregate cost method, depending on the plan, over a 15 to 30 year period.

5. **Three-Year Trend Information** – The Annual Pension Cost (“APC”) is a measure of the periodic cost of an employer’s participation in a defined benefit pension plan. As of the valuation dates indicated, three year historical trend information on the plans is presented in the table below:

Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)
Fire			
2011	\$ 3,313,162	100.2%	\$ (355,645)
2010	\$ 3,067,935	100.3%	\$ (347,376)
2009	\$ 2,822,022	97.5%	\$ (339,289)
Police			
2011	\$ 1,500,142	99.9%	\$ (81,077)
2010	\$ 1,266,012	103.1%	\$ (82,581)
2009	\$ 1,249,843	101.2%	\$ (43,278)
Non-uniformed			
2011	\$ 1,816,148	100.0%	\$ -
2010	\$ 1,622,159	100.0%	\$ -
2009	\$ 902,633	100.0%	\$ (448,936)

The derivation of the net pension asset for the Fire, Police and Non-uniformed Pension plans as of September 30, 2011 follows:

	Fire	Police	Non-Uniform
a. Annual required contribution (“ARC”)	\$ 3,321,431	\$ 1,498,638	\$ 1,816,148
b. Interest on Net Pension Obligation/(Asset) (“NPO/”NPA”)	(26,487)	(5,781)	-
c. Adjustment to ARC	18,218	7,285	-
d. Annual pension cost (a+b+c)	3,313,162	1,500,142	1,816,148
e. Actual contributions	3,321,431	1,498,638	1,816,148
f. NPO at beginning of year	(347,376)	(82,581)	-
g. Increase (decrease) in NPO/(NPA) (d-e)	(8,269)	1,504	-
h. NPO/(NPA) at end of year (f+g)	(355,645)	(81,077)	-

E. **Defined Contribution Plan** – The City has a defined contribution plan that was established on April 17, 1990 via Ordinance No. 1990-025. This plan covers all full-time employees who are not members of the City’s defined benefit pension plans, previously described. This plan was established under the provisions of Section 401(a) of the Internal Revenue Code. The City has authorized the City Commission to establish and amend all plan provisions. The assets of the plan are self-directed, and investment results are reported to participants/employees on a quarterly basis. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment returns thereon. The City does not have fiduciary accountability for the plan and, accordingly, the plan is not reported in the accompanying financial statements.

The City contributed 8% of salaries to the plan on a bi-weekly basis, for a contribution for the year ending September 30, 2011 of \$1,084,269. The plan requires a 4% match of all participants. Plan participants become fully vested in the plan after five years of service. Total member contributions for the fiscal year totaled \$752,600.

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed and the net OPEB obligation for the last three fiscal years follow:

Fiscal Year	AOC	Contribution	Percent Contributed	NOO
2009	\$ 1,702,300	\$ 1,160,847	68.2%	\$ 541,453
2010	1,711,090	1,506,487	88.0%	746,026
2011	4,232,055	1,811,826	38.1%	3,366,255

As of the October 1, 2010 valuation date, the actuarial accrued liability for benefits was \$52,101,328 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability of \$52,101,328. The payroll for active participating employees for that period was approximately \$33,561,568 and the unfunded actuarial accrued liability as a percentage of payroll was 155.2%. The annual OPEB cost and the actuarial accrued liability increased due to increased costs for claims based on the age-graded, sex distinct, monthly per capita cost.

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Amounts determined regarding the funding status of benefits and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Following are the actuarial methods and significant actuarial assumptions used to determine the annual required contribution for the current year:

Valuation date:	October 1, 2010
Actuarial cost method:	Individual Entry-age
Amortization method:	Level percent, open
Remaining amortization period:	30 Years
Investment rate of return/discount rate:	4.50%
Inflation rate:	4.0%
Projected salary increases:	5.0% - 11.0%
Healthcare cost trend rate:	9.0% in 2011, trending downward to 4.5% by 2020

One year historical trend information is presented in a supplementary schedule following these notes (see Page 60).

H. **Subsequent Events** – On October 1, 2011, the City’s Fire/Rescue Department was merged into the Broward Sheriff’s Office (BSO). BSO now provides, on a contractual basis, police, fire and emergency medical services to the City’s residents. Effective on that date, the City closed its Municipal Firefighters’ Defined Benefit Pension Plan to new members. The fire department budget accounts for approximately 25% of total General Fund expenditures. The initial term of the contract with BSO is that of five years, through September 30, 2015.

I. **New Accounting Pronouncements Not Yet Adopted** – GASB Statement 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, was issued in December 2009. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit certain OPEB plans to use an alternative measurement

F. **Deferred Compensation Plan** – The City offers certain employees the opportunity to participate in a deferred compensation plan that was created on December 1, 1987, via resolution C1987/114. This plan was established in accordance with Section 457 of the Internal Revenue Code. The plan permits employees to defer a portion of their salaries until future years. At the employee’s election, such amounts may be invested in mutual funds with varying degrees of risk and return. Loans may be taken against an employee’s account for specified purposes. All amounts of compensation deferred under a “Section-457” plan, all property and rights purchased with those amounts, and all investment earnings, are held in trust for the exclusive benefit of the plan’s participants and their beneficiaries. Since the City has no control over these assets, they are not reflected in the City’s financial statements.

The International City Management Association Retirement Corporation acts as agent for the employees in administering both the defined contribution as well as the deferred compensation plans described above.

G. **Other Post-employment Benefits** – The City’s Other Post Employment Benefits (OPEB) are presented in accordance with GASB Statement 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.” The provisions of this pronouncement were implemented prospectively with the actuarially determined liability of \$35,819,009 at the October 1, 2010 date of transition being amortized over 30 years.

Benefit Description and Funding Policy

The City provides a single employer defined benefit postemployment health insurance benefit to its general employees, firefighters and police officers who are members of the Deerfield Beach Municipal Police Officers’ Retirement Trust Fund. The City offers three fully-insured PPO plans for retirees. The City pays the premiums for the retiree only until the age of 65. The retiree pays the premium for an optional Medicare Supplementary coverage offered to post-65 retirees. Spouses of retired participants are eligible to participate in the retiree health care plan. Coverage continues to surviving spouses of deceased retirees for firefighters only. Coverage is terminated for spouses of all other retirees upon the death of the retiree.

Pursuant to Section 112.0801, Florida Statutes, general employees, firefighters and police officers who retire from the City may continue their participation in a City-sponsored health and/or dental insurance plan at the same premiums applicable to active employees. Since retiree claims are expected to result in higher costs to the plan, on average, than those for active employees on an actuarial basis, there is an implicit subsidy included in the premiums for the retirees.

Benefit provisions and City contribution requirements are established and may be amended by the City Commission. As of September 30, 2011, there were 195 retired employees receiving a monthly benefit with an additional 517 eligible for participation in the future. Benefit payments totaled \$1,611,826 for the year.

Annual OPEB Cost, Funding Status and Funding Progress

Annual OPEB Cost (AOC) is a measure of the periodic cost of an employer’s participation in a defined benefit OPEB plan. Details of the City’s AOC and Net OPEB Obligation (NOO) for the year ended September 30, 2011 follow:

Annual required contribution	\$ 4,236,129
Interest on plan obligation	33,571
Adjustment to ARC	(37,645)
Annual OPEB cost (AOC)	4,232,055
Actual contributions made	(1,811,826)
Increase in NOO	2,620,229
NOO - Beginning of year	746,026
NOO - End of year	\$ 3,366,255

method. Consistent with this change to the employer-reporting requirements, this Statement also amends a Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation. In addition, this Statement clarifies that when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan’s financial reporting requirements. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2012.

GASB Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements*, was issued in November 2010. The objective of this Statement is to provide accounting and financial reporting guidance by addressing issues related to service concession arrangements, which are a type of public-private or public-public partnership. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2013.

GASB Statement 61, *Financial Reporting Entity: Omnibus*, was issued in November 2010. This Statement amends Statement 14, *The Financial Reporting Entity*, as well as Statement 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. The primary purpose of this Statement is to improve financial reporting for governmental entities. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2013.

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. The objective of this Statement is to incorporate into the GASB’s authoritative literature certain additional accounting and financial reporting guidance that was issued before November 30, 1989. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was issued June 2011. The Statement establishes guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2013.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions— an amendment of GASB Statement No. 53* was issued June 2011. The will improve financial reporting by state and local governments by clarifying the circumstances in which hedge accounting continues to be applied when a swap counterparty, or a swap counterparty’s credit support provider, is replaced. The provisions of this Statement will be effective for the City beginning with its year ending September 30, 2012.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement will be effective for the City with its year ending September 30, 2014.

GASB Statement No. 66, *Technical Corrections—2012— an amendment of GASB Statements No. 10 and No. 62*. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement will be effective for the City with its year ending September 30, 2014.

CITY OF DEERFIELD BEACH, FLORIDA
 NOTES TO THE FINANCIAL STATEMENTS
 SEPTEMBER 30, 2011

The City's management has not yet determined the effect that these statements will have on the City's financial statements.

CITY OF DEERFIELD BEACH, FLORIDA
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE (NON-GAAP BUDGETARY BASIS)
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		(Budgetary Basis) Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Property taxes	\$ 33,238,333	\$ 33,238,333	\$ 32,870,366	\$ (367,967)
Sales and use taxes	5,425,313	5,425,313	5,165,731	(259,582)
Fire assessment fees	8,444,024	8,444,024	8,090,526	(353,498)
Franchise fees	10,853,086	10,853,086	9,584,608	(1,268,478)
Licenses and permits	2,127,500	2,127,500	2,567,037	439,537
Intergovernmental	2,320,526	2,357,264	2,398,734	41,470
Charges for services	7,846,725	7,846,725	8,013,366	166,641
Fines and forfeitures	1,220,306	1,220,306	1,006,653	(213,653)
Investment earnings	275,000	275,000	32,311	(242,689)
Miscellaneous:				
Donations/contributions	1,911,000	1,911,000	2,094,336	183,336
Administrative fees	2,641,794	2,641,794	2,641,813	19
Other	475,517	475,517	567,603	92,086
Total revenues	76,779,124	76,815,862	75,033,084	(1,782,778)
EXPENDITURES:				
Departmental:				
City commission	329,577	329,577	296,509	33,068
City manager	987,939	987,939	873,891	114,048
City clerk	439,785	439,785	438,692	1,093
City attorney	527,700	527,700	492,490	35,210
Central services	450,500	450,500	465,404	(14,904)
Parks & recreation	5,856,166	5,900,316	6,261,877	(361,561)
Fire/rescue	18,769,590	18,769,590	19,283,310	(513,720)
Human resources	489,514	489,514	418,653	70,861
Insurance/safety	8,398,141	8,398,141	9,529,262	(1,131,121)
Management and budget	2,020,987	2,020,987	1,880,715	140,272
Planning and growth management	2,288,367	2,288,367	2,306,427	(18,060)
Police	21,104,647	21,104,647	21,175,574	(70,927)
Public works	6,806,121	6,806,121	6,709,213	(103,092)
Senior services	2,710,473	2,710,473	2,355,283	357,190
Community participation	109,023	109,023	109,023	-
Other - unclassified	1,789,019	1,744,869	1,863,919	(119,050)
Debt service	456,262	456,262	451,056	5,206
Total expenditures	73,333,811	73,333,811	74,909,308	(1,575,497)
Excess (deficiency) of revenues over expenditures	3,445,313	3,482,051	123,776	(3,358,275)
Other financing sources (uses):				
Transfers in	1,113,712	1,113,712	958,202	(155,510)
Transfers out	(6,033,935)	(6,033,935)	(5,106,582)	(927,353)
Total other financing sources (uses)	(3,920,223)	(3,920,223)	(4,148,380)	(228,157)
Net change in fund balance	\$ (474,910)	\$ (438,172)	\$ (4,024,604)	\$ (3,586,432)

See accompanying notes to required supplementary information.

57

58

CITY OF DEERFIELD BEACH, FLORIDA
 COMMUNITY REDEVELOPMENT AGENCY FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET (NON-GAAP BASIS) AND ACTUAL
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		(Budgetary Basis) Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 1,322,509	\$ 1,322,509	\$ 1,382,280	\$ 59,771
Investment earnings	60,000	60,000	21,825	(38,175)
Miscellaneous	-	-	100	100
Total revenues	1,382,509	1,382,509	1,404,205	21,696
EXPENDITURES				
Current:				
Economic environment	1,255,767	1,255,767	543,989	711,778
Culture and recreation	275,000	275,000	76,431	198,569
Capital outlay	11,133,594	11,133,594	3,174,919	7,958,675
Total expenditures	12,664,361	12,664,361	3,795,339	8,869,022
Excess (deficiency) of revenues over expenditures	(11,281,852)	(11,281,852)	(2,391,134)	8,890,718
OTHER FINANCING SOURCES (USES)				
Transfers in	1,253,003	1,253,003	1,256,339	3,336
Transfers out	(690,794)	(690,794)	(689,300)	1,494
Total other financing sources (uses)	562,209	562,209	567,039	4,830
Net change in fund balances	\$ (10,719,643)	\$ (10,719,643)	\$ (1,824,095)	\$ 8,895,548

Reconciliation of Budget and Actual:

	GAAP Basis Actual	Net Encumbrances*	Non-GAAP Basis Actual
Current expenditures	\$ 492,961	\$ 51,028	\$ 543,989
Culture and recreation	76,431	-	76,431
Capital outlay	2,580,591	594,328	3,174,919
Total expenditures	\$ 3,149,983	\$ 645,356	\$ 3,795,339

*In the above reconciliation, "net encumbrances" represents the difference between the encumbrances outstanding as of September 30, 2011 and the outstanding encumbrances as of September 30, 2010 which were paid during fiscal year 2011.

See accompanying notes to required supplementary information.

59

CITY OF DEERFIELD BEACH, FLORIDA
 REQUIRED SUPPLEMENTARY INFORMATION
 DEFINED BENEFIT PENSION PLANS

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) (UFAAL)	Unfunded AAL (UAAAL) (UFAAL)	Funded Ratio	Covered Payroll	UAAAL as a Percentage of Covered Payroll
FIRE						
10/1/2008	\$ 83,960,958	\$ 89,280,606	\$ 5,319,648	9400.0%	\$ 10,950,967	48.6 %
10/1/2009	86,680,011	95,806,258	9,126,247	90.5	11,376,000	80.2
10/1/2010	86,997,197	101,861,896	14,864,699	85.4	11,313,910	131.4
POLICE						
10/1/2008	\$ 40,087,946	\$ 50,658,055	\$ 10,570,109	7913.4%	\$ 493,035	2,143.9 %
10/1/2009	38,457,881	49,724,746	11,266,865	77.3	-	N/A
10/1/2010	36,192,921	50,068,994	13,876,073	72.3	-	N/A
NON-UNIFORMED						
10/1/2008	\$ 58,340,299	\$ 60,294,318	\$ 1,954,019	9675.9%	\$ 3,480,914	58.1 %
10/1/2009	56,887,766	61,610,579	4,722,813	92.3	3,295,395	143.3
10/1/2010	56,383,598	64,282,650	7,899,314	87.7	2,382,749	331.5

*As the ARC was calculated using the aggregate cost method, the information in the schedule of funding progress is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the plan.

Schedules of Contributions from Employer and Other Contributing Entities

Year Ended	Fire		Police		Non-uniformed	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
September 30						
2009	\$2,750,854	100%	\$1,249,843	100%	\$ 802,633	100%
2010	3,076,012	100	1,265,223	100	1,622,159	100
2011	3,321,431	100	1,498,638	100	1,816,148	100

See accompanying notes to required supplementary information.

60

CITY OF DEERFIELD BEACH, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS – OTHER POST EMPLOYMENT BENEFITS
CURRENT FISCAL YEAR

CITY OF DEERFIELD BEACH, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2011

NOTE 1 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2008*	\$ -	\$ 19,720,497	\$ 19,720,497	0.0 %	\$ 34,798,278	56.7 %
10/1/2010	-	52,101,328	52,101,328	0.0	33,561,568	155.2

*Valuation is performed every two years. The next valuation is for the fiscal year ending September 30, 2013.

A. Budgetary Information – The City adopts annual operating budgets on a non-GAAP basis for the General Fund and the enterprise funds, as well as the following special revenue funds: Road and Bridge Tax Fund, Community Development Block Grant Fund, and the Community Redevelopment Agency Fund. The remaining special revenue funds are governed by grants with different fiscal periods and are funded at levels which the City has little control over or measurable knowledge of at the time it adopts the other budgets.

For budgetary control purposes, encumbrance accounting is utilized, whereas purchase orders, contracts and other financial commitments for expenditures are recorded in order to reserve that portion of the applicable appropriation. Encumbrances outstanding at year-end are reported as reservations of fund balance, since they do not constitute expenditures or liabilities. Unless encumbered by a purchase order, the budget appropriations lapse at the end of each year.

At any time during the fiscal year, the City Manager may authorize a budget adjustment among the various line items within a department, as long as the total budget for the department does not change. Furthermore, if the City Manager certifies that there are revenues available for appropriations in excess of those estimated in the original budget, the City Commission may, by ordinance, make supplemental appropriations for the year up to the amount of such excess. During fiscal year 2011, the General Fund budget increased by \$36,738 as a result of increased grant funding from the Florida Department of Elder Affairs.

B. Reconciliation of Budget to Actual – The City adopts annual budgets on a non-GAAP basis which includes encumbrances. Actual data accounted for on a basis consistent with GAAP is presented in the "Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds." Actual data accounted for on a non-GAAP basis is presented in the "Budgetary Comparison Schedule – General Fund." Reconciliation of the actual data as presented in the aforementioned statements is shown below:

	GAAP Basis Actual	Net Encumbrances	Non-GAAP Basis Actual
Current expenditures	\$ 74,326,912	\$ 131,340	\$ 74,458,252
Debt service	451,056	-	451,056
Total expenditures	\$ 74,777,968	\$ 131,340	\$ 74,909,308

In the above reconciliation, "net encumbrances" represents the difference between the encumbrances outstanding as of September 30, 2011 and the outstanding encumbrances as of September 30, 2010, which were paid during fiscal year 2011.

C. Excess of Expenditures Over Appropriations – For the year ended September 30, 2011, expenditures exceeded appropriations in several of the City's departments, the legal level of budgetary control. The Central Services, Parks & Recreation and Fire/Rescue departments exceeded their budgets by \$14,904, \$361,561 and \$513,720, respectively. Further, the Insurance/Safety, Planning & Growth Management, Police and Public Works departments exceeded their budgets by \$1,131,121, \$18,060, \$70,927, and \$103,092, respectively. The Other/Unclassified Department also exceeded its budget by \$119,050. Available fund balance was utilized to offset these amounts.

See accompanying notes to required supplementary information.

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX H

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY
APPLICABLE ONLY TO THE INSURED BONDS**

[THIS PAGE INTENTIONALLY LEFT BLANK]



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

[THIS PAGE INTENTIONALLY LEFT BLANK]

[THIS PAGE INTENTIONALLY LEFT BLANK]

