RESOLUTION NO. 1-13

A RESOLUTION AUTHORIZING ISSUANCE OF THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA UTILITY SYSTEM REVENUE CERTIFICATES, SERIES 2013A IN AN AMOUNT NOT TO EXCEED $10,000,000 TO FINANCE THE ACQUISITION AND CONSTRUCTION OF ADDITIONS AND IMPROVEMENTS TO THE UTILITIES SYSTEM; AUTHORIZING THE GENERAL MANAGER TO ACCEPT A PROPOSAL FOR THE PURCHASE THEREOF; APPROVING THE FORM OF LOAN AGREEMENT AND CERTIFICATES EVIDENCING SUCH FINANCING; PROVIDING FOR THE PAYMENT OF SUCH CERTIFICATES FROM NET REVENUES FROM THE UTILITY SYSTEM; PROVIDING FOR REPEAL OF INCONSISTENT PROVISIONS; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

BE IT RESOLVED BY THE UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA (the “Utilities Commission”), that:

SECTION 1. AUTHORITY FOR THIS RESOLUTION; DEFINITIONS. This Resolution is enacted pursuant to the provisions of Chapter 85-503, Laws of Florida; Section 16.Q of Resolution 28-78, adopted by the Utilities Commission on June 30, 1978, as amended (the “Original Resolution”), and Resolution 3-12, duly adopted by the Utilities Commission on July 16, 2012, authorizing the issuance of the Series 2013A Certificates (the “Authorizing Resolution”). Unless the context otherwise requires, the terms defined in this resolution shall have the meanings specified in the Authorizing Resolution.

SECTION 2. FINDINGS. It is hereby ascertained, determined and declared that:

A. Pursuant to the Authorizing Resolution, the Utilities Commission requested Proposals pursuant to an Invitation to Bid Loan Commitment Bid #7-13, a copy of which is on file with the Utilities Commission, from various lending institutions to provide the Utilities Commission with the necessary financing (the “Loan”) for the acquisition and construction of capital improvements to the reclamation (wastewater / reclaimed) utility facilities of the Utilities Commission, substantially in accordance with the report, plans and specifications of the Utilities Commission heretofore filed or to be filed with the Utilities Commission (the “Project”).

B. The proposals received are on file with the Finance Director and are tabulated as Exhibit A. The proposal of STI Institutional & Government, Inc., attached hereto as Exhibit B, is hereby deemed to be the best proposal (the “Proposal”).

C. Pursuant to Section 218.385, Florida Statutes, as amended, the Utilities Commission hereby approves a negotiated sale of the Series 2013A Certificates based upon the following findings as to the reasons requiring such negotiated sale:

(i) The Utilities Commission has been advised by Southeastern Investment Securities, LLC, Financial Advisor to the Utilities Commission (hereinafter called the “Financial Advisor”), that, in order to obtain the best interest rates and prices in the
current municipal bond market due to market conditions, extensive planning of the structure and the timing of the issuance of the Series 2013A Certificates by the Financial Advisor and by the potential purchasers is necessary.

(ii) The Utilities Commission has been further advised by its Financial Advisor that it would have been impracticable for the Financial Advisor and the potential purchasers to engage in such planning within the time constraints and other uncertainties inherent in the competitive bidding process, and the Financial Advisor has advised the Utilities Commission that, to the best of its knowledge and belief, similar bond issues in the municipal bond market are usually negotiated.

(iii) In order to attain the desired interest rate, it is necessary to be able to sell the Series 2013A Certificates when market conditions are most favorable. The uncertainties of the current and near future municipal bond market demand that the potential purchasers have the maximum time and flexibility to price and market the Series 2013A Certificates, in order to obtain the most favorable interest rates available. The utilization of a competitive sale by public bidding is not in the best interests of the Utilities Commission due to the volatility of the municipal bond market and the need to sell the Series 2013A Certificates quickly when market conditions are favorable.

(iv) For the foregoing reasons, it is found and determined that it is necessary and desirable and in the best interests of the Utilities Commission to sell the Series 2013A Certificates in a negotiated sale and to authorize the Chairman or Vice Chairman to execute a commitment letter for the sale of the Series 2013A Certificates as provided in Section 7 hereof.

SECTION 3. AWARD OF SERIES 2013A CERTIFICATES IN NEGOTIATED SALE; APPROVAL OF TERMS. The General Manager/CEO is hereby authorized to accept the attached Proposal from STI Institutional & Government, Inc. Based upon the findings set forth in Section 2 hereof, the Utilities Commission hereby approves the negotiated sale of the Series 2013A Certificates in the aggregate principal amount of $10,000,000 to such proposer upon the terms and conditions herein and as set forth in the Proposal. The terms and conditions of the Proposal, to the extent not incorporated into the Original Resolution or this Resolution, shall be set forth in the Series 2013A Bond, and upon delivery of the Series 2013A Bond such provisions shall be deemed to be and shall constitute a contract between the Utilities Commission and such Registered Owners as if set forth in full herein.

SECTION 4. APPROVAL OF FORM OF LOAN AGREEMENT AND CERTIFICATES. The form of the Loan Agreement and the Series 2013A Certificates attached hereto as Exhibit C is hereby approved and the Chairman and Secretary Treasurer are hereby authorized to execute and deliver such instruments in substantially the form attached, with such changes as shall be necessary or desirable to conform to the Proposal, and to take such other actions as shall be necessary to implement the Loan. The provisions of the Loan Agreement and the Series 2013A Certificates, as so executed and delivered, are hereby incorporated into and made a part of this resolution.
SECTION 5. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Series 2013A Certificates authorized to be issued hereunder by those who shall be the holders thereof from time to time, the Resolution and the Loan Agreement shall be deemed to be and shall constitute a contract between the Utilities Commission and such holder. The covenants and agreements in the Original Resolution set forth to be performed by the Utilities Commission shall be for the equal benefit, protection and security of the holder of the Series 2013A Certificates, which shall be of equal rank and without preference, priority or distinction of any of the Series 2013A Certificates or any of the Outstanding Parity Certificate over any other thereof, except as expressly provided in the Original Resolution and the Loan Agreement.

SECTION 6. APPROVAL OF PAYMENT OF COSTS OF ISSUANCE. The costs of issuance of the Series 2013A Certificates as shown on Exhibit D hereto are hereby approved for payment.

SECTION 7. APPROVAL OF BANK ACCOUNT. The Finance Director is hereby authorized to establish a banking account with STI Institutional & Government, Inc. for the sole purpose of facilitating payment of debt service on the Series 2013A Certificates.

SECTION 8. REPEAL OF INCONSISTENT PROVISIONS. All resolutions or parts thereof in conflict with this resolution are hereby repealed to the extent of such conflict.

SECTION 9. SEVERABILITY. In the event that any portion or section of this resolution is determined to be invalid, illegal or unconstitutional by a court of competent jurisdiction, such decision shall in no manner affect the remaining portions or sections of this resolution shall remain in full force and effect.

SECTION 10. EFFECTIVE DATE. This resolution shall take effect immediately upon its final passage and adoption.
THE ABOVE AND FOREGOING RESOLUTION was introduced at a regular meeting of the Utilities Commission, City of New Smyrna Beach, Florida, held January 28, 2013, by Commissioner Biedenbach, who moved for its adoption, which motion was seconded by Commissioner Zeller, and upon roll call vote of the Commission was as follows:

CHAIRMAN
William O. Hall

VICE CHAIRMAN
Joann T. Sloan

SECY.-TREAS.

ASST. SECY.-TREAS.

COMMISSIONER

APPROVED:
William O. Hall

ATTEST:

Approved as to Form and Correctness:

UTILITY COMMISSION ATTORNEY

EXHIBITS:
A – Bid Tabulation
B – Proposal
C – Form of Loan Agreement
D – Costs of Issuance
### Summary of Bank Bids

<table>
<thead>
<tr>
<th></th>
<th>BB&amp;T</th>
<th>SunTrust</th>
<th>TD Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amount of Loan</strong></td>
<td>$10,000,000</td>
<td>$10,000,000</td>
<td>$10,000,000</td>
</tr>
<tr>
<td><strong>Bank Fees</strong></td>
<td>$4,000</td>
<td>$7,500</td>
<td>$7,500</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td>15 years</td>
<td>15 years</td>
<td>15 years with a 10 year put at the option of the Lender</td>
</tr>
<tr>
<td><strong>Fixed Interest Rate</strong></td>
<td>2.69%</td>
<td>2.26%</td>
<td>2.30% (indicative) 69% of 10 year swap rate + 1.01%</td>
</tr>
<tr>
<td><strong>Prepayment Options</strong></td>
<td>Pre payable with 1% penalty after 24 mos.</td>
<td>Pre payable without penalty</td>
<td>Prepayable anytime without penalty</td>
</tr>
<tr>
<td><strong>Other Considerations</strong></td>
<td>None</td>
<td>Liquidity Test of 10% of Operating Expenses or Debt Service Reserve Requirement of $616,000.</td>
<td>Tax Considerations/risks to UC. (yield maintenance)</td>
</tr>
</tbody>
</table>
EXHIBIT B

PROPOSAL
Utilities Commission, City of New Smyrna Beach

By Hand Delivery: January 16, 2013

Utilities Commission City of New Smyrna Beach
Attn: Materials Manager
P.O. Box 100
New Smyrna Beach, Florida 32170

Dear Commission,

On behalf of STI Institutional & Government, Inc. STING(“STING”), I am pleased to present this commitment to the Utilities Commission, City of New Smyrna Beach, (the “Borrower”) in the amount of up to 10,000,000 dollars and 00/100 dollars ($10,000,000.00). It is our understanding that the proceeds from the Commitment will be used to fund a portion of the design and construction costs of various wastewater and reclaimed water capital improvements including, but not limited to seaside interceptor force main, biosolids process upgrade and lift stations reconstruction and upgrades.

This commitment is subject to: (i) the preparation, execution and delivery of mutually acceptable loan documentation, including a note incorporating substantially the terms and conditions set forth in the Term Sheet attached hereto; (ii) the absence of a material adverse change in the business, condition (financial or otherwise), results of operations, properties or prospects of the Borrower and its subsidiaries (if any) as reflected in its financial statements as of December 31, 2012; (iii) the accuracy of all representations which you have made or will make to STING and all information that you furnish to us and your compliance with the terms of this Commitment Letter; (iv) a closing of the Facility on or prior to March 15, 2013; and (v) any additional conditions or contingencies set forth herein.]

Although the following provisions, terms and conditions are intended to be comprehensive, they are not necessarily inclusive of all the anticipated terms that will be applicable to the credit and do not purport to summarize all of the conditions, covenants, definitions, representations, warranties, events of default or other provisions that may be contained in documents required to consummate this financing. All of such terms will be set forth in the final, definitive loan documents, and all such terms must be acceptable to STING and its counsel. This financing proposal is contingent upon the accuracy of all facts, statements and financial information submitted to STING by the Borrower and is conditioned upon the terms outlined in the attached Term Sheet.

Upon acceptance of this commitment, the Borrower agrees to pay, or reimburse STING on demand for, all reasonable costs and expenses incurred by STING (whether before or after the date hereof) in connection with this Commitment Letter and the transactions contemplated hereunder (regardless of whether any of the transactions contemplated hereby are consummated), including without limitation the reasonable costs and expenses of the STING’s counsel (including in-house counsel), incurred in connection with the enforcement of its rights and remedies hereunder. Your obligation in respect of such costs and expenses shall survive the expiration or termination of this Commitment Letter.

This Commitment Letter shall constitute a binding obligation of STING for all purposes immediately upon the acceptance hereof by the Borrower in the manner provided herein. Notwithstanding any other provision of this Commitment Letter, STING’s commitments and undertakings as set forth herein shall not be or become effective for any purpose unless and until this Commitment Letter shall have been accepted by the Borrower in the manner specified below.

If you are in agreement with the foregoing, please sign and return the enclosed copy of this Commitment Letter to STING at its office located at 200 S. Orange Ave, Orlando, Florida 32789 Attention: Brian Orth. Unless STING receives such copy of this Commitment Letter duly executed by an authorized officer of the Borrower prior to 5:00 p.m. (EST), on January 31, 2013 STING’s obligations hereunder shall terminate at such time. In no event shall STING have any obligation to make the financing described herein available unless the closing for such financing shall have occurred on or prior to April 1, 2013. In addition to the foregoing, this Commitment
Letter may be terminated at any time by mutual agreement.

[This document is confidential and proprietary and shall not be disclosed.]

This Commitment Letter is solely for the benefit of the Borrower and STING, and no provision hereof shall be deemed to confer rights on any other person or entity. This Commitment Letter may not be assigned by the Borrower to any other person or entity, but the obligations of the Borrower hereunder shall be binding upon any successors of the Borrower.

THIS COMMITMENT LETTER WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS AND TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE BORROWER AND STING HEREBY WAIVES JURY TRIAL IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS COMMITMENT LETTER OR ANY OTHER DOCUMENTS CONTEMPLATED HEREBY.

This Commitment Letter may be executed in any number of separate counterparts, each of which shall collectively and separately, constitute one agreement. Upon acceptance by you as provided herein, this Commitment Letter shall supersede all understandings and agreements between the parties hereto in respect of the transactions contemplated hereby.

Sincerely,

[Signature]

STI Institutional & Government, Inc
Brian S. Orth
First Vice President

BORROWER ACCEPTS THE COMMITMENT:
Term Sheet

Borrower: Utilities Commission, City of New Smyrna Beach (the "Borrower")

Lender: STI Institutional & Government, Inc. (the "Lender")

Contact: Brian S. Orth
First Vice President
STI Institutional & Government, Inc.
200 S. Orange
6th Floor
Orlando, FL 32801
Phone: 407-237-6764

Facility Type: A funding agreement to purchase a single Utilities System Revenue Certificate Series 2013 (the "Certificate").

Purpose: The Facility will be used to fund a portion of the design and construction costs of various wastewater and reclaimed water capital improvements including, but not limited to beachside interceptor force main, biosolids process upgrade and lift stations reconstruction and upgrades.

Amount: Up to $10,000,000.

Terms: Interest will be paid semi-annually on April 1 and January 1 beginning April 1, 2013 and principal shall be payable annually on October 1. Actual Amortization shall be mutually agreed upon the Lender's purchase of the Bond, the amortization provided by the Borrower in the Request for Proposal is acceptable to the Lender.

Security: The payment of the principal and interest on the Certificate will be secured equally and ratably by a first lien on and pledge of the Net Revenues from the operation of the Borrower's Utility System on a parity with the Series 2007 Certificates, Series 2009 Certificates, Series 2011 Certificates, Series 2012 Certificates and all other certificates issues on a parity therewith under the Resolution without preferences, priority or distinction of any certificates over any other thereof. The Certificate shall not constitute a general obligation of the Borrower or the city of New Smyrna Beach, but shall be payable solely from and secured by a lien upon the Net Revenues of the Utilities System.

Additional Bonds Test: shall be consistent with Resolution No. 28-78 as amended on December 12, 2012, which requires or provides for the Lender a 1.25x coverage test / requirement for the Borrower.

Interest Rate: The interest rate on the loan will be a tax exempt fixed loan rate of 2.26% based upon a 30/360 interest rate calculation and subject to adjustment as described herein.

These interest rates will be available until March 1, 2013.

Maturity Date: October 1, 2027.
Prepayment:

The Facility may be pre-paid at any time after 24 months without penalty.

Prepayment Alternatives:

The following Prepayment Alternatives is available to the Borrower. This is an alternative option for the Borrower and is not a requirement of the Lender providing this Commitment. If the Borrower accepts this alternative, which is not intended to raise the rate to the Borrower, 14 bps can be deducted from the Interest Rate Quoted above, so said alternatively, the Interest Rate would be 2.12%.

The Borrower may prepay the Bond in whole or in part at anytime upon two Business Days’ prior written notice to the Lender. Such prepayment notice shall specify the amount of the prepayment which is to be made. In the event of a prepayment of the Bond under this paragraph, the Borrower may be required to pay the Lender an additional fee (a prepayment charge or premium) determined in the manner provided below, to compensate the Lender for all losses, costs and expenses incurred in connection with such prepayment.

The fee shall be equal to the present value of the difference between (1) the amount that would have been realized by the Lender on the prepaid amount for the remaining term of the Bond at the Federal Reserve H.15 Statistical Release rate for fixed-rate payers in interest rate swaps for a term corresponding to the term of the Bond, interpolated to the nearest month, if necessary, that was in effect three Business Days prior to the origination date of the Bond and (2) the amount that would be realized by the Lender by reinvesting such prepaid funds for the remaining term of the Bond at the Federal Reserve H.15 Statistical Release rate for fixed-rate payers in interest rate swaps, interpolated to the nearest month, that was in effect three Business Days prior to the prepayment date; both discounted at the same interest rate utilized in determining the applicable amount in (2). Should the present value have no value or a negative value, the Borrower may prepay at par with no additional prepayment charge or premium. Should the Federal Reserve no longer release rates for fixed-rate payers in interest rate swaps, the Lender may substitute the Federal Reserve H.15 Statistical Release with another similar index. The Lender shall provide the Borrower with a written statement explaining the calculation of the premium due, which statement shall, in absence of manifest error, be conclusive and binding. This alternative is not intended to, and does not, increase the interest rate payable on the Bond.

After-Tax Yield Maintenance

The interest rates quoted herein take into consideration a marginal maximum federal corporate tax rate of 35%. In the event of a decrease in the marginal maximum corporate tax rate, the Bank shall have the right to adjust the interest rate upwards in order to maintain the same after tax yield for the Bank.

Upon an occurrence of a Determination of Taxability, the rate shall become the Taxable Rate and the Borrower hereby agrees to pay to the Lender (i) an additional amount equal to the difference between (A) the amount of interest paid on the Bonds during the Taxable Period and (B) the amount of interest that would have been paid on the Bonds during the Taxable Period had the Bonds borne interest at the Taxable Rate which shall be the taxable equivalent of the Interest Rate quoted hererin, plus (ii) an amount equal to any interest, penalties on overdue interest and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by the Lender as a result of the occurrence of a Determination of Taxability.
Debt Service Reserve: The Borrower shall set establish a Debt Service Reserve equal to 50% of maximum annual debt service for the benefit of the Lender, or demonstrate to the Lender sufficient Unrestricted Liquidity available in an amount equal to 10% of operating expenses (the "Liquidity Test") is available to pay debt service. Amounts set aside for the benefit of the Lender can be released for use by the Borrower after the 2019 principal payment (October 1, 2019) and demonstration to the Lender that the Borrower has satisfied the Rate Covenant Test at three consecutive fiscal year end periods.

Default: Covenant Violations without waiver and payment defaults shall be a condition of Default and shall result in the interest due at the Default Rate.

Default Rate: The Default rate shall be equal to the lesser of the maximum rate allowed by law or Prime plus 8%.

Legal Fees: Our proposed lender counsel is Ed Vogel of Holland and Knight. The fees for our counsel shall be $7,500.

Covenants and Conditions:

A) All matters relating to this loan, including all instruments and documents required, are subject to the Lender's policies and procedures in effect, applicable governmental regulations and/or statutes, and approval by the Lender and the Lender's Counsel.

B) Borrower shall submit annual financial statements within 270 days of fiscal year end, together with an annual budget within 30 days of adoption, together with any other information the Lender may reasonably request.

C) A written opinion from Borrower’s Counsel, in form and substance acceptable to the Lender and Lender's Counsel, that all documents are valid, binding and enforceable in accordance with their terms, that execution and delivery of said documents has been duly authorized, and addressing such other matters as the Lender and the Lender’s Counsel deem appropriate.

D) The provisions, terms and conditions contained herein are not inclusive of all the anticipated terms that will be applicable to the credit and do not purport to summarize all of the conditions, covenants, definitions, representations, warranties, waiver of jury trial, submission to jurisdiction and venue, events of default, remedies including but not limited to acceleration, if acceleration is not a remedy the default rate shall be the lesser of the Default Rate or the maximum allowed rate by law. All of such terms will be set forth in the final, definitive loan documents, and all such terms must be acceptable to the Lender and its counsel. The Lender shall maintain the right to transfer and assign the Bond to accredited investors. Notwithstanding any terms or conditions detailed herein the Lender will have the right to assign all or a portion of the bond or loan to an affiliate of the Lender in its sole discretion.

E) SunTrust understands that no existing bond resolutions allow for acceleration of repayment. The Utilities Commission agrees that if there are any amendments to existing resolutions or new resolutions created that allow for acceleration of repayment, those same rights will be provided to this facility.

F) The Borrower agrees to have the interest payments collected via ACH Direct Debit from a SunTrust Bank account of their choice.

G) The "Bank-Qualified" interest rate quoted herein assumes the obligations is a "qualified tax-exempt obligation" as defined in Section 265(b)(3) of the Internal Revenue Service Code. Receipt of opinion from Bond Counsel in form and substance satisfactory to the Lender, which shall include, without limitation, opinion that the interest on the Bond is excludable from gross income of the owners thereof for federal income tax purposes and that the Bond is a qualified tax-exempt obligation under Section 265 (b)(3) of the Internal Revenue Code.

H) The Borrower will fix, establish and maintain such rates and will collect such fees, rentals or other charges for the services of the System and revise the same from time to time, whenever necessary, as will always provide Revenues in each Fiscal Year, sufficient to pay one hundred percent (100%) of the
Cost of Operation and Maintenance of the System, one hundred twenty-five percent (125%) of the amount required to be paid for principal of serial Certificates and for mandatory amortization payments for term Certificates and for interest becoming due on the Certificates and one hundred twenty-five percent (125%) of all parity Demand Charge Debt Service Components becoming due, plus one hundred percent (100%) of all reserve or other payments herein required, including amounts due under a Reserve Fund Insurance Policy or Reserve Fund Letter of Credit. Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide Revenues for such purposes.

1) Any future modifications of Resolution No. 28-78 affecting the Bank's Security shall require Bank Approval.
Utilities Commission, City of New Smyrna Beach

By Hand Delivery: January 16, 2013
Revised as of 01/18/13

Utilities Commission City of New Smyrna Beach
Attn: Materials Manager
P.O. Box 100
New Smyrna Beach, Florida 32170

Dear Commission,

On behalf of STI Institutional & Government, Inc. STING("STING"), I am pleased to present this commitment to the Utilities Commission, City of New Smyrna Beach. (the "Borrower") in the amount of up to 10,000,000 dollars and 00/100 dollars ($10,000,000.00). It is our understanding that the proceeds from the Commitment will be used to fund a portion of the design and construction costs of various wastewater and reclaimed water capital improvements including, but not limited to beachside interceptor force main, biosolids process upgrade and lift stations reconstruction and upgrades.

This commitment is subject to: (i) the preparation, execution and delivery of mutually acceptable loan documentation, including a note incorporating substantially the terms and conditions set forth in the Term Sheet attached hereto; (ii) the absence of a material adverse change in the business, condition (financial or otherwise), results of operations, properties or prospects of the Borrower and its subsidiaries (if any) as reflected in its financial statements as of December 31, 2012; (iii) the accuracy of all representations which you have made or will make to STING and all information that you furnish to us and your compliance with the terms of this Commitment Letter; (iv) a closing of the Facility on or prior to April 1, 2013; and (v) any additional conditions or contingencies set forth herein.

Although the following provisions, terms and conditions are intended to be comprehensive, they are not necessarily inclusive of all the anticipated terms that will be applicable to the credit and do not purport to summarize all of the conditions, covenants, definitions, representations, warranties, events of default or other provisions that may be contained in documents required to consummate this financing. All of such terms will be set forth in the final, definitive loan documents, and all such terms must be acceptable to STING and its counsel. This financing proposal is contingent upon the accuracy of all facts, statements and financial information submitted to STING by the Borrower and is conditioned upon the terms outlined in the attached Term Sheet.

Upon acceptance of this commitment, the Borrower agrees to pay, or reimburse STING on demand for, all reasonable costs and expenses incurred by STING (whether before or after the date hereof) in connection with this Commitment Letter and the transactions contemplated hereunder (regardless of whether any of the transactions contemplated hereby are consummated), including without limitation the reasonable costs and expenses of the STING's counsel (including in-house counsel), incurred in connection with the enforcement of its rights and remedies hereunder. Your obligation in respect of such costs and expenses shall survive the expiration or termination of this Commitment Letter.

This Commitment Letter shall constitute a binding obligation of STING for all purposes immediately upon the acceptance hereof by the Borrower in the manner provided herein. Notwithstanding any other provision of this Commitment Letter, STING's commitments and undertakings as set forth herein shall not be or become effective for any purpose unless and until this Commitment Letter shall have been accepted by the Borrower in the manner specified below.

If you are in agreement with the foregoing, please sign and return the enclosed copy of this Commitment Letter to STING at its office located at 200 S. Orange Ave, Orlando, Florida 32789 Attention: Brian Orth. Unless STING receives such copy of this Commitment Letter duly executed by an authorized officer of the Borrower prior to 5:00 p.m. (EST), on January 31, 2013 STING's obligations hereunder shall terminate at such time. In no event shall STING have any obligation to make the financing described herein available unless the closing for
such financing shall have occurred on or prior to April 1, 2013. In addition to the foregoing, this Commitment Letter may be terminated at any time by mutual agreement.

[This document is confidential and proprietary and shall not be disclosed.]

This Commitment Letter is solely for the benefit of the Borrower and STING, and no provision hereof shall be deemed to confer rights on any other person or entity. This Commitment Letter may not be assigned by the Borrower to any other person or entity, but the obligations of the Borrower hereunder shall be binding upon any successors of the Borrower.

THIS COMMITMENT LETTER WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS AND TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE BORROWER AND STING HEREBY WAIVES JURY TRIAL IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS COMMITMENT LETTER OR ANY OTHER DOCUMENTS CONTEMPLATED HEREBY.

This Commitment Letter may be executed in any number of separate counterparts, each of which shall collectively and separately, constitute one agreement. Upon acceptance by you as provided herein, this Commitment Letter shall supersede all understandings and agreements between the parties hereto in respect of the transactions contemplated hereby.

Sincerely,

STI Institutional & Government, Inc
Brian S. Orth
First Vice President

BORROWER ACCEPTS THE COMMITMENT:
Term Sheet

Borrower: Utilities Commission, City of New Smyrna Beach (the "Borrower")

Lender: STI Institutional & Government, Inc. (the "Lender")

Contact: Brian S. Orth
First Vice President
STI Institutional & Government, Inc.
200 S. Orange
6th Floor
Orlando, FL 32801
Phone: 407-237-6764

Facility Type: A funding agreement to purchase a single Utilities System Revenue Certificate Series 2013 (the "Certificate").

Purpose: The Facility will be used to fund a portion of the design and construction costs of various wastewater and reclaimed water capital improvements including, but not limited to beachside interceptor force main, biosolids process upgrade and lift stations reconstruction and upgrades.

Amount: Up to $10,000,000.

Terms: Interest will be paid semi-annually on April 1 and January 1 beginning April 1, 2013 and principal shall be payable annually on October 1. Actual Amortization shall be mutually agreed upon the Lender's purchase of the Bond, the amortization provided by the Borrower in the Request for Proposal is acceptable to the Lender.

Security: The payment of the principal and interest on the Certificate will be secured equally and ratably by a first lien on and pledge of the Net Revenues from the operation of the Borrower's Utility System on a parity with the Series 2007 Certificates, Series 2009 Certificates, Series 2011 Certificates, Series 2012 Certificates and all other certificates issues on a parity therewith under the Resolution without preferences, priority or distinction of any certificates over any other thereof. The Certificate shall not constitute a general obligation of the Borrower or the city of New Smyrna Beach, but shall be payable solely from and secured by a lien upon the Net Revenues of the Utilities System.

Additional Bonds Test: Shall be consistent with Resolution No. 28-78 as amended on December 12, 2012, which requires or provides for the Lender a 1.25x coverage test / requirement for the Borrower.

Interest Rate: The interest rate on the loan will be a tax exempt fixed loan rate of 2.26% based upon a 30/360 interest rate calculation and subject to adjustment as described herein.

These interest rates will be available until March 1, 2013.

Maturity Date: October 1, 2027.
Prepayment: The Facility may be pre-paid in whole or in part at any time after 24 months without penalty.

Prepayment Alternatives: The following Prepayment Alternatives is available to the Borrower. This is an alternative option for the Borrower and is not a requirement of the Lender providing this Commitment. If the Borrower accepts this alternative, which is not intended to raise the rate to the Borrower, 14 bps can be deducted from the Interest Rate Quoted above, so said alternatively, the Interest Rate would be 2.12%.

The Borrower may prepay the Bond in whole or in part at anytime upon two Business Days' prior written notice to the Lender. Such prepayment notice shall specify the amount of the prepayment which is to be made. In the event of a prepayment of the Bond under this paragraph, the Borrower may be required to pay the Lender an additional fee (a prepayment charge or premium) determined in the manner provided below, to compensate the Lender for all losses, costs and expenses incurred in connection with such prepayment.

The fee shall be equal to the present value of the difference between (1) the amount that would have been realized by the Lender on the prepaid amount for the remaining term of the Bond at the Federal Reserve H.15 Statistical Release rate for fixed-rate payers in interest rate swaps for a term corresponding to the term of the Bond, interpolated to the nearest month, if necessary, that was in effect three Business Days prior to the origination date of the Bond and (2) the amount that would be realized by the Lender by reinvesting such prepayment funds for the remaining term of the Bond at the Federal Reserve H.15 Statistical Release rate for fixed-rate payers in interest rate swaps, interpolated to the nearest month, that was in effect three Business Days prior to the prepayment date; both discounted at the same interest rate utilized in determining the applicable amount in (2). Should the present value have no value or a negative value, the Borrower may prepay at par with no additional prepayment charge or premium. Should the Federal Reserve no longer release rates for fixed-rate payers in interest rate swaps, the Lender may substitute the Federal Reserve H.15 Statistical Release with another similar index. The Lender shall provide the Borrower with a written statement explaining the calculation of the premium due, which statement shall, in absence of manifest error, be conclusive and binding. This alternative is not intended to, and does not, increase the interest rate payable on the Bond.

After-Tax Yield Maintenance: The interest rates quoted herein take into consideration a marginal maximum federal corporate tax rate of 35%. In the event of a decrease in the marginal maximum corporate tax rate, the Lender shall have the right to adjust the interest rate upwards in order to maintain the same after tax yield for the Lender. The interest rate increase shall be capped based on a federal corporate tax rate of 28%. Should the corporate tax rate be adjusted by the Lender to a rate below 28%, the Borrower must notify the Lender loan officer of any errors to the cap rate. STING will only be responsible to correct rate change errors up to 30 days prior to notification.

Upon an occurrence of a Determination of Taxability, the rate shall become the Taxable Rate and the Borrower hereby agrees to pay to the Lender (i) an additional amount equal to the difference between (A) the amount of interest paid on the Bonds during the Taxable Period and (B) the amount of interest that would have been paid on the Bonds during the Taxable Period had the Bonds borne interest at the Taxable Rate which shall be the taxable equivalent of the Interest Rate quoted herein, plus (ii) an amount equal to any interest, penalties on overdue interest and additions to tax (as referred to in Subchapter
A of Chapter 68 of the Code) owed by the Lender as a result of the occurrence of a Determination of Taxability.

Debt Service Reserve:
The Borrower shall establish a Debt Service Reserve equal to 50% of maximum annual debt service for the benefit of the Lender or demonstrate to the Lender sufficient Unrestricted Liquidity available in an amount equal to 10% of operating expenses (the "Liquidity Test") to pay debt service. Amounts set aside for the benefit of the Lender can be released for use by the Borrower after the 2019 principal payment (October 1, 2019) and the Borrower has satisfied the Rate Covenant Test for three consecutive fiscal year end periods.

Default:
Covenant Violations without waiver shall be a condition of Non-Compliance and shall result in the interest due a Non-Compliance Rate equal to Prime plus 5%. Conditions of non-payment shall be a condition of Default and shall bear interest at the Default Rate.

Default Rate:
The Default Rate shall be equal to the lesser of the maximum rate allowed by law or Prime plus 8%.

Legal Fees:
Our proposed lender counsel is Ed Vogel of Holland and Knight. The fees for our counsel shall be $7,500.

Covenants and Conditions:

A) All matters relating to this loan, including all instruments and documents required, are subject to the Lender's policies and procedures in effect, applicable governmental regulations and/or statutes, and approval by the Lender and the Lender's Counsel.

B) Borrower shall submit annual financial statements within 270 days of fiscal year end, together with an annual budget within 30 days of adoption, together with any other information the Lender may reasonably request.

C) A written opinion from Borrower's Counsel, in form and substance acceptable to the Lender and Lender's Counsel, that all documents are valid, binding and enforceable in accordance with their terms, that execution and delivery of said documents has been duly authorized, and addressing such other matters as the Lender and the Lender's Counsel deem appropriate.

D) The provisions, terms and conditions contained herein are not inclusive of all the anticipated terms that will be applicable to the credit and do not purport to summarize all of the conditions, covenants, definitions, representations, warranties, waiver of jury trial, submission to jurisdiction and venue, events of default, remedies including but not limited to acceleration, if acceleration is not a remedy the default rate shall be the lesser of the Default Rate or the maximum allowed rate by law. All of such terms will be set forth in the final, definitive loan documents, and all such terms must be acceptable to the Lender and its counsel. The Lender shall maintain the right to transfer and assign the Bond to accredited investors. Notwithstanding any terms or conditions detailed herein the Lender will have the right to assign all or a portion of the bond or loan to an affiliate of the Lender in its sole discretion.

E) The Lender understands that no existing bond resolutions allow for acceleration of repayment. The Utilities Commission agrees that if there are any amendments to existing resolutions or new resolutions created that allow for acceleration of repayment, those same rights will be provided to this facility.

F) The Borrower agrees to have the interest payments collected via ACH Direct Debit from a SunTrust Bank account of their choice.

G) The "Bank-Qualified" interest rate quoted herein assumes the obligations is a "qualified tax-exempt obligation" as defined in Section 265(b)(3) of the Internal Revenue Service Code. Receipt of opinion from Bond Counsel in form and substance satisfactory to the Lender, which shall include, without limitation, opinion that the interest on the Bond is excludable from gross income of the owners thereof.
for federal income tax purposes and that the Bond is a qualified tax-exempt obligation under Section 265 (b)(3) of the Internal Revenue Code.

H) The Borrower will fix, establish and maintain such rates consistent with Resolution No. 28-78.

I) Any future modifications of Resolution No. 28-78 affecting the Bank’s Security shall require Bank Approval.
Utilities Commission, City of New Smyrna Beach

By Hand Delivery: January 16, 2013

Utilities Commission City of New Smyrna Beach
Attn: Materials Manager
P.O. Box 100
New Smyrna Beach, Florida 32170

Revised as of 01/22/13

Dear Commission,

On behalf of STI Institutional & Government, Inc. STING(“STING”), I am pleased to present this commitment to the Utilities Commission, City of New Smyrna Beach (the “Borrower”) in the amount of up to 10,000,000 dollars and 00/100 dollars ($10,000,000.00). It is our understanding that the proceeds from the Commitment will be used to fund a portion of the design and construction costs of various wastewater and reclaimed water capital improvements including, but not limited to beachside interceptor force main, biosolids process upgrade and lift stations reconstruction and upgrades.

This commitment is subject to: (i) the preparation, execution and delivery of mutually acceptable loan documentation, including a note incorporating substantially the terms and conditions set forth in the Term Sheet attached hereto; (ii) the absence of a material adverse change in the business, condition (financial or otherwise), results of operations, properties or prospects of the Borrower and its subsidiaries (if any) as reflected in its financial statements as of December 31, 2012; (iii) the accuracy of all representations which you have made or will make to STING and all information that you furnish to us and your compliance with the terms of this Commitment Letter; (iv) a closing of the Facility on or prior to April 1, 2013; and (v) any additional conditions or contingencies set forth herein.

Although the following provisions, terms and conditions are intended to be comprehensive, they are not necessarily inclusive of all the anticipated terms that will be applicable to the credit and do not purport to summarize all of the conditions, covenants, definitions, representations, warranties, events of default or other provisions that may be contained in documents required to consummate this financing. All of such terms will be set forth in the final, definitive loan documents, and all such terms must be acceptable to STING and its counsel. This financing proposal is contingent upon the accuracy of all facts, statements and financial information submitted to STING by the Borrower and is conditioned upon the terms outlined in the attached Term Sheet.

Upon acceptance of this commitment, the Borrower agrees to pay, or reimburse STING on demand for, all reasonable costs and expenses incurred by STING (whether before or after the date hereof) in connection with this Commitment Letter and the transactions contemplated hereunder (regardless of whether any of the transactions contemplated hereby are consummated), including without limitation the reasonable costs and expenses of the STING’s counsel (including in-house counsel), incurred in connection with the enforcement of its rights and remedies hereunder. Your obligation in respect of such costs and expenses shall survive the expiration or termination of this Commitment Letter.

This Commitment Letter shall constitute a binding obligation of STING for all purposes immediately upon the acceptance hereof by the Borrower in the manner provided herein. Notwithstanding any other provision of this Commitment Letter, STING’s commitments and undertakings as set forth herein shall not be or become effective for any purpose unless and until this Commitment Letter shall have been accepted by the Borrower in the manner specified below.

If you are in agreement with the foregoing, please sign and return the enclosed copy of this Commitment Letter to STING at its office located at 200 S. Orange Ave, Orlando, Florida 32789 Attention: Brian Orth. Unless STING receives such copy of this Commitment Letter duly executed by an authorized officer of the Borrower prior to 5:00 p.m. (EST), on January 31, 2013 STING’s obligations hereunder shall terminate at such time. In no event shall STING have any obligation to make the financing described herein available unless the closing for
such financing shall have occurred on or prior to April 1, 2013. In addition to the foregoing, this Commitment Letter may be terminated at any time by mutual agreement.

[This document is confidential and proprietary and shall not be disclosed.]

This Commitment Letter is solely for the benefit of the Borrower and STING, and no provision hereof shall be deemed to confer rights on any other person or entity. This Commitment Letter may not be assigned by the Borrower to any other person or entity, but the obligations of the Borrower hereunder shall be binding upon any successors of the Borrower.

THIS COMMITMENT LETTER WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF FLORIDA WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS AND TO THE EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE BORROWER AND STING HEREBY WAIVES JURY TRIAL IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATED TO THIS COMMITMENT LETTER OR ANY OTHER DOCUMENTS CONTEMPLATED HEREBY.

This Commitment Letter may be executed in any number of separate counterparts, each of which shall collectively and separately, constitute one agreement. Upon acceptance by you as provided herein, this Commitment Letter shall supersede all understandings and agreements between the parties hereto in respect of the transactions contemplated hereby.

Sincerely,

STI Institutional & Government, Inc
Brian S. Orth
First Vice President

BORROWER ACCEPTS THE COMMITMENT:
Term Sheet

**Borrower:** Utilities Commission, City of New Smyrna Beach (the “Borrower”)

**Lender:** STI Institutional & Government, Inc. (the “Lender”)

**Contact:**
Brian S. Orth  
First Vice President  
STI Institutional & Government, Inc.  
200 S. Orange  
6th Floor  
Orlando, FL 32801  
Phone: 407-237-6764

**Facility Type:**
A funding agreement to purchase a single Utilities System Revenue Certificate Series 2013 (the “Certificate”).

**Purpose:**
The Facility will be used to fund a portion of the design and construction costs of various wastewater and reclaimed water capital improvements including, but not limited to beachside interceptor force main, biosolids process upgrade and lift stations reconstruction and upgrades.

**Amount:**
Up to $10,000,000.

**Terms:**
Interest will be paid semi-annually on April 1 and January 1 beginning April 1, 2013 and principal shall be payable annually on October 1. Actual Amortization shall be mutually agreed upon the Lender’s purchase of the Bond, the amortization provided by the Borrower in the Request for Proposal is acceptable to the Lender.

**Security:**
The payment of the principal and interest on the Certificate will be secured equally and ratably by a first lien on and pledge of the Net Revenues from the operation of the Borrower’s Utility System on a parity with the Series 2007 Certificates, Series 2009 Certificates, Series 2011 Certificates, Series 2012 Certificates and all other certificates issues on a parity therewith under the Resolution without preferences, priority or distinction of any certificates over any other thereof. The Certificate shall not constitute a general obligation of the Borrower or the city of New Smyrna Beach, but shall be payable solely from and secured by a lien upon the Net Revenues of the Utilities System.

**Additional Bonds Test:**
Shall be consistent with Resolution No. 28-78 as amended on December 12, 2012, which requires or provides for the Lender a 1.25x coverage test / requirement for the Borrower.

**Interest Rate:**
The interest rate on the loan will be a tax exempt fixed loan rate of 2.26% based upon a 30/360 interest rate calculation and subject to adjustment as described herein.

These interest rates will be available until March 1, 2013.

**Maturity Date:**
October 1, 2027.
Prepayment:

The Facility may be pre-paid in whole or in part at any time after 24 months without penalty.

Prepayment Alternatives:

The following Prepayment Alternatives is available to the Borrower. This is an alternative option for the Borrower and is not a requirement of the Lender providing this Commitment. If the Borrower accepts this alternative, which is not intended to raise the rate to the Borrower, 14 bps can be deducted from the Interest Rate Quoted above, so said alternatively, the Interest Rate would be 2.12%.

The Borrower may prepay the Bond in whole or in part at anytime upon two Business Days’ prior written notice to the Lender. Such prepayment notice shall specify the amount of the prepayment which is to be made. In the event of a prepayment of the Bond under this paragraph, the Borrower may be required to pay the Lender an additional fee (a prepayment charge or premium) determined in the manner provided below, to compensate the Lender for all losses, costs and expenses incurred in connection with such prepayment.

The fee shall be equal to the present value of the difference between (1) the amount that would have been realized by the Lender on the prepaid amount for the remaining term of the Bond at the Federal Reserve H.15 Statistical Release rate for fixed-rate payers in interest rate swaps for a term corresponding to the term of the Bond, interpolated to the nearest month, if necessary, that was in effect three Business Days prior to the origination date of the Bond and (2) the amount that would be realized by the Lender by reinvesting such prepaid funds for the remaining term of the Bond at the Federal Reserve H.15 Statistical Release rate for fixed-rate payers in interest rate swaps, interpolated to the nearest month, that was in effect three Business Days prior to the prepayment date; both discounted at the same interest rate utilized in determining the applicable amount in (2). Should the present value have no value or a negative value, the Borrower may prepay at par with no additional prepayment charge or premium. Should the Federal Reserve no longer release rates for fixed-rate payers in interest rate swaps, the Lender may substitute the Federal Reserve H.15 Statistical Release with another similar index. The Lender shall provide the Borrower with a written statement explaining the calculation of the premium due, which statement shall, in absence of manifest error, be conclusive and binding. This alternative is not intended to, and does not, increase the interest rate payable on the Bond.

After-Tax Yield Maintenance

The interest rates quoted herein take into consideration a marginal maximum federal corporate tax rate of 35%. In the event of a decrease in the marginal maximum corporate tax rate, the Lender shall have the right to adjust the interest rate upwards in order to maintain the same after tax yield for the Lender. The interest rate increase shall be capped based on a federal corporate tax rate of 28%. Should the corporate tax rate be adjusted by the Lender to a rate below 28%, the Borrower must notify the Lender loan officer of any errors to the cap rate. STING will only be responsible to correct rate change errors up to 30 days prior to notification.

Upon an occurrence of a Determination of Taxability, the rate shall become the Taxable Rate and the Borrower hereby agrees to pay to the Lender (i) an additional amount equal to the difference between (A) the amount of interest paid on the Bonds during the Taxable Period and (B) the amount of interest that would have been paid on the Bonds during the Taxable Period had the Bonds borne interest at the Taxable Rate which shall be the taxable equivalent of the Interest Rate quoted hererin, plus (ii) an amount equal to any interest, penalties on overdue interest and additions to tax (as referred to in Subchapter
A of Chapter 68 of the Code) owed by the Lender as a result of the occurrence of a Determination of Taxability.

**Debt Service Reserve:** The Borrower shall establish a Debt Service Reserve equal to 50% of maximum annual debt service for the benefit of the Lender or demonstrate to the Lender sufficient Unrestricted Liquidity available in an amount equal to 10% of operating expenses excluding depreciation and transfers to the City (the "Liquidity Test") to pay debt service. Amounts set aside for the benefit of the Lender can be released for use by the Borrower after the 2019 principal payment (October 1, 2019) and the Borrower has satisfied the Rate Covenant Test for three consecutive fiscal year end periods. The Commission has met the Liquidity Test for the current period.

**Default:** Covenant Violations without waiver shall be a condition of Non-Compliance and shall result in the interest due a Non-Compliance Rate equal to Prime plus 5%. Conditions of non-payment shall be a condition of Default and shall bear interest at the Default Rate.

**Default Rate:** The Default Rate shall be equal to the lesser of the maximum rate allowed by law or Prime plus 8%.

**Legal Fees:** Our proposed lender counsel is Ed Vogel of Holland and Knight. The fees for our counsel shall be $7,500.

**Covenants and Conditions:**

A) All matters relating to this loan, including all instruments and documents required, are subject to the Lender's policies and procedures in effect, applicable governmental regulations and/or statutes, and approval by the Lender and the Lender's Counsel.

B) Borrower shall submit annual financial statements within 270 days of fiscal year end, together with an annual budget within 30 days of adoption, together with any other information the Lender may reasonably request.

C) A written opinion from Borrower's Counsel, in form and substance acceptable to the Lender and Lender's Counsel, that all documents are valid, binding and enforceable in accordance with their terms, that execution and delivery of said documents has been duly authorized, and addressing such other matters as the Lender and the Lender's Counsel deem appropriate.

D) The provisions, terms and conditions contained herein are not inclusive of all the anticipated terms that will be applicable to the credit and do not purport to summarize all of the conditions, covenants, definitions, representations, warranties, waiver of jury trial, submission to jurisdiction and venue, events of default, remedies including but not limited to acceleration, if acceleration is not a remedy the default rate shall be the lesser of the Default Rate or the maximum allowed rate by law. All of such terms will be set forth in the final, definitive loan documents, and all such terms must be acceptable to the Lender and its counsel. The Lender shall maintain the right to transfer and assign the Bond to accredited investors. Notwithstanding any terms or conditions detailed herein the Lender will have the right to assign all or a portion of the bond or loan to an affiliate of the Lender in its sole discretion.

E) The Lender understands that no existing bond resolutions allow for acceleration of repayment. The Utilities Commission agrees that if there are any amendments to existing resolutions or new resolutions created that allow for acceleration of repayment, those same rights will be provided to this facility.

F) The Borrower agrees to have the interest payments collected via ACH Direct Debit from a SunTrust Bank account of their choice.

G) The "Bank-Qualified" interest rate quoted herein assumes the obligations is a "qualified tax-exempt obligation" as defined in Section 265(b)(3) of the Internal Revenue Service Code. Receipt of opinion from Bond Counsel in form and substance satisfactory to the Lender, which shall include, without
limitation, opinion that the interest on the Bond is excludable from gross income of the owners thereof for federal income tax purposes and that the Bond is a qualified tax-exempt obligation under Section 265 (b)(3) of the Internal Revenue Code.

H) The Borrower will fix, establish and maintain such rates consistent with Resolution No. 28-78.

I) Any future modifications of Resolution No. 28-78 affecting the Bank's Security shall require Bank Approval.
EXHIBIT C

FORM OF LOAN AGREEMENT
LOAN AGREEMENT

between

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

and

STI INSTITUTIONAL & GOVERNMENT, INC.

Dated February __, 2013
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This LOAN AGREEMENT made and entered as of February __, 2013, by and between the UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA (the “Utilities Commission”) and STI INSTITUTIONAL & GOVERNMENT, INC. (the “Lender”).

WITNESSETH

WHEREAS, the Utilities Commission now owns, operates and maintains a water, wastewater and electric utility (the “System”) and derives and will continue to derive revenues from rates, fees, rentals and other charges made and collected for the services of the System.

WHEREAS, the Utilities Commission has determined that it is necessary, desirable and in the best interests of the Utilities Commission and its ratepayers that the Utilities Commission acquire and construct capital improvements to the reclamation (wastewater / reclaimed) utility facilities of the Utilities Commission, substantially in accordance with the report, plans and specifications of the Utilities Commission heretofore filed or to be filed with the Utilities Commission (the “Project” as defined herein).

WHEREAS, the Utilities Commission has determined that it is without adequate currently available funds to pay the cost of the Project and it is necessary that funds be made immediately available to the Utilities Commission for such purpose.

WHEREAS, the Utilities Commission requested proposals from various lending institutions to provide the Utilities Commission with the necessary financing.

WHEREAS, the proposal of the Lender was determined to be the best of the proposals submitted.

WHEREAS, pursuant to the Lender’s proposal, the Lender has agreed to lend the Utilities Commission the aggregate principal amount not to exceed $10,000,000 in return for the Series 2013A Certificate.

WHEREAS, pursuant to Resolution 28-78 (the “Original Resolution”) adopted by the Utilities Commission on June 30, 1978, the Utilities Commission has previously issued its Utility System Revenue Certificates, Series 2007, Utility System Revenue Certificates, Series 2009, Utility System Revenue Certificate, Series 2011 and Utility System Revenue Certificate, Series 2012 (collectively, the “Outstanding Parity Certificates”), of which approximately $44,940,000 aggregate principal amount is currently outstanding.

WHEREAS, the Net Revenues pledged to the payment of the principal of and interest on the Series 2013A Certificate will be sufficient to pay the principal of and interest on all of the Series 2013A Certificate and the Outstanding Parity Certificates and to make all reserve fund and other payments provided for in this resolution and the Original Resolution.

WHEREAS, the Original Resolution provides for the issuance of Additional Parity Obligations under the terms, limitations and conditions provided therein and the Utilities Commission will comply with the terms, limitations and conditions contained in the Original Resolution on or prior to the date of delivery of the Series 2013A Certificate, and is, therefore,
legally entitled to issue the Series 2013A Certificate as an Additional Parity Obligation under the Original Resolution.

WHEREAS, the Series 2013A Certificate shall not constitute a general obligation or indebtedness of the Utilities Commission as a "bond" within the meaning of any provision of the Constitution of the State, but shall be the special, limited obligations of the Utilities Commission and the City of New Smyrna Beach ("City"), the principal of and interest on which are payable solely from the Pledged Funds in the manner provided herein, and the principal of and interest on the Series 2013A Certificate and all other payments provided for herein will be paid solely from the Pledged Funds (as defined herein), and it will never be necessary or authorized to levy taxes on any real property of the Utilities Commission or the City or in the City to pay the principal of or interest on the Series 2013A Certificate or other payments provided for herein. Furthermore, neither the Series 2013A Certificate nor the interest thereon, shall be or constitute a lien upon the 2009 Project or upon any other property of the Utilities Commission or the City or in the City other than the Pledged Funds in the manner provided herein.

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

SECTION 1. DEFINITIONS. Terms not otherwise defined in this Section shall have the meanings specified in the Original Resolution. The following terms shall have the following meanings herein, unless the context otherwise expressly requires:

"Adjusted Operating Expenses" means the Utilities Commission’s operating expenses, as shown on the audited financial statements, less payments to the City of New Smyrna Beach, depreciation, amortization and excluding other non-cash items.

"Business Day" means any day of the year on which banks in any of the cities in which the principal office of the Lender or of the designated office of any Paying Agent are located are not required or authorized by law to remain closed and on which the Lender and any Paying Agent and the New York Stock Exchange, Inc. are open for business.

"Commission" means the governing body of the Utilities Commission.

"Default" means any event that, with the passage of time or giving of notice, or both, would constitute an Event of Default.

"Default Rate" means the lesser of (a) (i) with respect to an Event of Default arising from non-payment of an amount due, the Prime Rate plus 8% per annum and (ii) with respect to an Event of Default arising from any other non-compliance, the Prime Rate plus 5% per annum or (b) the maximum rate permitted by law.

"Determination of Taxability" means a final decree or judgment of any Federal court or a final action of the Internal Revenue Service determining that interest paid or payable on the Series 2013A Certificate is or was includable in the gross income of a Certificateholder for Federal income tax purposes; provided, that no such decree, judgment, or action will be considered final for this purpose, however, unless the Utilities Commission has been given
written notice and, if it is so desired and is legally allowed, has been afforded the opportunity to contest the same, either directly or in the name of any Certificateholder, and until the conclusion of any appellate review, if sought.

"Interest Rate" shall mean 2.26% (as modified by the adjustments as described in Section 4 hereof), multiplied, prior to the occurrence of a Determination of Taxability, by the Margin Rate Factor, in each case calculated on the basis of a 360-day year of 12, 30-day months.

"Lender" means STI Institutional & Government, Inc., which is making the loan to the Utilities Commission pursuant to the terms of this Agreement.

"Loan" shall mean the loan made to the Utilities Commission pursuant to Section 3(A) below.

"Loss of BQ Status" shall mean a determination by the Lender that the Series 2013A Certificate is not a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code (or any successor provision).

"Margin Rate Factor" shall mean the fraction the numerator of which is equal to one (1) minus the Maximum Federal Corporate Tax Rate on the date of calculation and the denominator of which is 0.65. The Margin Rate Factor shall be 0.65/0.65 or 1.0 so long as the Maximum Federal Corporate Tax Rate shall be 35%, and thereafter shall increase from time to time effective as of the effective date of any decrease in the Maximum Federal Corporate Tax Rate, provided that no increase in the Margin Rate Factor shall be made with respect to any portion of the Maximum Federal Corporate Tax Rate below 28%.

"Maturity Date" means the date which the principal and interest on Series 2013A Certificate, or any portion thereof, shall be payable.

"Maximum Federal Corporate Tax Rate" shall mean the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, determined without regard to tax rate or tax benefit make-up provisions such as the last two sentences of Section 11(b)(1) of the Code, as in effect from time to time (or, if as a result of a change in the Code the rate of income taxation imposed on corporations shall not be applicable to the Lender, the maximum statutory rate of federal income taxation which could apply to the Lender). The Maximum Federal Corporate Tax Rate on the date of execution of this Agreement is 35%.

"Original Resolution" shall mean Resolution 28-78, duly adopted by the Utilities Commission on June 30, 1978, as amended and supplemented from time to time.


"Paying Agent" means the Secretary Treasurer of the Utilities Commission.
“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.

“Pledged Funds” shall mean (a) the Net Revenues as defined in the Original Resolution plus (b) the moneys and investment income therefrom held in the Project Account created hereby.

“Prime Rate” shall mean the per annum rate which SunTrust Bank announces from time to time to be its prime rate, as in effect from time to time. SunTrust Bank’s prime rate is a reference or benchmark rate, is purely discretionary and does not necessarily represent the lowest or best rate charged to borrowing customers. SunTrust Bank may make commercial loans or other loans at rates of interest at, above or below SunTrust Bank’s prime rate. Each change in SunTrust Bank’s prime rate shall be effective from and including the date such change is announced as being effective.

“Principal Amount” means an aggregate amount of $10,000,000.

“Project” shall mean the acquisition and construction of capital improvements to the reclamation (wastewater / reclaimed) utility facilities of the Utilities Commission, substantially in accordance with the report, plans and specifications of the Utilities Commission heretofore filed or to be filed with the Utilities Commission.

“Project Costs” shall mean, but shall not necessarily be limited to: the cost of the acquisition and construction of the Project, and the construction and acquisition of additions, extensions and improvements thereto; the acquisition of any lands or interests therein or any other properties deemed necessary or convenient therefor; engineering, accounting and legal fees and expenses; expenses for plans, specifications and surveys; expenses for estimates of costs and of revenues; the fees of fiscal agents, financial advisors and consultants; administrative expenses; the capitalization of interest on the Certificates for a reasonable period of time after the date of issuance thereof; discount upon the sale of the Certificates; the expenses and costs of issuance of the Certificates; such other expenses as may be necessary or incidental to the financing authorized by this Resolution, or to the Project and to the placing of the same in operation; and reimbursement to the Utilities Commission for any sums expended for the foregoing purposes.

“Register” means the books maintained by the Registrar in which are recorded the names, and addresses of the holder of the Series 2013A Certificate.

“Registrar” means the Person maintaining the Register. The Secretary Treasurer shall be the Registrar.

“Regulations” means the Income Tax Regulations promulgated by the Internal Revenue Service under Sections 103 and 141 through 150 of the Internal Revenue Code of 1986 in effect from time to time.

“Resolution” means, collectively, the Original Resolution, the Series Resolution and all resolutions amendatory hereof or supplemental hereto.
“Series Resolution” means Resolution 3-12, duly adopted by the Utilities Commission on July 16, 2012, as amended and supplemented from time to time.

“Series 2013A Certificate” means one or more promissory notes of the Utilities Commission to the Lender in substantially the form attached hereto as Exhibit A with such modifications thereto as may be approved by the Chairman, upon the advice of the Utilities Commission Attorney and Bond Counsel, such approval to be presumed by the Chairman’s execution thereof.

“State” means the State of Florida.

“Taxable Period” shall mean the period of time between (a) the date that interest on the Series 2013A Certificate is deemed to be includable in the gross income of the owner thereof for federal income tax purposes as a result of a Determination of Taxability, and (b) the date of the Determination of Taxability.

“Taxable Rate” shall mean, upon a Determination of Taxability, the interest rate per annum that shall provide the Lender with the same after tax yield that the Lender would have otherwise received had the Determination of Taxability not occurred, taking into account the increased taxable income of the Lender as a result of such Determination of Taxability. The Lender shall provide the Utilities Commission with a written statement explaining the calculation of the Taxable Rate, which statement shall, in the absence of manifest error, be conclusive and binding on the Utilities Commission.

“Unrestricted Liquidity” means Utilities Commission’s unrestricted cash and investments, as shown on the audited financial statements.

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 Agreement and all the terms and provisions hereof shall be construed to effectuate the purpose set forth herein and to sustain the validity hereof.

SECTION 2. APPLICATION OF PROVISIONS OF THE ORIGINAL RESOLUTION. The Series 2013A Certificate shall for all purposes be considered to be Additional Parity Obligations issued under the authority of the Original Resolution and shall be entitled to all the protection and security provided therein for Certificates issued thereunder, and shall be in all respects entitled to the same security, rights and privileges enjoyed by the Outstanding Parity Certificates.

The Series 2013A Certificate shall not be or constitute general obligations or an indebtedness of the Utilities Commission or the City as “bonds” within the meaning of any constitutional, statutory, or charter provision or limitation, but shall be payable from and secured solely by a lien upon and pledge of (i) the Net Revenues, on a parity with the lien thereon and pledge thereof in favor of the Registered Owners of the Outstanding Parity Certificates and (ii) the moneys and investment income therefrom held in the Project Account created hereby, all as provided in the Resolution and this Agreement. No Registered Owner of any of the Series 2013A Certificate shall ever have the right to compel the exercise of the ad valorem taxing
power of the Utilities Commission or taxation in any form of any property of or in the Utilities Commission, other than the Pledged Funds in the manner provided in this Resolution, or any property of or located within the boundaries of the City for payment of the Series 2013A Certificate or for the making of any payments under this Resolution.

The covenants and pledges contained in the Original Resolution shall be applicable to the Series 2013A Certificate herein authorized in like manner as applicable to the Outstanding Parity Certificates, and the Series 2013A Certificate herein authorized shall be in all respects entitled to the same security, rights and privileges enjoyed by such Outstanding Parity Certificates under the Original Resolution. The Utilities Commission shall comply with the covenants contained in the Original Resolution at all times while the Series 2013A Certificate shall be outstanding.

Notwithstanding the foregoing, the Series 2013A Certificate shall not be secured by amounts in the Reserve Account established under the Original Resolution and shall have no right or claim to payments from amounts therein. No deposits to such Reserve Account shall be made with respect to the debt service on the Series 2013A Certificate.

SECTION 3. THE LOAN.

A. **Loan.** The Lender hereby makes and the Utilities Commission hereby accepts the Loan in the principal amount of $10,000,000 upon the terms and conditions herein. The Loan shall be evidenced by the Series 2013A Certificate.

B. **Disbursement of Proceeds.** On the terms and subject to the conditions of this Agreement, the Lender shall disburse the Loan to the Utilities Commission on the date hereof.

SECTION 4. TERMS OF LOAN. The Loan shall be evidenced by the Series 2013A Certificate which will be issued in the form of a single fully-registered certificate. The Series 2013A Certificate shall not have to be surrendered or submitted to a registrar or paying agent in connection with principal payments thereon. The Series 2013A Certificate shall be dated as of the date of delivery; shall mature on October 1, 2027; and shall be in registered form. Principal of the Series 2013A Certificate shall be payable as set forth in the form of the Series 2013A Certificate attached hereto as Exhibit A. The Series 2013A Certificate shall bear interest on the principal amount from the date of thereof until payment of the principal amount thereof, at the Interest Rate set forth in the Proposal. Interest shall be payable as set forth in the form of the Series 2013A Certificate attached hereto as Exhibit A, calculated on a 30-day month, 360-day year basis.

The Interest Rate on the Series 2013A Certificate shall be subject to adjustment by the Lender as follows:

(i) Upon the occurrence of a Determination of Taxability and for as long as the Series 2013A Certificate remains outstanding, the Interest Rate on the Series 2013A Certificate shall be converted to the Taxable Rate. In addition, upon a Determination of Taxability, the Utilities Commission shall pay to the Lender (i) an additional amount equal to the difference between (A) the amount of interest actually paid on the Series 2013A Certificate during the Taxable Period and (B) the amount of interest that would have been paid during the Taxable Period had the Series 2013A Certificate borne interest
at the Taxable Rate, and (ii) an amount equal to any interest, penalties on overdue interest and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by the Lender as a result of the Determination of Taxability.

(ii) So long as no Determination of Taxability shall have occurred, upon the occurrence of a Loss of BQ Status and for as long as the Series 2013A Certificate remains outstanding, the Interest Rate on the Series 2013A Certificate shall be converted to the Adjusted BQ Rate. In addition, upon a Loss of BQ Status, the Utilities Commission shall pay to the Lender (i) an additional amount equal to the difference between (A) the amount of interest actually paid on the Series 2013A Certificate during the period of time from the date of issuance of the Series 2013A Certificate and the next succeeding interest payment date, and (B) the amount of interest that would have been paid during the period in clause (A) had the Series 2013A Certificate borne interest at the Adjusted BQ Rate, and (ii) an amount equal to any interest, penalties on overdue interest and additions to tax (as referred to in Subchapter A of Chapter 68 of the Code) owed by the Lender as a result of the Loss of BQ Status.

(iii) Upon an Event of Default the Interest Rate on the Series 2013A Bond shall be adjusted to the Default Rate.

The Series 2013A Certificate may be prepaid by the Utilities Commission in whole or in part (i) on any date on or before February __, 2015 at a prepayment price of 100% of the principal amount to be redeemed plus accrued interest to the prepayment date, plus the prepayment fee described below, and (ii) on any date after February __, 2015 at a prepayment price of 100% of the principal amount to be redeemed plus accrued interest to the prepayment date. Each prepayment shall be made on such date and in such principal amount as shall be specified by the Utilities Commission in a written notice delivered to the Series 2013A Certificateholder not more than thirty (30) and not less than two (2) Business Days prior to the specified prepayment date.

The prepayment fee referred to in clause (c)(i) above shall be equal to the present value of the difference between (1) the amount that would have been realized by the Lender on the prepaid amount for the remaining term of the loan at the Federal Reserve H.15 Statistical Release rate for fixed-rate payers in interest rate swaps for a term corresponding to the term of the Series 2013A Certificate, interpolated to the nearest month, if necessary, that was in effect three Business Days prior to February __, 2013, and (2) the amount that would be realized by the Lender by reinvesting such prepaid funds for the remaining term of the loan at the Federal Reserve H.15 Statistical Release rate for fixed-rate payers in interest rate swaps, interpolated to the nearest month, as released three Business Days prior to the prepayment date; both (1) and (2) discounted at the same interest rate utilized in determining the applicable amount in (2). Should the present value have no value or a negative value, the Utilities Commission may prepay without additional prepayment fee. Should the Federal Reserve no longer release rates for fixed-rate payers in interest rate swaps, the Lender may substitute the Federal Reserve H.15 Statistical Release with another similar index. The Lender shall provide the Utilities Commission with a statement explaining the calculation of the premium due, which statement shall, in absence of manifest error, be conclusive and binding. Partial prepayments may be made according to the same calculation methodology described above. Any partial prepayment hereof shall not
postpone the due dates of, or relieve the amounts of, any schedule installment payment due hereunder. Amounts repaid hereunder may not be re-borrowed.

Any prepayments shall be applied first to accrued interest, then to other amounts owed the Lender and finally to principal last maturing under the Series 2013A Certificate.

SECTION 5. REGISTRATION AND TRANSFER. The Series 2013A Certificate shall not be subject to a book-entry system of registration and transfer and such transfer and registration of the Series 2013A Certificate shall be governed by the provision of this Section. The Series 2013A Certificate 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 2013A Certificate, shall be conclusively deemed to have agreed that such Series 2013A Certificate 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 any Series 2013A Certificate is shown on the Register shall be deemed the owner thereof by the Utilities Commission and the Registrar, and any notice to the contrary shall not be binding upon the Utilities Commission or the Registrar. The Utilities Commission and the Registrar may treat the registered owner as the absolute owner of the Series 2013A Certificate for all purposes, whether or not such Series 2013A Certificate shall be overdue, and shall not be bound by any notice to the contrary.

Ownership of Series 2013A Certificate may be transferred only upon the Register. Upon surrender to the Registrar for transfer or exchange of any Series 2013A Certificate 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 2013A Certificate of authorized denominations and of the same maturity and interest rate and for the aggregate principal amount as the Series 2013A Certificate surrendered.

The Series 2013A Certificate presented for transfer, exchange, redemption or payment (if so required by the Utilities Commission 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 Utilities Commission or the Registrar, duly executed by the registered owner or by his duly authorized attorney.

The Utilities Commission 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 2013A Certificate. The Registrar or the Utilities Commission 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 2013A Certificate shall be delivered.

The new Series 2013A Certificate delivered upon any transfer or exchange shall be a valid obligation of the Utilities Commission, evidencing the same debt as the Series 2013A
Certificate surrendered, shall be secured under this Agreement, and shall be entitled to all of the security and benefits hereof to the same extent as the Series 2013A Certificate surrendered.

Whenever any Series 2013A Certificate shall be delivered to the Registrar for cancellation, upon payment of the principal amount thereof, or for replacement, transfer or exchange, such Series 2013A Certificate shall be cancelled and destroyed by the Registrar, and counterparts of a certificate of destruction evidencing such destruction shall be furnished to the Utilities Commission.

SECTION 6. FORM OF OBLIGATIONS. The Series 2013A Certificate shall be in substantially the form of Exhibit A hereto with such variations, omissions and insertions as may be necessary, desirable and authorized or permitted by the Resolution and this Agreement.

SECTION 7. SECURITY; NOT CONSTITUTIONAL DEBT. The payment of the principal of and interest on the Series 2013A Certificate shall be secured forthwith by a lien upon and a pledge of the Pledged Funds in the manner provided in the Original Resolution and herein. The Utilities Commission does hereby irrevocably pledge the Pledged Funds to the payment of the principal of and interest on the Series 2013A Certificate.

SECTION 8. ADDITIONAL COVENANTS. So long as any of the principal of or interest on the Series 2013A Certificate shall be outstanding and unpaid or until provision for payment of the Series 2013A Certificate shall have been made pursuant to Section 21 hereof, the Utilities Commission covenants with the Lender as follows:

(A) Tax Compliance. The Utilities Commission will take all actions necessary to maintain the exclusion from gross income of interest on the Series 2013A Certificate to the same extent as such existed on the date of issuance of the Series 2013A Certificate.

(B) Financial Statements. As soon as available, but not later than 270 days following the end of each fiscal year, the Utilities Commission shall provide the Lender annual audited financial statements audited by the Utilities Commission’s certified public accountants, including a balance sheet of the Utilities Commission as of the end of such fiscal year and the related statement of revenues, expenses and changes in net assets, and statement of cash flow for such fiscal year, setting forth in each case in comparative the figures for the previous fiscal year, all in reasonable detail and prepared in accordance with generally accepted accounting principles (“GAAP”) on a consistent basis, together with an unqualified audit report reasonably acceptable to the Lender from an independent certified public accountant. Such financial statements shall be in sufficient detail to determine compliance with all applicable financial covenants. If at any time any change in GAAP would affect any requirements set forth in this Agreement, and either the Utilities Commission or the Lender shall so request, the Utilities Commission and the Lender shall negotiate in good faith to amend such requirement to preserve the original intent thereof in light of such change in GAAP. At the time of the delivery of the financial statements provided for in this Section 8B, the Utilities Commission’s Director of Finance shall deliver to the Lender a certificate evidencing its compliance with the Sections 16E, 16P and 16Q of the Original Resolution.

(C) Annual Budget and Other Information. The Utilities Commission shall prepare its annual budget in accordance with Florida law, and shall provide the Lender a copy of its final
annual budget for each fiscal year within 30 days of adoption thereof by the Utilities Commission and approved by the City and shall provide the Lender such other public information the Lender may reasonably request. Within 30 days of the adoption of the annual budget, the Utilities Commission will adjust its rates, fees and charges to the extent necessary to maintain its compliance with the rate covenant set forth in Section 16E of the Original Resolution.

(D) Deposits for Debt Service on the Series 2013A Certificate. The Utilities Commission shall deposit into the Sinking Fund substantially equal monthly deposits sufficient to provide for payment of the principal and interest on the Series 2013A Certificate when due.

(E) Payment Account. So long as STI Institutional & Government, Inc. is the holder of the Series 2013A Certificate, the Utilities Commission shall establish and maintain with SunTrust Bank a deposit account into which the Utilities Commission shall deposit, solely from the Pledged Funds, amounts sufficient to pay the principal and interest due on Series 2013A Certificate when due. The Utilities Commission shall authorize SunTrust Bank to debit such account for the payment of principal and interest payable to STI Institutional & Government, Inc. when due. The Lender shall, in accordance with its customary commercial practices, provide an invoice to the Utilities Commission prior to such debit.

(F) Liquidity Covenant. If, in any Fiscal Year prior to October 1, 2019, the Utilities Commission has Unrestricted Liquidity less than ten percent (10%) of the Adjusted Operating Expenses for such Fiscal Year, then the Utilities Commission shall establish an account in the Debt Service Reserve Fund for the benefit of the Series 2013A Certificates and fund such account in an amount equal to 50% of maximum annual debt service on the Series 2013A Certificates. Amounts set aside in such account for the benefit of the Lender can be released for use by the Utilities Commission on or after October 1, 2019 provided that the Utilities Commission has satisfied the rate covenant set forth in Section ___ of the Original Resolution for the three consecutive Fiscal Years.

(G) Other Covenants. The covenants and pledges contained in the Original Resolution shall be applicable to the Series 2013A Certificate in like manner as applicable to the Outstanding Parity Certificates, and the Series 2013A Certificate shall be in all respects entitled to the same security, rights and privileges enjoyed by such Outstanding Parity Certificates under the Original Resolution. The Utilities Commission shall comply with the covenants contained in the Original Resolution at all times while the Series 2013A Certificate shall be outstanding, including, but not limited to, the rate covenant contained in Section 16E of the Original Resolution and the covenants relating to the issuance of additional certificates contained in Sections 16P and 16Q of the Original Resolution.

SECTION 9. APPLICATION OF PROCEEDS. The proceeds of the Series 2013A Certificate shall be applied as provided below:

(A) The proceeds of the Series 2013A Certificate shall first be applied by the Utilities Commission to pay the costs of preparation and issuance of the Series 2013A Certificate.

(B) There is hereby created a fund of the Utilities Commission designated the “Series 2013A Certificate Costs of Issuance Account”. $38,000 of the proceeds of the Series 2013A
Certificate shall be deposited in the Series 2013A Certificate Costs of Issuance Account and used by the Utilities Commission to pay the cost of issuance of the Series 2013A Certificate. After the payment of such costs of issuance, any remaining balance of proceeds of the Series 2013A Certificate shall, at the option of the Utilities Commission, be deposited into the Sinking Fund and used solely to pay interest on the Series 2013A Certificate or be used for capital costs of the System.

(C) There is hereby created a fund of the Utilities Commission designated as the "Series 2013A Project Account". $9,962,000 of the proceeds of the Series 2013A Certificate shall be deposited in the Series 2013A Project Account to fund the Project.

The Series 2013A Certificate Costs of Issuance Account shall be kept separate and apart from all other funds of the Utilities Commission and the moneys on deposit therein shall be withdrawn, used and applied by the Utilities Commission solely for the purposes set forth herein. Pending such application, the Series 2013A Certificate Costs of Issuance Account shall be subject to the lien of the Owners of the Series 2013A Certificate for the payment of the principal of and interest on the Series 2013A Certificate.

The Lender shall have no responsibility for the use of the proceeds of the Series 2013A Certificate, and the use of Series 2013A Certificate proceeds by the Utilities Commission shall in no way affect the rights of the Lender.

SECTION 10. CONDITIONS PRECEDENT. The obligation of the Lender to make the Loan is subject to the satisfaction of the following conditions precedent on or before date of closing:

(i) **No Default, Etc.** No Default shall have occurred and be continuing as of the closing date or will result from the execution and delivery of the Agreement or the issuance of the Series 2013A Certificate; -- the representations and warranties made by the Utilities Commission shall be true and correct in all material respects on and as of the closing date, as if made on and as of such date; and the Lender shall have received a certificate from the Utilities Commission to the foregoing effect.

(ii) **Documents.** The documentation for the Loan shall be in form and substance satisfactory to the Lender, and the Lender shall have received opinions from the Utilities Commission’s attorney and such other legal opinions as are deemed necessary by the Lender or are customary for a transaction of this type.

(iii) **No Material Adverse Change.** There shall not have occurred a material adverse change in the financial condition, operations or prospects of the Utilities Commission or laws, rules or regulations (or their interpretation or administration) that, in any case, may adversely affect the consummation of the transaction, as determined in the sole discretion of the Lender.

(iv) **Related Documentation.** The Lender shall have received certified copies of ordinances, resolutions, agreements, contracts, and certificates relevant to the transaction.
(v) **Certificate of Compliance.** The Lender shall have received a certificate from the Utilities Commission regarding compliance by the Utilities Commission with the conditions precedent set forth in this section.

**SECTION 11. REPRESENTATIONS AND WARRANTIES.** The Utilities Commission represents and warrants to the Lender that:

A. **Organization.** The City is a validly existing municipal corporation of the State of Florida and the Utilities Commission is a validly existing independent Chartered agency of the City and eligible to issue obligations which qualify under Section 103(a) of the Code.

B. **Authorization of Agreement and Related Documents.** The Utilities Commission has the power and has taken all necessary action to authorize the execution, delivery and performance of the Utilities Commission’s obligations under this Agreement for the Series 2013A Certificate and each of the financing documents to which it is a party in accordance with their respective terms. Each of this Agreement and the Series 2013A Certificate has been duly executed and delivered by the Utilities Commission and is, and each of the financing documents to which it is a party when executed and delivered will be, legal, valid and binding obligations of the Utilities Commission enforceable against the Utilities Commission in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization or moratorium applicable to the Utilities Commission and general equitable principles regarding the availability of specific performance. No legislation has been enacted that materially adversely affects the execution, delivery and performance of the Utilities Commission’s obligations under the Resolution, the Agreement or the Series 2013A Certificate.

C. **Net Revenues.** The Utilities Commission currently receives the Net Revenues and is legally entitled to pledge sufficient amounts to pay the principal and interest on the Series 2013A Certificate, when due. The Net Revenues are estimated to be sufficient to pay the principal and interest on the Series 2013A Certificate as the same becomes due and to make all other payments required to be made under the Resolution and this Agreement. The Net Revenues are not now pledged or encumbered in any manner except to the payment of the Outstanding Parity Certificates in the manner provided in the Original Resolution.

D. **Financial Statements.** The financial statements of the Utilities Commission for the year ended September 30, 2011, copies of which have been furnished to the Lender, have been prepared in accordance with generally accepted accounting principles and present fairly the financial condition of the Utilities Commission as of such date and the results of its operations for the period then ended. Since such date, there has been no material adverse change in the financial condition, revenues (including, without limitation, the Net Revenues), properties or operations of the Utilities Commission.

E. **No Litigation.** There is no litigation pending, or, to the best knowledge of the Utilities Commission, threatened, which seeks to restrain or enjoin the adoption of the Resolution or the execution and delivery of the Series 2013A Certificate or this Agreement, or would adversely affect the validity or enforceability of the Resolution or the Series 2013A Certificate.
F. Compliance With Environmental Laws. The Utilities Commission has not received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which non-compliance or remedial action, individually or in the aggregate, could reasonably be expected to have a material adverse effect.

SECTION 12. TAX COMPLIANCE. Neither the Utilities Commission, the City, nor any third party over whom the Utilities Commission or the City have control, will make any use of the proceeds of the Series 2013A Certificate or the Net Revenues at any time during the term thereof which would cause the Series 2013A Certificate to be “private activity bonds” within the meaning of Section 103(b)(1) of the Code or “arbitrage bonds” within the meaning of Section 103(b)(2) of the Code. The Utilities Commission covenants throughout the term of the Series 2013A Certificate to comply with the requirements of the Code and the Regulations, as amended from time to time. The Utilities Commission has caused the Series 2013A Certificate to be deemed a “qualified tax exempt obligation” within the meaning of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended.

SECTION 13. NOTICES. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

Utilities Commission: Utilities Commission, City of New Smyrna Beach, Florida
200 Canal Street
New Smyrna Beach, Florida 32168
ATTENTION: Director of Finance

Lender: STI INSTITUTIONAL & GOVERNMENT, INC.
200 S. Orange Avenue
Suite 600
Orlando, Florida 32801

Bond Counsel: Akerman Senterfitt
50 North Laura Street, Suite 2500
Jacksonville, Florida 32202

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 to the Lender via telex of copy thereof to the Lender not later than two (2) Business Days after such communication by telex. Notices to the Paying Agent shall be effective only upon the receipt thereof by the Paying Agent.

SECTION 14. EVENTS OF DEFAULT DEFINED. The following shall be “Events of Default” under this Agreement, and the terms “Default” and “Events of Default” shall mean (except where the context clearly indicates otherwise) any one or more of the following events:
A. failure by the Utilities Commission to make any payment of principal of or interest on the Series 2013A Certificate when the same shall become due and payable;

B. failure by the Utilities Commission to observe and perform any covenant, condition or agreement on its part to be observed or performed under this Agreement for a period of thirty (30) days after written notice of such failure shall have been delivered to the Utilities Commission by the Lender, unless the Lender shall agree in writing to an extension of such time;

D. Any representation, warranty, certification or statement made or deemed made by the Utilities Commission in Section 11 of this Agreement shall prove to have been incorrect in any material respect when made;

E. the occurrence of an “event of default,” as defined and set forth in the Resolution or in any other loan agreement with the Lender or with any other financial institution (taking into account in all instances the expiration of any grace, cure or notice period);

F. the filing of a petition against the Utilities Commission under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, if an order for relief is entered under such petition or such petition is not dismissed within sixty (60) days of such filing;

G. the filing by the Utilities Commission of a voluntary petition in bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or the consent by the Utilities Commission to the filing of any petition against it under such law; or

H. the admission by the Utilities Commission of its insolvency or bankruptcy or its inability to pay its debts as they become due or that it is generally not paying its debts as such debts become due, or the Utilities Commission’s becoming insolvent or bankrupt or making an assignment for the benefit of creditors, or the appointment by court order of a custodian (including without limitation a receiver, liquidator or trustee) of the Utilities Commission or any of its property and such custodian taking possession thereof.

SECTION 15. REMEDIES. The Lender may sue to protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State of Florida, of the United States of America, or granted and contained in this Agreement or the Resolution, and to enforce and compel the performance of all duties required by the Resolution or this Agreement or by any applicable laws to be performed by the Utilities Commission or by any officer thereof, and may take all steps to enforce this Agreement to the full extent permitted or authorized by the laws of the State of Florida or the United States of America. The Utilities Commission and the Lender waive the right to a trial by jury of any and all claims made between them related to and arising out of this Agreement, the Resolution and the Series 2013A Certificate, whether now existing or arising in the future, including, without limitation, any and all claims, and intervenor’s claims, whether arising from or related to the negotiation, execution and performance of the transactions to which this Agreement relates. Notwithstanding the foregoing, during the continuance of an Event of Default under Section 14A above for a period of five Business Days following the due date for payment, the Lender shall not exercise the
remedies provided herein and for such period the Series 2013A Certificate shall continue to bear interest at the rate of interest set forth thereon. Upon the expiration of such five-day period, the Lender may pursue all remedies set forth herein. Except as otherwise provided in the foregoing sentence, during continuance of an Event of Default, the Series 2013A Certificate shall bear interest at the Default Rate.

SECTION 16. NO RECOOURSE. No recourse shall be had for the payment of the principal of and interest on the Series 2013A Certificate or for any claim based on the Series 2013A Certificate or on this Agreement, against any present or former member, officer or employee of the Utilities Commission or any person executing the Series 2013A Certificate.

SECTION 17. 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 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 Agreement and no interest on any monetary obligation hereunder shall accrue after the stated due date.

SECTION 18. DEFEASANCE. If, at any time, the Utilities Commission shall have paid, or shall have made provision for payment of, the principal and interest with respect to the Series 2013A Certificate and all costs and expenses of the Lender payable under this Agreement, then, and in that event, the pledge of and lien on the Pledged Funds in favor of the Lender shall be no longer in effect and the Utilities Commission shall have no further obligation to comply with the covenants contained in Section 8 hereof, other than the covenant contained in paragraph (A) of Section 8. For purposes of the preceding sentence, deposit of Federal Securities in irrevocable trust with a banking institution or trust company reasonably acceptable to the Lender, for the sole benefit of the Series 2013A Certificate, with respect to which Federal Securities the principal of and interest will be sufficient to make timely payment of the principal and interest on the Series 2013A Certificate, shall be considered “provision for payment.”

SECTION 19. AMENDMENTS, CHANGES AND MODIFICATIONS. This Agreement may not be amended by the Utilities Commission without the prior written consent of the Lender. Resolution 28-79, duly adopted by the Utilities Commission on June 30, 1978, as amended on July 21, 1978, Resolution 34-78 adopted on August 21, 1978, and Resolution 11-97 adopted on October 16, 1997 (the “Composite Resolution”, a certified copy of which Composite Resolution is included in the transcript of proceeding for the Loan) may not be amended by the Utilities Commission without the prior written consent of the Lender.

SECTION 20. BINDING EFFECT. To the extent provided herein, this Agreement shall be binding upon the Utilities Commission and the Lender and shall inure to the benefit of the Utilities Commission and the Lender and their respective successors and assigns.

SECTION 21. SEVERABILITY. In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.
SECTION 22. EXECUTION IN COUNTERPARTS. This 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.

SECTION 23. APPLICABLE LAW. This Agreement shall be governed by and construed in accordance with the laws of the State.

SECTION 24. LENDER FEES AND EXPENSES. The Utilities Commission hereby agrees to pay the actual fees of counsel to the Lender in connection with the Loan in an amount not to exceed $7,500.00, said amounts to be due and payable upon the issuance of the Series 2013A Certificate.
IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

(SEAL)

ATTEST:

By: ________________________________
Chairman

By: ________________________________
Secretary Treasurer

APPROVED AS TO LEGAL FORM:

Utilities Commission Attorney

STI INSTITUTIONAL & GOVERNMENT, INC.
as the Lender

By: ________________________________
Title:
EXHIBIT A

FORM OF SERIES 2013A CERTIFICATE

NO. R-1

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA
UTILITIES SYSTEM REVENUE CERTIFICATE, SERIES 2013A

RATE OF INTEREST        MATURITY DATE        DATE OF ISSUE
2.26%                    October 1, 2027        February __, 2013

REGISTERED OWNER:        STI INSTITUTIONAL & GOVERNMENT, INC.

PRINCIPAL AMOUNT:        TEN MILLION 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 the Principal Amount set forth above, plus interest thereon from the date hereof to the date of payment of such Principal Amount, 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 April 1, 2013.

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, 2013. The Rate of Interest on this Certificate is subject to adjustment as set forth in the definition thereof and Sections 4 of that certain Loan Agreement by and between the Lender and the Utilities Commission, dated as of February __, 2013 (the “Agreement”). Such adjustments may be retroactive.

This Certificate may be prepaid in whole or in part as described below. 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 2 hereto, and indicate receipt of such partial redemption by its signature on such Record.

The Series 2013A Bond may be prepaid by the Utilities Commission in whole or in part (i) on any date on or before February __, 2015 at a prepayment price of 100% of the principal amount to be redeemed plus accrued interest to the prepayment date, plus the prepayment fee described in Section 4 of the Agreement, and (ii) on any date after February __, 2015 and
thereafter at a prepayment price of 100% of the principal amount to be redeemed plus accrued interest to the prepayment date, in such manner as shall be determined by the Utilities Commission from any legally available monies and as otherwise provided in Section 3.02(c) of the Agreement. Any prepayments shall be applied as provided in the Agreement.

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

This Series 2013A 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 03-12 adopted by the Utilities Commission on July 16, 2012 and a Loan Agreement, dated February ___, 2013, between the Utilities Commission and the initial purchaser of the Series 2013A Certificate (the “Agreement”), to which reference should be made to ascertain those terms and conditions.

The Series 2013A 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 2013A 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 2013A Certificate. This Series 2013A Certificate shall not constitute a lien 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 2013A Certificate and the duties and obligations of the Utilities Commission hereunder.

The Utilities Commission has designated this Series 2013A Certificate as a “qualified tax-exempt obligation” for purposes of Section 265(b)(3)(B) 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 2013 the principal amount of which, together with this Series 2013A Certificate, will exceed $10,000,000 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 2013A 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 2013A 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 2013A Certificate to be dated as of February __, 2013.

UTILITIES COMMISSION, CITY OF NEW SMYRNA BEACH, FLORIDA

(SEAL)

By: ____________________________
Chairman

ATTEST:

By: ____________________________
Secretary Treasurer
## SCHEDULE 1

### AMORTIZATION SCHEDULE

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**Total** $10,000,000
# SCHEDULE 2

Partial Redemption Record

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## EXHIBIT D

### ESTIMATED COSTS

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