

RESOLUTION 2017-__

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALM COAST, FLORIDA, AUTHORIZING A LOAN FROM CENTERSTATE BANK IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$17,163,000 FOR THE PURPOSE OF REFUNDING CERTAIN STATE REVOLVING FUND LOANS FROM THE FLORIDA DEPARTMENT OF ENVIRONMENTAL PROTECTION; AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT AND ACCEPTANCE OF THE BANK'S PROPOSAL; AUTHORIZING THE EXECUTION AND DELIVERY OF A CITY OF PALM COAST, FLORIDA UTILITY SYSTEM REFUNDING REVENUE NOTE, SERIES 2017 TO EVIDENCE THE CITY'S OBLIGATION UNDER THE LOAN AGREEMENT, SUCH SERIES 2017 NOTE TO BE A LIMITED OBLIGATION OF THE CITY PAYABLE FROM NET REVENUES OF THE CITY'S WATER AND SEWER SYSTEM AS DESCRIBED HEREIN; PROVIDING FOR THE RIGHTS AND SECURITIES OF THE OWNER OF THE NOTE; MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City Council (the "City Council") of the City of Palm Coast, Florida (the "City") previously adopted Resolution No. 2003-22 on September 30, 2003 (as amended and supplemented from time to time, the "Master Resolution"); and

WHEREAS, pursuant to the Master Resolution and Resolution No. 2013-40 adopted by the City on May 21, 2013, the City previously issued its Utility System Improvement and Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds"); and

WHEREAS, pursuant to the Master Resolution and Resolution No. 2016-23 adopted by the City on March 29, 2016, the City previously issued its Utility System Revenue Refunding Note, Series 2016 (the "Series 2016 Note," and together with the Series 2013 Bonds, the "Senior Revenue Obligations"); and

WHEREAS, pursuant to the Master Resolution, the City previously obtained four loans from Florida Department of Environmental Protection (the "FDEP") by entering into State Revolving Fund Loan Agreement Nos. WW90302S, WW90303S, WW903050, and WW903080 (collectively, the "Refunded Debt"); and

WHEREAS, pursuant to the Master Resolution, the City previously entered into State Revolving Fund Loan Agreement No. WW180420 (the "2016 SRF Loan"); and

WHEREAS, the City Council hereby determines that it is necessary and desirable and in the best interest of the inhabitants of the City to borrow funds to currently refund the Refunded Debt and to pay the costs of issuance related thereto (the "Loan"); and

WHEREAS, the City received an offer from CenterState Bank (the "Original Purchaser") to provide the Loan to achieve these objectives; and

WHEREAS, amounts due under the Loan will be evidenced by the City's issuance of its Utility System Refunding Revenue Note, Series 2017 (the "Series 2017 Note") and the Loan Agreement to be entered into between the City and the Original Purchaser, the form of which is attached hereto as Exhibit A (the "Loan Agreement"); and

WHEREAS, the Series 2017 Note is being issued to (i) refund the Refunded Debt, and (ii) pay the costs of issuance of the Series 2017 Note; and

WHEREAS, the Series 2017 Note will be secured by a lien on the Net Revenues of the System and until applied in accordance with the Master Resolution, the moneys on the deposit in the various funds and accounts, as described therein (the "Pledged Revenues"); and

WHEREAS, the Series 2017 Note will constitute "Subordinated Debt" within the meaning of the Master Resolution, junior and subordinate to the Senior Revenue Obligations and on parity and equal status with the outstanding 2016 SRF Loan; and

WHEREAS, the City has obtained consent from FDEP for issuance of the Series 2017 Note in parity with the 2016 SRF Loan, in accordance with Section 7.02 of State Revolving Fund Loan Agreement No. WW180420; and

WHEREAS, due to the present volatility of the market for tax-exempt public obligations such as the Series 2017 Note, the need to access such market very quickly, the willingness of the Original Purchaser to purchase the Series 2017 Note at an interest rate favorable to the City, and the critical importance of timing of the sale of the Series 2017 Note, the City has determined to sell the Series 2017 Note through a negotiated sale to the Original Purchaser, and it is hereby determined that it is in the best interest of the public and the City to accept the proposal of the Original Purchaser to purchase the Series 2017 Note at a negotiated sale pursuant to the terms of the Series 2017 Note, if certain conditions set forth in this resolution are satisfied; and

WHEREAS, prior to acceptance by the City of the offer of the Original Purchaser to purchase the Series 2017 Note, the Original Purchaser will provide the City with all applicable disclosure information required by Section 218.385, Florida Statutes; and

WHEREAS, the Original Purchaser does not require the establishment of a debt service reserve fund as a condition of purchase; and

WHEREAS the debt service on the Series 2017 Note shall be payable solely from and secured by the Pledged Revenues; and;

WHEREAS, due to the present volatility of the market for tax-exempt obligations such as the Series 2017 Note, the need to access such market very quickly, the willingness of the Original Purchaser to purchase the Series 2017 Note at an interest rate favorable to the City and the critical importance of timing of the sale of the Series 2017 Note, the City has determined to sell the Series 2017 Note through a negotiated sale to the Original Purchaser.

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

SECTION 1. AUTHORITY FOR THIS RESOLUTION. This Resolution is adopted pursuant to Article VIII, Section 2, of the Constitution of the State of Florida, Chapter 159, Part I and Chapter 166, Part II, Florida Statutes, as amended, the Charter of the City, the Master Resolution and other applicable provisions of law.

SECTION 2. DEFINITIONS. All capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Master Resolution.

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

A. The WHEREAS clauses recited above are hereby incorporated herein as a part of this Resolution.

B. The City of Palm Coast, Florida is a duly constituted and validly existing municipality within the State of Florida with requisite home rule powers derived from the Constitution and Laws of the State of Florida.

C. It is in the public interest and a valid and proper public purpose to enter into the Loan to currently refund the Refunded Debt.

D. The Pledged Revenues shall be used to pay principal of and interest on the Series 2017 Note and any other amounts due under the Loan Agreement and the Series 2017 Note.

E. Because of the characteristics of the security pledged to repay the Loan, prevailing conditions in the financial markets, it is in the best interest of the City to accept the offer of the Original Purchaser to enter into the Loan Agreement and purchase the Series 2017 Note at a private negotiated sale. Prior to the issuance of the Series 2017 Note, the City shall have received from the Original Purchaser a Purchaser's Certificate, the form of which is attached hereto as Exhibit B and the Disclosure Letter containing the information required by Section 218.385, Florida Statutes, the form of which is attached hereto as Exhibit C.

F. In consideration of the purchase and acceptance by the Original Purchaser of the Series 2017 Note authorized to be issued hereunder, this Resolution together with the terms and provisions of the Loan Agreement shall constitute a contract between the City and the Original Purchaser.

G. All covenants, provisions and conditions contained in the Master Resolution relating to "Subordinated Debt" shall apply to the Series 2017 Note.

SECTION 4. AUTHORIZATION OF LOAN AGREEMENT AND PROPOSAL. To provide for the security of the Series 2017 Note and to express the contract between the City and the holder thereof, the City does hereby authorize the execution and delivery on behalf of the City by the Mayor under the seal of the City, attested by the City Clerk, of the Loan Agreement by and between the City and the Original Purchaser. The Loan Agreement shall be in substantially the form attached hereto and marked Exhibit A and is hereby approved, with such changes therein as shall be approved by any of the authorized officers executing the same, with such execution constituting conclusive evidence of such officer's approval and the City's approval of any changes therein to the form of the Loan Agreement attached hereto. Subject and pursuant to the provisions of this Resolution and the terms and provisions of the Loan Agreement, there is hereby authorized to be issued the Series 2017 Note to evidence the City's obligations under the Loan Agreement.

The City Manager is hereby authorized to accept and execute the Original Purchaser's proposal.

SECTION 5. AUTHORIZATION OF THE SERIES 2017 NOTE. There is hereby authorized to be issued the "City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2017" in an aggregate principal amount not to exceed seventeen million, one hundred sixty three thousand dollars (\$17,163,000), which shall secure amounts outstanding under the Loan Agreement. The Series 2017 Note shall bear interest at a fixed rate equal to 2.35% per annum (subject to adjustment as provided in the Loan Agreement and the Series 2017 Note), calculated on a 30/360 day basis, and shall be dated the date of delivery. Principal and interest shall be payable semiannually commencing June 15, 2017 and on each June 15 and December 15 thereafter to June 15, 2028. Debt service on the Series 2017 Note shall be due and paid as set forth on Schedule I attached to the Series 2017 Note, and subject to prepayment as provided in the Series 2017 Note.

The Series 2017 Note shall be substantially in the form attached to the Loan Agreement, with such non-material changes as shall be approved by the Mayor, such approval to be conclusively evidenced by the execution thereof by the Mayor. The Series 2017 Note shall be executed on behalf of the City with the manual signature of the Mayor and the City Clerk and the official seal of the City, and be approved as to form and legality with the manual signature of the City Attorney. In case any one or more of the officers who shall have signed or sealed the Series 2017 Note shall cease to be such officer of the City before the Series 2017 Note so signed and sealed has been actually sold and delivered, such Series 2017 Note may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Series 2017 Note had not ceased to hold such office. The Series 2017 Note may be signed and sealed on behalf of the City by such person who at the actual time of the execution of such Series 2017 Note shall hold the proper office of the City, although, at the

date of such Series 2017 Note, such person may not have held such office or may not have been so authorized.

SECTION 6. PAYMENT OF PRINCIPAL AND INTEREST; LIMITED OBLIGATION. The City promises that it will promptly pay the principal of and interest on the Series 2017 Note and all other amounts due under the Loan Agreement and the Series 2017 Note at the place, on the dates and in the manner provided in the Loan Agreement according to the true intent and meaning hereof and thereof. Amounts due under the Loan Agreement shall not be or constitute a general obligation or indebtedness of the City as a "bond" within the meaning of Article VII, Section 12 of the Constitution of Florida, but shall be payable solely from the Pledged Revenues in accordance with the terms hereof and of the Loan Agreement. The holder of the Series 2017 Note issued hereunder shall never have the right to compel the exercise of any ad valorem taxing power by the City to pay the Series 2017 Note, or be entitled to payment of such Series 2017 Note from any funds of the City except from the Pledged Revenues as described herein and in the Loan Agreement.

Principal and interest on the Series 2017 Note will be paid from and secured by moneys deposited into the Subordinated Debt Service Fund established under the Master Resolution.

SECTION 7. USE OF PROCEEDS. The proceeds of the Series 2017 Note shall be used as follows:

(A) The City shall pay all or a portion of the costs and expenses in connection with the preparation, issuance and sale of the Series 2017 Note.

(B) A sum, together with other legally available funds of the City which may include moneys on deposit in the funds and accounts created for the benefit of the Refunded Debt, shall be used to currently refund the Refunded Debt.

SECTION 8. RESERVE FUND. There will be no Reserve Fund established for the Series 2017 Note.

SECTION 9. GENERAL AUTHORITY. The Mayor, the City Manager, the Finance Director, the City Attorney or any other appropriate officers of the City are hereby authorized and directed to execute any and all certifications or other instruments or documents required by the Master Resolution or any other document referred to herein as a prerequisite or precondition to the issuance of the Series 2017 Note and any such representation made therein shall be deemed to be made on behalf of the City. All action taken to date by the officers of the City in furtherance of the issuance of the Series 2017 Note is hereby approved, confirmed and ratified.

SECTION 10. PREREQUISITES PERFORMED. The City has performed all acts, conditions required pursuant to the Master Resolution and this Resolution as are required by the Constitution and Laws of the State of Florida, and the Charter of the City.

SECTION 11. SEVERABILITY. If any provision of this Resolution shall be held or deemed to be or shall, in fact, be illegal, inoperative or unenforceable in any context, the same shall not affect any other provision herein or render any other provision (or such provision in any other context) invalid, inoperative or unenforceable to any extent whatever.

SECTION 12. APPLICABLE PROVISIONS OF LAW. This Resolution shall be governed by and construed in accordance with the laws of the State of Florida.

SECTION 13. RULES OF INTERPRETATION. Unless expressly indicated otherwise, references to sections or articles are to be construed as references to sections or articles of this instrument as originally executed. Use of the words "herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to this Resolution and not solely to the particular portion in which any such word is used.

SECTION 14. CAPTIONS. The captions and headings in this Resolution are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Resolution.

SECTION 15. MEMBERS OF THE CITY COUNCIL EXEMPT FROM PERSONAL LIABILITY. No recourse under or upon any obligation, covenant or agreement of this Resolution, the Loan Agreement or the Series 2017 Note or for any claim based thereon or otherwise in respect thereof, shall be had against any member of the City Council, as such, of the City, past, present or future, either directly or through the City it being expressly understood (a) that no personal liability whatsoever shall attach to, or is or shall be incurred by, the members of the City Council, as such, under or by reason of the obligations, covenants or agreements contained in this Resolution, the Loan Agreement or the Series 2017 Note or implied therefrom, and (b) that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such member of the City Council, as such, are waived and released as a condition of, and as a consideration for, the execution of this Resolution and the Loan Agreement and the issuance of the Series 2017 Note, on the part of the City.

SECTION 16. NO THIRD PARTY BENEFICIARIES. Except such other persons as may be expressly described in this Resolution, nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon any person, other than the City and the holder of the Series 2017 Note, any right, remedy or claim, legal or equitable, under and by reason of this Resolution, or any provision thereof, all provisions thereof being intended to be and being for the sole and exclusive benefit of the City and the persons who shall from time to time be the holders of the Series 2017 Note.

SECTION 17. MASTER RESOLUTION TO CONTINUE IN FORCE. The Master Resolution and all the terms and provisions thereof, are and shall remain in full force and effect.

SECTION 18. **EFFECTIVE DATE.** This Resolution shall take effect immediately upon its adoption.

Passed and adopted by the City Council of the City of Palm Coast, Florida this 17th day of January, 2017.

(SEAL)

CITY OF PALM COAST, FLORIDA

Milissa Holland, Mayor

ATTEST:

Virginia Smith, City Clerk

APPROVED AS TO FORM AND LEGALITY:

City Attorney

EXHIBIT A

FORM OF LOAN AGREEMENT

LOAN AGREEMENT

by and between

CITY OF PALM COAST, FLORIDA

and

CENTERSTATE BANK

Dated as of January 19, 2017

relating to

\$17,163,000

**CITY OF PALM COAST, FLORIDA
UTILITY SYSTEM REFUNDING REVENUE NOTE, SERIES 2017**

TABLE OF CONTENTS

	<u>Page</u>
SECTION 1. DEFINITIONS.....	2
SECTION 2. INTERPRETATION.....	4
SECTION 3. THE LOAN.....	4
SECTION 4. DESCRIPTION OF SERIES 2017 NOTE.....	5
SECTION 5. EXECUTION OF SERIES 2017 NOTE.....	5
SECTION 6. REGISTRATION AND TRANSFER OF SERIES 2017 NOTE.	5
SECTION 7. SERIES 2017 NOTE MUTILATED, DESTROYED, STOLEN OR LOST.	6
SECTION 8. FORM OF SERIES 2017 NOTE.....	7
SECTION 9. SECURITY FOR SERIES 2017 NOTE; SERIES 2017 NOTE NOT DEBT OF THE CITY.	7
SECTION 10. COVENANTS OF THE CITY.....	7
SECTION 11. REPRESENTATIONS AND WARRANTIES.	8
SECTION 12. CONDITIONS PRECEDENT.	9
SECTION 13. NOTICES.	9
SECTION 14. EVENTS OF DEFAULT DEFINED; REMEDIES.	10
SECTION 15. NO PERSONAL LIABILITY.....	10
SECTION 16. PAYMENTS DUE ON SATURDAYS, SUNDAYS AND HOLIDAYS.....	10
SECTION 17. AMENDMENTS, CHANGES AND MODIFICATIONS.....	11
SECTION 18. BINDING EFFECT.....	11
SECTION 19. SEVERABILITY.....	11
SECTION 20. EXECUTION IN COUNTERPARTS.	11
SECTION 21. APPLICABLE LAW.....	12

LOAN AGREEMENT

This **LOAN AGREEMENT** is made and entered into as of January 19, 2017 by and between **CITY OF PALM COAST, FLORIDA** (the "City"), and **CENTERSTATE BANK**, and its successors and assigns (the "Bank").

WITNESSETH:

WHEREAS, the City Council (the "City Council") of the City of Palm Coast, Florida (the "City") previously adopted Resolution No. 2003-22 on September 30, 2003 (as amended and supplemented from time to time, the "Master Resolution"); and

WHEREAS, pursuant to the Master Resolution and Resolution No. 2013-40 adopted by the City on May 21, 2013, the City previously issued its Utility System Improvement and Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds"); and

WHEREAS, pursuant to the Master Resolution and Resolution No. 2016-23 adopted by the City on March 29, 2016, the City previously issued its Utility System Revenue Refunding Note, Series 2016 (the "Series 2016 Note," and together with the Series 2013 Bonds, the "Senior Revenue Obligations"); and

WHEREAS, pursuant to the Master Resolution, the City previously obtained four loans from Florida Department of Environmental Protection (the "FDEP") by entering into State Revolving Fund Loan Agreement Nos. WW90302S, WW90303S, WW903050, and WW903080 (collectively, the "Refunded Debt"); and

WHEREAS, pursuant to the Master Resolution, the City previously entered into State Revolving Fund Loan Agreement No. WW180420 (the "2016 SRF Loan"); and

WHEREAS, the Series 2017 Note is being issued to (i) refund the Refunded Debt, and (ii) pay the costs of issuance of the Series 2017 Note; and

WHEREAS, the Series 2017 Note will be secured by a lien on the Net Revenues of the System and, until applied in accordance with the Master Resolution, the moneys on the deposit in the various funds and accounts, as described therein (the "Pledged Revenues"); and

WHEREAS, on January 17, 2017, the City adopted Resolution No. 2017-__ (the "Authorizing Resolution") authorizing the issuance of its Utility System Refunding Revenue Note, Series 2017 (the "Series 2017 Note") to (i) currently refund the Refunded Debt, and (ii) pay the costs of issuance of the Series 2017 Note; and

WHEREAS, the City Council has determined that it is necessary and desirable and in the best interest of the inhabitants of the City to borrow funds to refund the Refunded Debt and to pay the costs of issuance related thereto; and

WHEREAS, the City received and accepted the proposal of CenterState Bank (the "Bank") to provide a loan to the City in an aggregate principal amount of \$17,163,000 for the purpose of currently refunding the Refunded Debt and paying the costs of issuance of the Series 2017 Note (the "Loan"); and

WHEREAS, the Series 2017 Note will constitute "Subordinated Debt" within the meaning of the Master Resolution, junior and subordinate to the Senior Revenue Obligations and on parity and equal status with the outstanding 2016 SRF Loan; and

WHEREAS the debt service on the Series 2017 Note shall be payable solely from and secured by the Pledged Revenues in accordance with the Master Resolution.

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties do hereby agree as follows:

SECTION 1. DEFINITIONS. Capitalized terms used in this Loan Agreement and not defined in this Section 1 shall have the meaning assigned in the Master Resolution and the Authorizing Resolution. The following terms shall have the following meanings herein, unless the text otherwise expressly requires:

"Act" means Article VIII, Section 2, of the Constitution of the State of Florida, Chapters 159, Part I and 166, Part II, Florida Statutes, as amended, the Charter of the City, and other applicable provisions of law.

"Authorized City Representative" means the Mayor, the City Manager, the Finance Director, the Finance Director, the Clerk or their designees.

"Authorizing Resolution" means the resolution adopted by the City Council of the City on January 17, 2017 which authorized issuance of the Series 2017 Note.

"Bank" shall mean CenterState Bank and its successors and assigns, with offices located at 175 Cypress Point Parkway, Palm Coast, Florida 32164.

"Bank's Counsel" means Upchurch, Bailey & Upchurch.

"Business Day" means any day of the year other than a day on which the Bank or the City are lawfully closed for business.

"City" means the City of Palm Coast, Florida, a municipal corporation of the State of Florida.

"City Attorney" means Garganese, Weiss & D'Agresta, P.A.

"City Council" means the City Council of the City, as the governing body of the City.

"City Manager" means the City Manager of the City or his or her designee.

"Clerk" means the City Clerk of the City or his or her designee.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commitment" means the Commitment of the Bank, dated January 6, 2017.

"Date of Delivery" means January 19, 2017.

"Default" means an Event of Default as defined and described in Section 14 hereof.

"Financial Advisor" means FirstSouthwest, a Division of Hilltop Securities Inc., Orlando, Florida.

"Finance Director" means the Finance Director of the City or his or her designee.

"Fiscal Year" means the period from each October 1 to the succeeding September 30.

"Interest Payment Date" means each June 15 and December 15, commencing June 15, 2017 through and including the Maturity Date.

"Interest Rate" means the rate of interest payable on the Series 2017 Note described in Section 4 hereof and in the Form of Series 2017 Note attached hereto as Exhibit A.

"Loan" shall collectively refer to an amount equal to the aggregate principal amount of \$17,163,000 loaned by the Bank to the City pursuant to and in accordance with this Loan Agreement.

"Loan Agreement" means this Loan Agreement between the Bank and the City setting forth the terms and details of the Loan.

"Master Resolution" means the Master Utility System Bond Resolution No. 2003-22 adopted by the City on September 30, 2003, as amended and supplemented.

"Maturity Date" means June 15, 2028.

"Mayor" means the Mayor of the City.

"Note Counsel" means Bryant Miller Olive P.A.

"Note Legislation" means collectively, the Master Resolution and the Authorizing Resolution.

"Pledged Revenues" means the Net Revenues of the System and, until used in accordance with the Master Resolution amounts on deposit in certain funds and accounts, all as defined and as described in the Master Resolution.

"Paying Agent" means the City.

"Payment Date" means both the Interest Payment Dates and the Principal Payment Dates.

"Person" or words importing persons, means firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, corporations, public or governmental bodies, other legal entities, and natural persons.

"Principal Amount" means Seventeen Million One Hundred Sixty Three Thousand Dollars (\$17,163,000).

"Principal Payment Date" means each June 15 and December 15, commencing June 15, 2017, through and including the Maturity Date.

"Register" means the books maintained by the Registrar in which are recorded the name and address of the Registered Owner of the Series 2017 Note.

"Registered Owner" means the person in whose name the ownership of the Series 2017 Note is registered on the books maintained by the Registrar. The initial Registered Owner shall be the Bank.

"Registrar" means the Person maintaining the Register. The Registrar shall initially be the Clerk.

"Regulations" means the Income Tax Regulations promulgated by the Internal Revenue Service under Sections 103 and 141 through 150 of the Code.

"Series 2017 Note" means City of Palm Coast, Florida Utility System Refunding Revenue Note, Series 2017, substantially in the form attached hereto as Exhibit A, evidencing the Loan authorized herein.

"State" means the State of Florida.

SECTION 2. INTERPRETATION. Unless the context clearly requires otherwise, words of masculine gender shall be construed to include correlative words of the feminine and neuter genders and vice versa, and words of the singular number shall be construed to include correlative words of the plural number and vice versa. This Loan Agreement and all the terms and provisions hereof (a) have been negotiated between the City and the Bank; (b) shall not be construed strictly in favor of or against either party hereto; and (c) shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

SECTION 3. THE LOAN.

A. Loan. The Bank hereby makes and the City hereby accepts the Loan, upon the terms and conditions set forth herein.

B. Disbursement of Proceeds. Proceeds of the Loan shall be made available by the Bank to the City by deposit of the amount thereof to or for the order of the City by 11:00 a.m. on the Date of Delivery.

SECTION 4. DESCRIPTION OF SERIES 2017 NOTE. The obligation of the City to repay the Loan shall be evidenced by the Series 2017 Note. The Series 2017 Note shall be dated as of the Date of Delivery; shall mature on the Maturity Date; and shall be issued in the name of the Registered Owner.

The Series 2017 Note shall bear interest from the Date of Delivery until payment of the entire outstanding principal amount due thereon. The Interest Rate on the Series 2017 Note shall be a fixed rate of interest equal to 2.35% per annum, subject to adjustment as provided herein and in the Series 2017 Note. Interest on the Series 2017 Note shall be calculated using a 360-day year consisting of twelve 30-day months.

Interest on the Series 2017 Note shall be paid semiannually on each Interest Payment Date, commencing June 15, 2017. On each Principal Payment Date, the City shall pay an annual installment of the outstanding principal amount due on the Series 2017 Note in the amounts set forth on Schedule 1 of the Series 2017 Note.

The City may prepay the Series 2017 Note in whole or in part, at anytime, without a prepayment premium or penalty.

SECTION 5. EXECUTION OF SERIES 2017 NOTE. The Series 2017 Note shall be executed in the name of the City by the Mayor and attested by the Clerk, and its corporate seal or a facsimile thereof shall be affixed thereto or reproduced thereon. The Series 2017 Note may be signed and sealed on behalf of the City by any person who at the actual time of the execution of the Series 2017 Note shall hold the appropriate office in the City, although at the date thereof the person may not have been so authorized. The Series 2017 Note may be executed by the facsimile signatures of the Mayor and/or Clerk, provided that at least one of the foregoing signatures must be a manual signature.

SECTION 6. REGISTRATION AND TRANSFER OF SERIES 2017 NOTE. The Series 2017 Note shall be and shall have all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code-Investment Securities Laws of the State of Florida, and each Registered Owner, in accepting the Series 2017 Note, shall be conclusively deemed to have agreed that such Series 2017 Note shall be and have all of the qualities and incidents of negotiable instruments thereunder.

There shall be a Registrar who shall be responsible for maintaining the Register. The person in whose name ownership of a Series 2017 Note is shown on the Register shall be deemed the Registered Owner thereof by the City and the Registrar, who may treat the Registered Owner as the absolute owner of the Series 2017 Note for all purposes, whether or not the Series 2017 Note shall be overdue, and any notice to the contrary shall not be binding upon the City or the Registrar.

Ownership of the Series 2017 Note may be transferred only in whole and in denominations of not less than \$100,000 even in whole, and only upon the Register. Upon surrender to the Registrar for transfer or exchange of the Series 2017 Note accompanied by an assignment or written authorization for exchange, whichever is applicable, duly executed by the Registered Owner or its attorney duly authorized in writing, the Registrar shall deliver in the name of the Registered Owner or the transferee or transferees, as the case may be, a new fully registered Series 2017 Note of the same amount, maturity and interest rate as the Series 2017 Note surrendered.

The Series 2017 Note presented for transfer, exchange, redemption or payment (if so required by the City or the Registrar) shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the City or the Registrar, duly executed by the Registered Owner or by his duly authorized attorney.

The City and the Registrar may charge the Registered Owner a sum sufficient to reimburse them for any expenses incurred in making any exchange or transfer after the first such exchange or transfer following the delivery of such Series 2017 Note. The Registrar or the City may also require payment from the Registered Owner or his transferee, as the case may be, of a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto. Such charges and expenses shall be paid before any such new Series 2017 Note shall be delivered.

The new Series 2017 Note delivered upon any transfer or exchange shall be a valid obligation of the City, evidencing the same debt as the Series 2017 Note surrendered, shall be secured under this Loan Agreement, and shall be entitled to all of the security and benefits hereof to the same extent as the Series 2017 Note surrendered.

Whenever a Series 2017 Note shall be delivered to the Registrar for cancellation, upon payment of the principal amount thereof, or for replacement, transfer or exchange, such Series 2017 Note shall be cancelled and destroyed by the Registrar, and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the City.

SECTION 7. SERIES 2017 NOTE MUTILATED, DESTROYED, STOLEN OR LOST. In case the Series 2017 Note shall be mutilated, or be destroyed, stolen or lost, upon the Registered Owner furnishing the Registrar satisfactory indemnity and complying with such other reasonable regulations and conditions as the City may prescribe and paying such expenses as the City may incur, the Registrar shall issue and deliver a new Series 2017 Note of like tenor as the Series 2017 Note so mutilated, destroyed, stolen or lost, in lieu of or substitution for the Series 2017 Note, if any, destroyed, stolen or lost, or in exchange and substitution for such mutilated Series 2017 Note, upon surrender of such mutilated Series 2017 Note, if any, to the Registrar and the cancellation thereof; provided however, if the Series 2017 Note shall have matured or be about to mature, instead of issuing a substitute Series 2017 Note, the City may pay the same, upon being indemnified as aforesaid, and if such Series 2017 Note

be lost, stolen or destroyed, without surrender thereof. Any Series 2017 Note surrendered under the terms of this Section 7 shall be cancelled by the Registrar.

Any such new Series 2017 Note issued pursuant to this section shall constitute an original, additional contractual obligation on the part of the City whether or not, as to the new Series 2017 Note, the lost, stolen or destroyed Series 2017 Note be at any time found by anyone, and such new Series 2017 Note shall be entitled to equal and proportionate benefits and rights as to security for payment to the same extent as the Series 2017 Note originally issued hereunder.

SECTION 8. FORM OF SERIES 2017 NOTE. The Series 2017 Note shall be in substantially the form attached hereto as Exhibit A, with such variations, omissions and insertions as may be necessary, desirable and authorized or permitted by this Loan Agreement or the Authorizing Resolution.

SECTION 9. SECURITY FOR SERIES 2017 NOTE; SERIES 2017 NOTE NOT DEBT OF THE CITY. The City promises that it will promptly pay the principal of and interest on the Series 2017 Note and all other amounts due hereunder at the place, on the dates and in the manner provided herein according to the true intent and meaning hereof. Amounts due hereunder shall not be or constitute a general obligation or indebtedness of the City as a "bond" within the meaning of Article VII, Section 12 of the Constitution of Florida, but shall be payable solely from the Pledged Revenues in accordance with the terms of the Note Legislation and this Agreement. The holder of the Series 2017 Note shall never have the right to compel the exercise of any ad valorem taxing power to pay the Series 2017 Note, or be entitled to payment of such Series 2017 Note from any funds of the City except from the Pledged Revenues as described herein and in the Note Legislation.

SECTION 10. COVENANTS OF THE CITY. The City covenants with the Registered Owner of the Series 2017 Note as follows:

A. Payments. The City will punctually pay all principal of and interest on the Series 2017 Note when due by wire transfer or other medium acceptable to the City and the Bank.

B. Financial Statements. Beginning with the fiscal year ended September 30, 2016, the City will provide the Bank a copy of the audited financial statements of the City within 270 days of the end of the respective fiscal year.

C. Annual Budget and Other Information. The City will prepare its annual budget in accordance with the Act, and will provide to the Bank a copy of its final annual budget for each Fiscal Year within 30 days of adoption thereof by the City Council and such other financial or public information as the Bank may reasonably request.

D. Tax Compliance. Neither the City, nor any third party over whom the City has control, will make any use of the proceeds of the Series 2017 Note at any time during the term of the Series 2017 Note which would cause the Series 2017 Note to be (a) a "private activity bond"

within the meaning of Section 103(b)(1) of the Code or (b) an "arbitrage bond" within the meaning of Section 103(b)(2) of the Code. The City covenants throughout the term of the Series 2017 Note to comply with the requirements of the Code and the Regulations, as amended from time to time, and to take all actions necessary to maintain the exclusion from gross income for purposes of the Code of interest on the Series 2017 Note.

E. Master Resolution. All covenants, provisions and conditions contained in the Master Resolution relating to "Subordinated Debt" shall apply to the Series 2017 Note.

F. Compliance Certificate. The City shall provide the Bank an annual covenant compliance certificate, executed by the City Finance Director, certifying that for the City's most recent fiscal year, the City was in compliance with the debt service coverage requirements of the Master Bond Resolution.

G. Additional Debt Obligations. The issuance of any additional City utility system debt obligations in the future shall be in accordance with the terms of the Master Resolution; provided, however, that prior to issuing Subordinated Debt on a parity with the Series 2017 Note, the City shall obtain the Registered Owner's written consent. Such consent shall be granted if the City demonstrates at the time of issuance that the Pledged Revenues, which may take into account reasonable projections of growth of the water and sewer systems and revenue increases, plus revenues to be pledged to the additional proposed debt obligations will, during the period of time when the Series 2017 Note is outstanding, equal or exceed 1.15 times the annual combined debt service requirements of the Series 2017 Note and the additional Subordinated Debt to be issued by the City, and will satisfy the coverage requirements of all other debt obligations secured by the Pledged Revenues.

SECTION 11. REPRESENTATIONS AND WARRANTIES. The City represents and warrants to the Bank that:

A. Organization. The City is a municipal corporation, duly organized and existing under the laws of the State of Florida.

B. Authorization of Loan Agreement and Related Documents. The City has the power and has taken all necessary action to authorize the execution and delivery of and the performance by the City of its obligations under this Loan Agreement and the Series 2017 Note in accordance with their respective terms. This Loan Agreement and the Series 2017 Note have been duly executed and delivered by the City and are valid and binding obligations of the City, enforceable against the City in accordance with their respective terms, except to the extent that such enforcement may be limited by laws regarding bankruptcy, insolvency, reorganization or moratorium applicable to the City or by general principles of equity regarding the availability of specific performance.

C. Pledged Revenues. The City currently receives the Pledged Revenues and is legally entitled to pledge such Pledged Revenues to pay the principal of and interest on the Series 2017 Note when due as provided herein. The City estimates that the Pledged Revenues

will be available in amounts sufficient to pay the principal of and interest on the Series 2017 Note as the same becomes due prior to the Maturity Date and, to pay all principal of and interest on the Series 2017 Note on the Maturity Date. The City shall take all lawful action necessary to enable the City to continue to receive the Pledged Revenues in at least the amounts necessary to pay principal and interest on the Series 2017 Note to the extent not paid from some other source.

SECTION 12. CONDITIONS PRECEDENT. The obligation of the Bank to make the Loan is subject to the satisfaction of each of the following conditions precedent on or before the Date of Delivery:

A. Action. The Bank shall have received copies of the Note Legislation, each certified as complete, true and correct as of the Date of Delivery, together with an executed Loan Agreement, the executed Series 2017 Note, and the customary closing certificates.

B. Incumbency of Officers. The Bank shall have received an incumbency certificate of the City in respect of each of the officers who is authorized to sign this Loan Agreement, the Series 2017 Note, and the related financing documents on behalf of the City.

C. Opinion of City Attorney. The Bank shall have received a written opinion of the City Attorney as to (1) the valid existence of the City as a municipal corporation of the State; (2) the due adoption of the Authorizing Resolution; (3) the due authorization, execution, validity and enforceability of this Loan Agreement and the Series 2017 Note and the related financing documents; and (4) the absence of litigation against the City relating to (a) its existence or powers, and (b) the proceedings for the authorization of the Loan Agreement and issuance of the Series 2017 Note, in a form and substance satisfactory to the Bank.

D. Opinion of Note Counsel. The Bank shall have received a letter from Note Counsel authorizing the Bank to rely on the approving opinion of Note Counsel delivered to the City with respect to the Series 2017 Note to the same extent as if such opinion were addressed to the Bank. The opinion, in form and substance satisfactory to the Bank, shall, at a minimum, address the status of interest on the Series 2017 Note under the provisions of Section 103 of the Code.

E. Representations and Warranties; No Default. The representations and warranties made by the City herein shall be true and correct in all material respects on and as of the Date of Delivery, as if made on and as of such date; no Default shall have occurred and be continuing as of the Date of Delivery or will result from the consummation of the Loan; and the Bank shall have received a certificate from the City to the foregoing effect.

F. Other Documents. The Bank shall have received such other documents, certificates and opinions as the Bank or its counsel shall have reasonably requested.

SECTION 13. NOTICES. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered,

delivered by telecopier, electronic mail, mailed by registered or certified mail, postage prepaid, or delivered by courier service to the parties at the following addresses:

City: City of Palm Coast, Florida
160 Lake Avenue
Palm Coast, Florida 32115
Attention: Finance Director.

Bank: CenterState Bank
175 Cypress Point Parkway
Palm Coast, Florida 32164
Attention: Garry R. Lubi, Senior Vice President.

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. Communication via telecopier shall be confirmed by delivery by hand, mail, or courier, as specified above, of an original promptly after such communication by telecopier.

SECTION 14. EVENTS OF DEFAULT DEFINED; REMEDIES. "Events of Default" under this Loan Agreement, and the terms "Default" and "Events of Default" and "Remedies" applicable to "Bonds" under Section 21 of the Master Resolution shall apply to the Series 2017 Note. In addition:

A. The Registered Owner may, at its option, collect a late charge equal to five percent (5%) of the amount owing if any payment due hereunder is not received by the Registered Owner within ten (10) days after the payment is due.

B. The rate of interest applicable to the Series 2017 Note shall increase to the default rate of 5.35% upon the occurrence and during the continuation of an Event of Default.

C. In the event the Registered Owner exercises any of the remedies set forth in Section 21 of the Master Resolution to protect and enforce its rights hereunder, the Registered Owner may recover from the City all expenses incurred including without limitation reasonable attorney's fees, at all levels of the proceedings, whether incurred in connection with collection, bankruptcy, proceedings, trial, appeal or otherwise.

SECTION 15. NO PERSONAL LIABILITY. No recourse shall be had for the payment of the principal of and interest on the Series 2017 Note or for any claim based on the Series 2017 Note or on this Loan Agreement, against any present or former member or officer of the City Council or any person executing the Series 2017 Note.

SECTION 16. PAYMENTS DUE ON SATURDAYS, SUNDAYS AND HOLIDAYS. In any case where 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 a Business Day, then such payment or performance shall be made on the succeeding

Business Day with the same force and effect as if done on the nominal date provided in this Loan Agreement, provided that interest on any monetary obligation hereunder shall accrue at the applicable rate to and including the date of such payment.

SECTION 17. AMENDMENTS, CHANGES AND MODIFICATIONS. This Loan Agreement may be amended only by a writing signed by both parties hereto.

SECTION 18. BINDING EFFECT. To the extent provided herein, this Loan Agreement shall be binding upon the City and the Bank and shall inure to the benefit of the City and the Bank and their respective successors and assigns. This Loan Agreement shall be discharged and neither the City nor the Bank shall have any further obligations hereunder under the Series 2017 Note when the City shall have paid the principal of and interest on the Series 2017 Note in full and shall have paid in full all other amounts, if any, due under the Series 2017 Note or this Loan Agreement.

SECTION 19. SEVERABILITY. In the event any court of competent jurisdiction shall hold any provision of this Loan Agreement invalid or unenforceable such holding shall not invalidate or render unenforceable, any other provision hereof.

SECTION 20. EXECUTION IN COUNTERPARTS. This Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

SECTION 21. APPLICABLE LAW. This Loan Agreement shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the parties hereto have duly executed this Loan Agreement as of the date first above written.

CITY OF PALM COAST, FLORIDA

Milissa Holland, Mayor

ATTEST:

Virginia Smith, City Clerk

CENTERSTATE BANK

Garry R. Lubi, Senior Vice President

ANY REGISTERED OWNER OF THIS NOTE, PRIOR TO BECOMING A REGISTERED OWNER, SHALL EXECUTE A PURCHASER'S CERTIFICATE IN THE FORM ATTACHED TO THE AUTHORIZING RESOLUTION (HEREINAFTER DEFINED)

EXHIBIT A

FORM OF SERIES 2017 NOTE

NO. R-1

\$17,163,000

CITY OF PALM COAST, FLORIDA
UTILITY SYSTEM REFUNDING REVENUE NOTE,
SERIES 2017

RATE OF INTEREST

MATURITY DATE

DATE OF DELIVERY

2.35%

June 15, 2028

January 19, 2017

REGISTERED OWNER: CenterState Bank

PRINCIPAL AMOUNT: Seventeen Million One Hundred Sixty Three Thousand Dollars

The City of Palm Coast, Florida (the "City"), for value received, hereby promises to pay to the Registered Owner on the Payment Dates and Maturity Date specified above, or sooner as provided herein, the Principal Amount hereof, plus interest accrued thereon from the Date of Delivery at the Rate of Interest described herein from the Pledged Revenues as described herein, until payment of the Principal Amount stated above.

This Series 2017 Note shall bear interest from the Date of Delivery until payment of the entire outstanding Principal Amount due thereon. The Rate of Interest on this Series 2017 Note shall be a fixed rate of interest equal to 2.35% per annum, subject to adjustment as provided below. Interest on this Series 2017 Note shall be calculated using a 360-day year consisting of twelve 30-day months.

Interest on this Series 2017 Note shall be paid semiannually on each Interest Payment Date, commencing June 15, 2017. On each Principal Payment Date, the City shall pay an annual installment of the outstanding Principal Amount due on this Series 2017 Note in the amounts set forth on Schedule 1 hereof.

The Registered Owner may, at its option, collect a late charge equal to five percent (5%)

of the amount owing if any payment due hereunder is not received by the Registered Owner within ten (10) days after the payment is due.

If (i) after a Determination of Taxability (as defined below) the interest on this Series 2017 Note becomes includable in the gross income of the Registered Owner for Federal income tax purposes, then the Registered Owner shall have the right to adjust the Interest Rate in order to maintain the same after-tax yield as if the Determination of Taxability had not occurred. This adjustment shall survive payment of this Series 2017 Note until such time as the federal statute of limitations under which the interest on this Series 2017 Note could be declared taxable under the Code shall have expired.

"Determination of Taxability" shall mean, with respect to this Series 2017 Note, the circumstance that shall be deemed to have occurred if interest paid or payable on this Series 2017 Note becomes includable for federal income tax purposes in the gross income of the Registered Owner as a consequence of any action or inaction by the City. A Determination of Taxability will be deemed to have occurred upon (a) the receipt by the City or the Registered Owner of an original or a copy of an Internal Revenue Service Technical Advice Memorandum or Statutory Notice of Deficiency which holds that any interest payable on this Series 2017 Note is includable in the gross income of the Registered Owner; (b) the issuance of any public or private ruling of the Internal Revenue Service that any interest payable on this Series 2017 Note is includable in the gross income of the Registered Owner; or (c) receipt by the City or the Registered Owner of an opinion of an attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions to the effect that any interest on this Series 2017 Note has become includable in the gross income of the Registered Owner for federal income tax purposes. For all purposes of this definition, a Determination of Taxability will be deemed to occur on the date as of which the interest on this Series 2017 Note is deemed includable in the gross income of the Registered Owner. A Determination of Taxability shall not occur in the event such interest is taken into account in determining adjusted current earnings for the purpose of the alternative minimum tax imposed on corporations.

In the case of (a) and (b) above, upon the Determination of Taxability and timely written notice thereof, the City shall have an opportunity to participate in and seek, at its own expense, a final administrative determination or determination by a court of competent jurisdiction (from which no further right of appeal exists) as to the existence of such event of taxability; provided that the City, at its own expense, delivers to the Registered Owner an opinion of an attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions acceptable to the Registered Owner to the effect that such appeal or action for judicial or administrative review is not without merit and there is a reasonable possibility that the judgment, order, ruling or decision from which such appeal or action for judicial or administrative review is taken will be reversed, vacated or otherwise set aside.

The City may prepay this Series 2017 Note in whole or in part, at anytime, without

premium or prepayment penalty.

This Series 2017 Note is being issued primarily to pay the costs of currently refunding the debt obligations of the City arising under the State Revolving Fund Loan Agreement Nos. WW90302S, WW90303S, WW903050, and WW903080 entered into between the City and the Florida Department of Environmental Protection, and pursuant to the authority of Article VIII, Section 2, of the Constitution of the State of Florida, Chapters 159 Part I and 166, Part II, Florida Statutes, as amended, the Charter of the City, and other provisions of law, and pursuant and subject to the terms and conditions of Resolution No. 2003-22 adopted by the City on September 30, 2003 (the "Master Resolution"), and a resolution duly adopted by the City Council of the City on January 17, 2017 (the "Authorizing Resolution" and together with the Master Resolution "Note Legislation"), and the Loan Agreement dated as of January 19, 2017 between the City and CenterState Bank (the "Loan Agreement"). Capitalized terms used in this Series 2017 Note and not otherwise defined shall have the meaning ascribed to them in the Note Legislation.

This Series 2017 Note is payable from and secured by Pledged Revenues, as defined in, and in the manner provided in the Note Legislation and the Loan Agreement.

Amounts payable under this Series 2017 Note are secured by a lien on the Pledged Revenues, junior and subordinate to the City's Utility System Improvement and Refunding Revenue Bonds, Series 2013, Utility System Revenue Refunding Note, Series 2016, and any Additional Parity Obligations issued hereafter in accordance with the Master Resolution, and on parity and equal status with the 2016 SRF Loan.

This Series 2017 Note shall not constitute a general obligation or indebtedness of the City, and the Registered Owner thereof shall never have the right to require or compel the levy of taxes on any property of or in the City for the payment of the principal of and interest on this Series 2017 Note. This Series 2017 Note shall not constitute a lien upon any property of or in the City, but shall be payable solely from the Pledged Revenues in the manner provided in the Note Legislation, and the Loan Agreement. Reference is made to the Loan Agreement for the provisions relating to the security for payment of this Series 2017 Note and the duties and obligations of the City thereunder.

Upon and during the continuation of an Event of Default, the Registered Owner may increase the interest rate applicable to the Series 2017 Note to 5.35% per annum.

The Series 2017 Note shall be and shall have all the qualities and incidents of negotiable instruments under the Uniform Commercial Code-Investment Securities Laws of the State of Florida, and the registered owner, in accepting the Series 2017 Note, shall be conclusively deemed to have agreed that such Series 2017 Note shall be and have all of the qualities and incidents of negotiable instruments thereunder.

The Clerk shall be the Registrar who shall be responsible for maintaining the Register of the ownership of this Series 2017 Note. The person in whose name ownership hereof is shown on the Register shall be deemed the owner thereof by the City, and any notice to the contrary

shall not be binding upon the City or the Registrar. The City and the Registrar may treat the registered owner as the absolute owner of the Series 2017 Note for all purposes, whether or not such Series 2017 Note shall be overdue, and shall not be bound by any notice to the contrary.

Ownership of Series 2017 Note may be transferred only upon the Register. Upon surrender to the Registrar for transfer or exchange of any Series 2017 Note accompanied by an assignment or written authorization for exchange, whichever is applicable, duly executed by the registered owner or its attorney duly authorized in writing, the Registrar shall deliver in the name of the registered owner or the transferee or transferees, as the case may be, a new fully registered Series 2017 Note of authorized denominations and of the same maturity and interest rate and for the aggregate principal amount as the Series 2017 Note surrendered.

The new Series 2017 Note delivered upon any transfer or exchange shall be a valid obligation of the City, evidencing the same debt as the Series 2017 Note surrendered and shall be entitled to all of the security and benefits to the same extent as the Series 2017 Note surrendered.

It is hereby certified and recited that all acts, conditions and things required by the Constitution and laws of the State of Florida to happen, exist and be performed precedent to and in the issuance of this Series 2017 Note, have happened, exist and have been performed in regular and due form and time as so required.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the City of Palm Coast, Florida, has caused this Series 2017 Note to be executed by the Mayor, and attested by the City Clerk, either manually or with their facsimile signatures, and its seal or a facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon, and this Series 2017 Note to be dated as of January 19, 2017.

CITY OF PALM COAST, FLORIDA

Milissa Holland, Mayor

ATTEST:

Virginia Smith, City Clerk

APPROVED AS TO FORM AND LEGALITY:

By: _____
City Attorney

SCHEDULE I

PRINCIPAL AMORTIZATION SCHEDULE

Principal Payment <u>Date</u>	Principal <u>Amount</u>
06/15/2017	\$
12/15/2017	
06/15/2018	
12/15/2018	
06/15/2019	
12/15/2019	
06/15/2020	
12/15/2020	
06/15/2021	
12/15/2021	
06/15/2022	
12/15/2022	
06/15/2023	
12/15/2023	
06/15/2024	
12/15/2024	
06/15/2025	
12/15/2025	
06/15/2026	
12/15/2026	
06/15/2027	
12/15/2027	
06/15/2028	

EXHIBIT B

FORM OF PURCHASER'S CERTIFICATE

This is to certify that CenterState Bank (the "Purchaser") has not required the City of Palm Coast, Florida (the "City") to deliver any offering document and has conducted its own investigation, to the extent it deems satisfactory or sufficient, into matters relating to business affairs or conditions (either financial or otherwise) of the City in connection with the issuance of the not to exceed \$17,163,000 City of Palm Coast, Florida, Utility System Refunding Revenue Note, Series 2017 dated January 19, 2017 (the "Note"), and no inference should be drawn that the Purchaser, in the acceptance of the Note, is relying on Note Counsel or the City Attorney as to any such matters other than the legal opinions rendered by Note Counsel, Bryant Miller Olive P.A. and by Garganese, Weiss, D'Agresta, P.A., the City Attorney. Any capitalized undefined terms used herein not otherwise defined shall have the meaning set forth in Resolution No. 2003-22 duly adopted by the City Council of the City on September 30, 2003 (as amended and supplemented, the "Master Resolution") or Resolution No. 2017-__ duly adopted by the City Council of the City on January 17, 2017 (the "Authorizing Resolution," and together with the Master Resolution, the "Resolution").

We acknowledge and understand that the Resolution is not being qualified under the Trust Indenture Act of 1939, as amended (the "1939 Act"), and is not being registered in reliance upon the exemption from registration under Section 3(a)(2) of the Securities Act of 1933, Section 517.051(1), Florida Statutes, and/or Section 517.061(7), Florida Statutes, and that neither the City, Note Counsel nor the City Attorney shall have any obligation to effect any such registration or qualification.

We are not acting as a broker or other intermediary, and are purchasing the Note as an investment for our own account and not with a present view to a resale or other distribution to the public. We understand that the Note may only be transferred in whole and not in part and denominations not less than \$100,000 even in whole, and will not be transferred to any kind of trust under any circumstances. The Note will not be used in the future on a securitized transaction and is not a municipal security.

The Note will only be sold to a Permitted Lender in whole, in a denomination of not less than \$100,000, with the City's consent. The "Permitted Lender" means any bank, trust company, savings institution or insurance company that is engaged as a regular part of its business in making loans authorized to do business in the State of Florida.

We are a bank as contemplated by Section 517.061(7), Florida Statutes. We are not purchasing the Note for the direct or indirect promotion of any scheme or enterprise with the intent of violating or evading any provision of Chapter 517, Florida Statutes.

We understand that the Note is not a municipal security and that no filing will be made with respect to the Loan with EMMA, the Municipal Securities Rulemaking Boards continuing disclosure site.

Exhibit B-1

We understand that there will be no CUSIP Numbers obtained on the Loan and that there will be no credit rating obtained on the Loan.

We are an accredited investor within the meaning of Rule 501(a) promulgated under the Securities Act of 1933, as amended.

The representations in this Certificate shall not relieve the City from any obligation to disclose any information required by the Resolution, the documents in connection with the issuance of the Note or as required by applicable law.

This Certificate is expressly for the benefit of the City and may not be relied upon by any other party.

DATED this 19th day of January, 2017.

CENTERSTATE BANK

By: _____

Name: Garry R. Lubi

Title: Senior Vice President

EXHIBIT C

FORM OF DISCLOSURE LETTER

The undersigned, as purchaser, proposes to negotiate with the City of Palm Coast, Florida (the "City") for the private purchase of its not to exceed \$17,163,000 Utility System Refunding Revenue Note, Series 2017 (the "Note"). Prior to the award of the Note, the following information is hereby furnished to the City:

1. Set forth is an itemized list of the nature and estimated amounts of expenses to be incurred for services rendered to us (the "Bank") in connection with the issuance of the Note (such fees and expenses to be paid by the City):

Bank Counsel Fees – \$3,500
Bank Origination Fee - \$1,500

2. (a) No other fee, bonus or other compensation is estimated to be paid by the Bank in connection with the issuance of the Note to any person not regularly employed or retained by the Bank (including any "finder" as defined in Section 218.386(1)(a), Florida Statutes), except as specifically enumerated as expenses to be incurred by the Bank, as set forth in paragraph (1) above.

(b) No person has entered into an understanding with the Bank, or to the knowledge of the Bank, with the City, for any paid or promised compensation or valuable consideration, directly or indirectly, expressly or implied, to act solely as an intermediary between the City and the Bank or to exercise or attempt to exercise any influence to effect any transaction in the purchase of the Note.

3. The amount of the underwriting spread expected to be realized by the Bank is \$0.

4. The management fee to be charged by the Bank is \$0.

5. Truth-in-Bonding Statement:

The Note is being issued primarily to refund the City's debt obligations arising under State Revolving Fund Loan Agreement Nos. WW90302S, WW90303S, WW903050, and WW903080 entered into between the City and the Florida Department of Environmental Protection.

Unless earlier redeemed, the Note is expected to be repaid on June 15, 2028. At an interest rate of 2.35%, total interest paid over the life of the Note is estimated to be \$_____.

The principal of and interest on the Note will be payable solely from the Pledged Revenues as described in Resolution No. 2003-22 of the City duly adopted on September 30, 2003, as amended, and Resolution No. 2017-__ of the City duly adopted on January 17, 2017 (collectively, the "Resolution"). See the Resolution for a definition of Pledged Revenues. Based

on the above assumptions, issuance of the Note is estimated to result in approximately \$_____ of Pledged Revenues of the City not being available to finance the services of the City during the life of the Note.

6. The name and address of the Bank is as follows:

CenterState Bank
175 Cypress Point Parkway
Palm Coast, Florida 32164

IN WITNESS WHEREOF, the undersigned has executed this Disclosure Statement on behalf of the Bank this 19th day of January, 2017.

CENTERSTATE BANK

By: _____

Name: Garry R. Lubi

Title: Senior Vice President