

CONTINUING DISCLOSURE CERTIFICATE

This **CONTINUING DISCLOSURE CERTIFICATE** (this "Disclosure Certificate") dated as of January ___, 2007 is executed and delivered by the **CITY OF PALM COAST, FLORIDA**, a political subdivision of the State of Florida and a public body corporate and politic (the "City") in connection with the issuance of its \$_____ City of Palm Coast, Florida Utility System Revenue Bonds, Series 2007 (the "Series 2007 Bonds"). Each capitalized term used but not otherwise defined herein shall have the meaning assigned to it in Section 2 below or in the hereinafter defined Bond Resolution.

SECTION 1. PURPOSE OF DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders (as defined herein) of the Series 2007 Bonds and in order to assist the original underwriters of the Series 2007 Bonds in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934 (the "Rule").

SECTION 2. DEFINITIONS AND INTERPRETATION. In addition to the words and terms defined elsewhere in this Disclosure Certificate or by reference to the Bond Resolution, the following terms shall have the meanings set forth below, unless the context or use clearly indicates another or different meaning or intent:

"Accounting Principles" means the accounting principles applied from time to time in the preparation of the Financial Statements, initially generally accepted accounting principles as recommended from time to time by the Governmental Accounting Standards Board of the Financial Accounting Foundation, as modified by applicable State of Florida requirements.

"Annual Information" means the historical (not projected) financial information and operating data presented in tabular form in the final Official Statement under the heading "THE UTILITY SYSTEM," including "Water and Wastewater Top Ten Utility Customers (Based on Revenue)," "Water and Wastewater Rates - Monthly Rate Schedule," "Capital Facilities Fees," "Water Service Meter Connection Fee and Tap-In Charge," "Comparative Rates," "Utility System Historical Operating Results and Bond Service Coverage Results" and a description of any additional indebtedness payable in whole or in part from the Pledged Revenues.

"Bond Resolution" means Resolution No. 2003-22 adopted by the City Council of the City (the "City Council") on September 30, 2003, as supplemented by Resolution No. 2006-___ adopted by the City Council on [^]December 19, 2006.

"Business Day" means any day other than a Saturday, Sunday or a day on which the City is required, or authorized or not prohibited by law (including executive orders), to close and is closed.

"Cover Sheet" means the Municipal Secondary Market Disclosure Information Cover Sheet in the form attached hereto as Exhibit A.

"Filing Date" means the 180th day following the end of each Fiscal Year (or the next preceding Business Day if that day is not a Business Day).

"Financial Statements" means the audited basic financial statements of the City with respect to the Utility System for the applicable Fiscal Year.

"Fiscal Year" means the twelve month period commencing on October 1 of each year and continuing through the next succeeding September 30, or such other period as may be prescribed by law.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means each nationally recognized municipal securities information repository designated from time to time by the SEC in accordance with the Rule. For a list of the names and addresses of all designated NRMSIRs as of any date may currently be obtained by visiting the SEC's website at www.sec.gov/info/municipal/nrmsir.htm.

"Official Statement" means the Official Statement with respect to the Series 2007 Bonds dated January ___, 2007.

"Original Purchaser" means _____.

"Specified Events" means the occurrence of any of the following events, within the meaning of the Rule, with respect to the Series 2007 Bonds: (a) principal and interest payment delinquencies; (b) non-payment related defaults; (c) unscheduled draws on any debt service reserve account reflecting financial difficulties; (d) unscheduled draws on credit enhancements reflecting financial difficulties; (e) substitution of credit or liquidity providers, or their failure to perform; (f) adverse tax opinions or events affecting the tax-exempt status of the Series 2007 Bonds; (g) modifications to rights of Holders or beneficial owners; (h) bond calls; (i) defeasances; (j) release, substitution, or sale of property securing repayment of the Series 2007 Bonds; and (k) rating changes.

"SID" means the state information depository, if any, designated by the State of Florida and with which filings are required to be made by the City in accordance with the Rule.

The captions and headings in this Disclosure Certificate are solely for convenience of reference and in no way define, limit or describe the scope or intent of any Sections,

subsections, paragraphs, subparagraphs or clauses hereof. Reference to a Section means a section of this Disclosure Certificate, unless otherwise indicated.

SECTION 3. PROVISION OF ANNUAL INFORMATION; AUDITED FINANCIAL STATEMENTS. The City hereby agrees to provide or cause to be provided to each NRMSIR, and to any SID, commencing with the Fiscal Year ending September 30, 2007:

(a) its Annual Information for the preceding Fiscal Year not later than the Filing Date for each such Fiscal Year; and

(b) when and if available, the Financial Statements for each Fiscal Year prepared in accordance with the Accounting Principles.

Each of the foregoing, when filed with each NRMSIR and any SID shall be accompanied by a Cover Sheet.

The City expects that the Financial Statements will be prepared and will be available together with its Annual Information. The requirements of the foregoing clauses (a) and (b) shall be satisfied if the required Annual Information is submitted as part of the Financial Statements by the Filing Date.

SECTION 4. NOTICE OF SPECIFIED EVENTS; CHANGES IN ACCOUNTING PRINCIPLES OR FISCAL YEAR. The City agrees to provide or cause to be provided to each NRMSIR or to the MSRB, and to any SID, accompanied by a Cover Sheet in a timely manner, (a) notice of any Specified Event (if such event would be material under applicable federal securities law), (b) notice of its failure to provide or cause to be provided the Annual Information on or prior to the Filing Date, and (c) notice of any change in the Accounting Principles applied in the preparation of the Financial Statements or any change in the dates on which the Fiscal Year of the City begins and ends. Each such notice shall be accompanied by a Cover Sheet.

SECTION 5. INCORPORATION BY REFERENCE. Any or all of the information required herein to be disclosed may be incorporated by reference from other documents, including official statements or debt issues of the City or related public entities, which have been submitted to each of the NRMSIRs and the SID, if any, or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each document incorporated by reference.

SECTION 6. FILING THROUGH A CENTRAL POST OFFICE. Any filing made or notice provided by the City in accordance with this Disclosure Certificate to a Central Post Office by electronic or other means shall satisfy the requirements of this Disclosure Certificate with respect to filings required to be made to each and every

NRMSIR and the City shall not be required to make separate filings with any of the NRMSIRs.

Any required filing with an NRMSIR as set forth in this Section may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at www.disclosureusa.org unless the United States Securities and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

SECTION 7. DISSEMINATION AGENT. The City may, from time to time, appoint or engage an agent to act on its behalf in performing its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor; provided, that the City shall provide any such party then acting as agent with written notice of such appointment or discharge and provided further, that the City shall not be relieved in any respect by appointment of an agent from primary liability for the performance of its obligations under this Disclosure Certificate.

SECTION 8. REMEDY FOR BREACH. This Disclosure Certificate shall be solely for the benefit of the Holders and beneficial owners from time to time of the Series 2007 Bonds. The exclusive remedy for any breach of this Disclosure Certificate by the City shall be limited, to the extent permitted by law, to a right of Holders and beneficial owners, to institute and maintain, or to cause to be instituted and maintained, such proceedings as may be authorized at law or in equity to obtain the specific performance by the City of its obligations under this Disclosure Certificate. Any Holder or beneficial owner may exercise any such right; provided that, except in the instance of an alleged failure of the City to provide or cause to be provided a pertinent filing if such a filing is due and has not been made, any such right shall be exercised in the same manner and subject to the same conditions and limitations that would apply under the Bond Resolution. Holders and beneficial owners shall not be entitled to institute or maintain any such proceedings individually that assert a breach of this Disclosure Certificate that is based on the alleged inadequacy of any pertinent filing that has been made. Notwithstanding any other provisions of the Bond Resolution or this Disclosure Certificate, any failure by the City to comply with any provisions of this Disclosure Certificate shall not constitute an "Event of Default" under the Bond Resolution.

SECTION 9. AMENDMENT; WAIVER. This Disclosure Certificate may be amended, and noncompliance with any provision of this Disclosure Certificate may be waived, as may be necessary or appropriate to achieve its compliance with any applicable federal securities law or rule, to cure any ambiguity, inconsistency or formal defect or omission, and to address any change in circumstances arising from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted by the City. Any such amendment or waiver shall not be effective unless this Disclosure Certificate (as amended or taking into account such waiver) would have complied with the requirements of the Rule at the time of the

primary offering of the Series 2007 Bonds, after taking into account any applicable amendments to or official interpretations of the Rule, as well as any change in circumstances, and until the City shall have received either (a) a written opinion of bond or other qualified independent special counsel, selected by the City, that the amendment or waiver would not materially impair the interests of Holders or beneficial owners, or (b) the written consent to the amendment or waiver of the Holders of at least a majority of the principal amount of the Series 2007 Bonds then Outstanding. Annual Information containing any revised operating data or financial information shall explain, in narrative form, the reasons for any such amendment or waiver and the impact of the change on the type of operating data or financial information being provided.

SECTION 10. TERM. The obligation of the City under this Disclosure Certificate shall remain in effect only for such period that (a) the Series 2007 Bonds are Outstanding under the Bond Resolution in accordance with their terms and (b) the City remains an "obligated person" with respect to the Series 2007 Bonds within the meaning of the Rule. The City shall provide written notice of such termination to each NRMSIR, the MSRB, any SID.

SECTION 11. SOURCES OF PAYMENTS; EXTENT OF COVENANTS; NO PERSONAL LIABILITY. The City shall be required to use only the Pledged Revenues to pay any costs and expenses to be incurred in the performance of this Disclosure Certificate, and the performance of the obligations hereunder shall be subject to the availability of the Pledged Revenues for that purpose. This Disclosure Certificate does not and shall not constitute a general obligation of the City. All covenants, stipulations, obligations and agreements of the City contained in this Disclosure Certificate are and shall be deemed to be covenants, stipulations, obligations and agreements of the City to the full extent authorized by law. No covenant, stipulation, obligation or agreement of the City contained in this Disclosure Certificate shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future officer, agent or employee of the City in other than that person's official capacity.

SECTION 12. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the City and the Holders and beneficial owners from time to time of the Series 2007 Bonds, and any official, employee or agent thereof acting for and on its behalf, and shall not create any rights in any other person or entity.

SECTION 13. SEVERABILITY. In case any section or provision of this Disclosure Certificate, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reason held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or part

thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or part thereof shall be deemed to be effective, operative, made, entered into or taken in the manner and to the full extent permitted by law.

SECTION 14. OBLIGATED PERSONS. If any person, other than the City, becomes an "obligated person" with respect to the Series 2007 Bonds within the meaning of the Rule, the City shall use its best efforts to require such "obligated person" to comply with all provisions of the Rule applicable to such "obligated person."

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

SECTION 16. GOVERNING LAW; VENUE. This Disclosure Certificate shall be deemed to be an agreement made under the laws of the State of Florida and for all purposes shall be governed by and construed in accordance with the laws of the State of Florida. Venue of all proceedings in connection with this Disclosure Certificate shall be in the City of Palm Coast, Florida.

CITY OF PALM COAST, FLORIDA

(SEAL)

Attest:

By: _____
Richard M. Kelton, City Manager

By: _____
Clare Hoeni, City Clerk

EXHIBIT A

**FORM OF MUNICIPAL SECONDARY MARKET
DISCLOSURE INFORMATION COVER SHEET**

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement (please include name of state where issuer is located):

Provide nine-digit CUSIP* numbers if available, to which the information relates:

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IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located):

Other Obligated Person's Name (if any):
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP number(s), if available, of Issuer:

(Contact CUSIP's Municipal Disclosure Assistance Line at 212-438-6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic (number of pages attached) Paper (number of pages attached)

If information is also available on the Internet, give URL:

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12

(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: _____

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: _____

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

1. Principal and interest payment tax- delinquencies

6. Adverse tax opinions or events affecting the exempt status of the security

2. Non-payment related defaults

7. Modifications to the rights of security holders

3. Unscheduled draws on debt service reserves reflecting financial difficulties

8. Bond calls

4. Unscheduled draws on credit enhancements reflecting financial difficulties

9. Defeasances

5. Substitution of credit or liquidity providers, or their failure to perform

10. Release, substitution, or sale of property securing repayment of the securities

11. Rating changes

D. Notice of Failure to Provide Annual Financial Information as Required

E. Other Secondary Market Information (Specify): _____

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

Issuer Contact:

Name: _____ Title: _____

Employer _____

Address _____ City _____ State _____ Zip Code _____

Telephone _____ Fax _____

Email Address _____ Issuer Web Site Address _____

Dissemination Agent Contact, if any:

Name: _____ Title: _____

Employer _____

Address _____ City _____ State _____ Zip Code _____

Telephone _____ Fax _____

Email Address _____ Issuer Web Site Address _____

Obligor Contact, if any:

Name: _____ Title: _____

Employer _____

Address _____ City _____ State _____ Zip Code _____

Telephone _____ Fax _____

Email Address _____ Issuer Web Site Address _____

Investor Relations Contact, if any:

Name _____ Title _____

Telephone _____ Email Address _____

NOTICE OF FAILURE TO FILE

Name of Issuer: _____ (the "Issuer")

Name of Bond Issue: _____ (the "Bonds"),
issued _____

NOTICE IS HEREBY GIVEN that for the fiscal years ended _____,
_____ and _____ the Issuer inadvertently failed to provide its annual financial
information updates as required by Section _____ of the Continuing Disclosure
Certificate dated _____ consisting of its Comprehensive Annual
Financial Report, updates to the following tables set forth in the Official
Statement for the Bonds (the "Official Statement"): the table on page _____ of the
Official Statement regarding _____, the table on page _____ regarding
_____ and the _____; description of any
indebtedness payable in whole or in part from the Pledged Fund (as defined in
the Official Statement), and any other financial information or operating date of
the type included in the Official Statement which would be material to a holder or
prospective holders of the Bonds, all for each such fiscal year described above.

The Issuer is filing, together with this Notice, the referenced annual
financial information updates that were due _____, _____ and _____,
respectively.

Dated: _____

By: _____

Title: _____