

NO. R-1

\$20,250,000

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
UTILITIES SYSTEM REVENUE CERTIFICATE, SERIES 2009

<u>RATE OF INTEREST</u>	<u>MATURITY DATE</u>	<u>DATE OF ISSUE</u>
3.96%	October 1, 2020	July 1, 2009

REGISTERED OWNER: BANK OF AMERICA, N.A.

PRINCIPAL AMOUNT: TWENTY MILLION TWO HUNDRED FIFTY THOUSAND
DOLLARS AND NO CENTS

KNOW ALL MEN BY THESE PRESENTS, that the Utilities Commission, City of New Smyrna Beach, Florida (the "Utilities Commission"), for value received, hereby promises to pay to the Registered Owner so much of the Principal Amount hereof as shall have been advanced hereunder, plus interest on the amount of each Advance hereunder from the date of the Advance to the date of payment thereof, at the annual Rate of Interest set forth herein, such interest to be calculated on a 360-day year consisting of twelve 30-day months and payable on the first day of October and April of each year, commencing October 1, 2009.

The principal of and interest on this Certificate shall be due and payable as set forth on the Amortization Schedule attached hereto as Schedule 1 with installments of principal and interest to be determined so as to produce substantially level annual debt service and principal payments annually beginning on October 1, 2010. The Rate of Interest on this Certificate is subject to adjustment as set forth on Schedule 2 hereto.

This Certificate may be prepaid in whole or in part prior to maturity on any date. If this Certificate is prepaid, a prepayment penalty, calculated in accordance with Schedule 2 hereto, shall be payable. Notice of such prepayment shall be delivered to the Registered Owner at least 3 days prior to the date for prepayment date. If this Certificate is pre-paid in part, then prior to the transfer of this Certificate the Registered Owner shall record the appropriate information in a Partial Redemption Record in the form attached to this Certificate as Schedule 3 hereto, and indicate receipt of such partial redemption by its signature on such Record.

The principal of and interest on this Certificate are payable in lawful money of the United States of America.

This Series 2009 Certificate is issued under the authority of Chapter 85-503, Laws of Florida, the Charter of the Utilities Commission, and other applicable provisions of law, and pursuant and subject to the terms and conditions of Resolution 28-78 duly adopted by the

Utilities Commission on June 30, 1978 (the "Resolution"), as supplemented by Resolution 5-09 adopted by the Utilities Commission on June 15, 2009 and a Loan Agreement, dated July 1, 2009, between the Utilities Commission and the initial purchaser of the Series 2009 Certificate (the "Agreement"), to which reference should be made to ascertain those terms and conditions.

The Series 2009 Certificate and the interest thereon are payable solely from and secured by a lien upon and pledge of the Net Revenues of the Utilities Commission's water, wastewater and electric utility system and certain amounts in the funds and accounts maintained under the Resolution (hereinafter called the "Pledged Funds"), all in the manner provided in the Resolution.

This Series 2009 Certificate shall not constitute a general obligation or indebtedness of the Utilities Commission, and the Lender shall never have the right to require or compel the levy of taxes on any property of or in the City or the Utilities Commission for the payment of the principal of and interest on this Series 2009 Certificate. This Series 2009 Certificate shall not constitute a lien upon the 2009 Project, or upon any property of or in the City or the Utilities Commission, but shall be payable solely from the Pledged Funds in the manner provided in the Resolution and the Agreement. Reference is made to the Resolution and the Agreement for the provisions relating to the security for payment of this Series 2009 Certificate and the duties and obligations of the Utilities Commission hereunder.

The Utilities Commission has designated this Series 2009 Certificate as a "qualified tax-exempt obligation" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986. The Utilities Commission (including any subordinate entity or entities and any entity or entities issuing tax-exempt obligations on behalf of the City within the meaning of Section 265(b)(3)(E) of the Code) has not issued, and does not reasonably expect to issue, tax-exempt obligations (other than obligations described in Section 265(b)(3)(C)(ii) of the Code) within calendar year 2009 the principal amount of which, together with this Series 2009 Certificate, will exceed \$30,000,000 in amount.

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 2009 Certificate, have happened, exist and have been performed in regular and due form and time as so required.

IN WITNESS WHEREOF, the Utilities Commission, City of New Smyrna Beach, Florida, has caused this Series 2009 Certificate to be executed by the Chairman, and attested by the Secretary Treasurer, 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 2009 Certificate to be dated as of July 1, 2009.

UTILITIES COMMISSION, CITY OF
NEW SMYRNA BEACH, FLORIDA

(SEAL)

By: ****COPY****
Chairman

ATTEST:

By: ****COPY****
Secretary Treasurer

SCHEDULE 1

AMORTIZATION SCHEDULE

Year	Principal
2010	\$ 900,000
2011	950,000
2012	1,000,000
2013	1,000,000
2014	1,200,000
2015	1,795,000
2016	2,300,000
2017	2,400,000
2018	3,480,000
2019	3,325,000
2020	1,900,000
Total	\$ 20,250,000

SCHEDULE 2

ADJUSTMENT TO INTEREST RATE

(a) Change in Tax Laws. If the tax laws or regulations are amended to cause interest on this Series 2009 Certificate to become taxable to the extent not otherwise taxable on the date of issuance hereof, or in the event the Registered Owner is unable to deduct any other amounts as a result of purchasing or carrying this Series 2009 Certificate, or in the event of a change in the alternative minimum tax or in the method of calculating the alternative maximum tax to which the Registered Owner may be subject, or in the event of any other tax action which would otherwise decrease the after-tax yield to the Registered Owner (in each case other than because of a Determination of Taxability described in (b) below; in the event of a Determination of Taxability the provisions of paragraph (b) below would apply), the interest rate on this Series 2009 Certificate shall be adjusted by the Registered Owner so as to preserve the after-tax yield to the Registered Owner. The Registered Owner shall certify to the Utilities Commission in writing the additional amount, if any, due to the Registered Owner as a result of an adjustment pursuant to this paragraph. To the extent an adjustment to the interest rate on this Series 2009 Certificate is not effective within three months of the event giving rise to the adjustment, the additional interest due as a result of such adjustment shall be paid with interest thereon compounded monthly at the rate which is equal to the interest rate on this Series 2009 Certificate; provided, however, in no event shall such interest rate exceed the maximum rate permitted by law. All unpaid amounts determined to be owing as a result of such calculation shall be due and payable within thirty (30) days after written notice of the amount of such adjustment.

(b) Taxability. As used in this Series 2009 Certificate:

1. “Code” means the Internal Revenue Code of 1986, as amended, or any corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context thereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of the Treasury (including applicable final regulations, temporary regulations and proposed regulations), the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings) and applicable court decisions.

2. “Determination of Taxability” shall mean interest on this Series 2009 Certificate is determined or declared, by the Internal Revenue Service or a court of competent jurisdiction to be included in the gross income of the Registered Owner hereof for federal income tax purposes under the Code and all rights to appeal or contest such determination or declaration have expired or been exhausted and such determination or declaration remains effective.

Upon the occurrence of a Determination of Taxability, the interest rate on this Series 2009 Certificate shall be adjusted to a rate equal to 154% of the interest rate otherwise borne hereby (the “Adjusted Interest Rate”) calculated on the basis of a 360-day year consisting of twelve 30-day months for the actual number of days elapsed, as of and from the date such Determination of Taxability is applicable with respect to this Series 2009 Certificate (the “Accrual Date”); and (i) the Utilities Commission shall on the next interest payment date (or if

this Series 2009 Certificate shall have matured, within 30 days after written demand by the Registered Owner) hereon pay to the Registered Owner an amount equal to the sum of (1) the difference between (A) the total interest that would have accrued on this Series 2009 Certificate at the Adjusted Interest Rate from the Accrual Date to such next interest payment date (or maturity date), and (B) the actual interest paid by the Utilities Commission on this Series 2009 Certificate from the Accrual Date to such next interest payment date (or maturity date), and (2) any interest and penalties required to be paid as a result of any additional federal income taxes imposed upon the Registered Owner hereof and/or former Registered Owner hereof arising as a result of such Determination of Taxability; and (ii) from and after the Date of the Determination of Taxability, this Series 2009 Certificate shall continue to bear interest at the Adjusted Interest Rate for the period such determination continues to be applicable with respect to this Series 2009 Certificate. This adjustment shall survive payment of this Series 2009 Certificate until such time as the federal statute of limitations under which the interest on this Series 2009 Certificate could be declared taxable under the Code shall have expired.

PREPAYMENT PENALTY

The Certificate may be prepaid in whole, or in part, on any date, with three (3) days prior written notice to the Registered Owner by payment in an amount equal to the principal amount to be prepaid plus accrued interest thereon to the date of prepayment plus the Prepayment Fee. For purposes hereof, the Prepayment Fee will be the sum of fees calculated separately for each Prepaid Installment, as follows:

(i) The Registered Owner will first determine the amount of interest which would have accrued each month at the Taxable Equivalent Rate for the Prepaid Installment had it remained outstanding until the applicable Original Payment Date, using the interest rate applicable to the Prepaid Installment under this Agreement.

(ii) The Registered Owner will then subtract from each monthly interest amount determined in (i), above, the amount of interest which would accrue for that Prepaid Installment if it were reinvested from the date of prepayment or redemption through the Original Payment Date, using the Treasury Rate.

(iii) If (i) minus (ii) for the Prepaid Installment is greater than zero, the Registered Owner will discount the monthly differences to the date of prepayment or redemption by the Treasury Rate. The Registered Owner will then add together all of the discounted monthly differences for the Prepaid Installment.

The following definitions will apply to the calculation of the Prepayment Fee:

(i) “Original Payment Dates” mean the dates on which the prepaid or redeemed principal would have been paid if there had been no prepayment or redemption. If any of the principal would have been paid later than the end of the fixed rate interest period in effect at the time of prepayment or redemption, then the Original Payment Date for that amount will be the last day of the interest period.

(ii) “Prepaid Installment” means the amount of the prepaid or redeemed principal which would have been paid on a single Original Payment Date.

(iii) “Taxable Equivalent Rate” means the interest rate per annum derived from the following formula: interest rate on the Series 2009 Certificate divided by the difference of (1 minus the Maximum Corporate Income Tax Rate). The “Maximum Corporate Income Tax Rate” is the highest marginal federal income tax rate charged to U.S. corporations in effect at the time of the prepayment calculation. The “Maximum Corporate Income Tax Rate” is currently 35% (or 0.35 in numerical terms).

(iv) "Treasury Rate" means the yield on the Treasury Constant Maturity Series with maturity equal to the Original Payment Date of the Prepaid Installment which are principal payments calculated as of the date of prepayment in accordance with accepted financial practice and rounded to the nearest quarter-year, as reported in Federal Reserve Statistical Release H.15, Selected Interest Rates of the Board of Governors of the Federal Reserve System, or any successor publication. If no maturity exactly corresponding to such Original Payment Date appears in Release H.15, the Treasury Rate will be determined by linear interpolation between the yields reported in Release H.15. If for any reason Release H.15 is no longer published, the Registered Owner shall select a comparable publication to determine the Treasury Rate.

SCHEDULE 3

Partial Redemption Record

Amount of Partial Redemption Received	Date of Partial Redemption	Signature