



CITY OF CALLAWAY, FLORIDA

CITY HALL

6601 East Highway 22, Callaway, FL 32404

Phone 850-871-6000 • FAX 850-871-2444

www.cityofcallaway.com

Mayor

Thomas W. Abbott

Commissioners

Melba Covey

Pamn Henderson

Bob Pelletier

Ralph L. Hollister

SPECIAL MEETING

CITY OF CALLAWAY BOARD OF COMMISSIONERS

TUESDAY, NOVEMBER 10, 2015 – 6:00 P.M.

CALLAWAY ARTS & CONFERENCE CENTER

500 CALLAWAY PARK WAY

CALLAWAY, FL 32404

AGENDA

CALL TO ORDER

INVOCATION & PLEDGE OF ALLEGIANCE

ROLL CALL

PUBLIC HEARING

Item #1 Ordinance No. 961 – Capital Improvement Revenue Refunding Bonds,
Series 2015 – City Manager

REGULAR AGENDA

Item #2 Lockbox – Commissioner Pelletier

ADJOURNMENT

A handwritten signature in blue ink, reading "Janice L. Peters".

Janice L. Peters, MMC, City Clerk

Providing public input is important. It can be accomplished by calling, emailing, making an appointment with your Commissioner, or speaking at a public meeting. Public Participation will be at the beginning of the meeting and is limited to three (3) minutes, with the exception of Public Hearings.

If a person decides to appeal any decision made by the City Commission with respect to any matter considered at the meeting, if an appeal is available, such person will need a record of the proceeding and such person may need to ensure that a verbatim record of the proceeding is made, which record includes the testimony and evidence upon which the appeal is to be based. Any person requiring a special accommodation at this meeting because of a disability or physical impairment should contact Callaway's City Clerk, at 6601 E. Highway 22, Callaway, FL 32404; or by phone at (850) 871-6000 at least five calendar days prior to the meeting.

If you are hearing or speech impaired, and you possess TDD equipment, you may contact the City Clerk using the Florida Dual Party Relay System, which can be reached at 1-800-955-8770 (Voice) or 1-800-955-7661 (TDD).

Fire Department
P: 850-871-2753
F: 850-871-5564

Leisure Services
P: 850-874-0031
F: 850-874-9977

Planning / Code Enforcement
P: 850-871-4672
F: 850-871-2404

Public Works
P: 850-871-1033
F: 850-871-2416

Arts & Conference Center
P: 850-874-0035
F: 850-874-0706

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**CITY OF CALLAWAY
BOARD OF COMMISSIONERS
AGENDA ITEM SUMMARY**

DATE: NOVEMBER 10, 2015

ITEM: ORDINANCE NO. 961 – CAPITAL IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 2015

1. **PLACED ON AGENDA BY:**
J. MICHAEL FULLER, CITY MANAGER

2. **AGENDA:**
PRESENTATION
PUBLIC HEARING
CONSENT
OLD BUSINESS
REGULAR

3. IS THIS ITEM BUDGETED (IF APPLICABLE)?: YES NO

N/A

4. **BACKGROUND:** (WHY, WHAT, WHO, WHERE, WHEN, HOW, & IDENTIFY ALL ATTACHMENTS)

Ordinance No. 961 authorizes the issuance of the Capital Improvement Extension Revenue Refunding Bonds (the Series 2015 Bonds) not to exceed \$20,000,000. The Series 2015 Bonds will be used for the purpose of refunding all of the Series 2007 Bonds previously issued by the City in June 2007. As previously determined by the City Commission, Ordinance No. 961 appoints the same Agents, Trustee, and Underwriter for the 2015 bond issuance.

The City Commission has home-rule authority (Art. VII (2) FL Constitution and §166.011 F.S.) to consider matters of fiscal benefit.

ATTACHMENT(S):

- ORDINANCE NO. 961

5. **REQUESTED MOTION/ACTION:**

Staff recommends the City Commission approve the second and final reading of Ordinance No. 961 upon roll-call vote.

ORDINANCE NO. 961

AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF CALLAWAY, FLORIDA, AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$20,000,000 CITY OF CALLAWAY, FLORIDA CAPITAL IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 2015 FOR THE PURPOSE OF REFUNDING CERTAIN OUTSTANDING OBLIGATIONS OF THE ISSUER AND PAYING THE COSTS OF ISSUANCE THEREOF; DELEGATING TO THE MAYOR THE AUTHORITY TO DEEM FINAL FOR CERTAIN PURPOSES AND APPROVE THE USE OF AND DISTRIBUTION OF THE PRELIMINARY OFFICIAL STATEMENT AND ITS USE BY THE UNDERWRITER IN CONNECTION WITH THE OFFERING FOR SALE OF THE SERIES 2015 BONDS AND APPROVING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT WITH RESPECT TO THE SERIES 2015 BONDS; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A TRUST INDENTURE; APPOINTING AN UNDERWRITER; APPOINTING AN ESCROW AGENT AND APPROVING THE FORM OF THE ESCROW DEPOSIT AGREEMENT; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION AND EXECUTION AND DELIVERY OF A CONTINUING DISCLOSURE AGREEMENT; PROVIDING FOR THE APPLICATION OF BOND PROCEEDS; DELEGATING THE APPROVAL OF CERTAIN INSURANCE AND SURETY COMMITMENTS RELATING TO THE SERIES 2015 BONDS; AUTHORIZING THE PROPER OFFICIALS TO DO ALL THINGS DEEMED NECESSARY IN CONNECTION WITH THE ISSUANCE, SALE AND DELIVERY OF THE SERIES 2015 BONDS; MAKING CERTAIN DECLARATIONS; PROVIDING FOR CERTAIN MATTERS IN CONNECTION THEREWITH; PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Callaway, Florida (the "Issuer") is a municipal corporation organized and validly existing under the provisions of Chapter 166, Florida Statutes; and

WHEREAS, the Issuer previously issued its outstanding \$20,435,000 Capital Improvement Revenue Bonds, Series 2007 (Special Capital Extension Project) pursuant to Ordinance No. 841 enacted on June 26, 2007 (the "Series 2007 Bonds");

WHEREAS, the Issuer has determined to issue its City of Callaway, Florida Capital Improvement Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds"), for the purpose, among other things, of refunding all of the Series 2007 Bonds (the "Refunded Bonds");

WHEREAS, the principal of and interest on the Series 2015 Bonds and all required reserve and other payments shall be secured solely by and payable from the revenues pledged for the payment thereof, as provided herein;

WHEREAS, the Issuer shall never be required to levy ad valorem taxes on any real or personal property within the City of Callaway to pay the principal of and interest on the Series

2015 Bonds herein authorized or to make any other payments provided for herein and the Series 2015 Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the Issuer;

WHEREAS, the revenues pledged for the payment thereof are not now pledged or encumbered in any manner;

WHEREAS, due to the complex nature of this financing, the critical importance of the timing of the sale of the Series 2015 Bonds and due to the willingness of the Underwriter to purchase the Series 2015 Bonds, at interest rates favorable to the Issuer, it is hereby determined that it is in the best interest of the public and the Issuer to sell the Series 2015 Bonds at a negotiated sale;

WHEREAS, the Issuer has been or will be provided all applicable disclosure information required by Section 218.385, Florida Statutes; and

WHEREAS, there has been submitted to this meeting with respect to the issuance of the Series 2015 Bonds and submitted to the City Commission:

(i) a form of a Trust Indenture between Regions Bank and the Issuer attached hereto as **Exhibit A** (the "Trust Indenture");

(ii) a form of Bond Purchase Agreement between the Issuer and RBC Capital Markets, LLC attached hereto as **Exhibit B** (the "Bond Purchase Agreement");

(iii) a form of Escrow Deposit Agreement between the Issuer and an escrow agent attached hereto as **Exhibit C** (the "Escrow Deposit Agreement");

(iv) the form of Preliminary Official Statement attached hereto as **Exhibit D** (the "Preliminary Official Statement"); and

(v) a form of Continuing Disclosure Agreement attached hereto as **Exhibit E**.

NOW, THEREFORE, BE IT ORDAINED by the City Commission of the City of Callaway, Florida, as follows:

Section 1. Authority For This Ordinance. This Ordinance is enacted pursuant to Chapter 166, Part II, Florida Statutes and other applicable provisions of law.

Section 2. Authorization, Designation and Principal Amount of the Series 2015 Bonds. The Issuer hereby authorizes the issuance of the Series Bonds of the Issuer to be designated as "City of Callaway, Florida Capital Improvement Revenue Refunding Bonds, Series 2015" in the not to exceed principal amount of \$20,000,000. The refunding of the Refunded Bonds is hereby authorized and the Series 2015 Bonds are hereby issued for such purpose.

Section 3. Details of the Series 2015 Bonds. The Issuer hereby determines that the Series 2015 Bonds shall be dated, have such interest payment dates, have such maturities, have such redemption provisions and bear interest at such rates, all as provided in the Trust Indenture, the Official Statement and/or subsequent resolution.

Section 4. Trust Indenture. Regions Bank, Orlando, Florida, is hereby appointed as Trustee for the Series 2015 Bonds. The Issuer hereby approves and authorizes the execution by the Mayor or his designee and the City Clerk and the delivery of the Trust Indenture in substantially the form thereof attached hereto as **Exhibit A**, with such changes therein as shall be approved by the Mayor or his designee executing the same, with such execution to constitute conclusive evidence of such officer's approval and the Issuer's approval of any changes therein from the form of Trust Indenture attached hereto.

Section 5. Delegation of Sale of the Series 2015 Bonds. Subject to full satisfaction of the conditions set forth in this Section, the City Commission of the Issuer hereby authorizes a delegated negotiated sale of the Series 2015 Bonds to the Underwriter, as defined in Section 6 hereof, in accordance with the terms of a Bond Purchase Agreement to be dated the date of sale and to be substantially in the form attached hereto as **Exhibit B**, with such changes, amendments, modifications, omissions and additions thereto as shall be approved by the Mayor or his designee in accordance with the provisions of this Section (including, without limitation, making the final determination concerning the structuring and marketing of the Series 2015 Bonds to obtain the most favorable interest rate on the Series 2015 Bonds), and the execution and delivery of the Bond Purchase Agreement by the Mayor or his designee shall be deemed conclusive evidence of the approval of such changes and the full and complete satisfaction of the conditions set forth in this Section.

Notwithstanding the foregoing, the Bond Purchase Agreement shall not be executed by the Mayor or his designee until such time as all of the following conditions have been satisfied:

1. Receipt by the Mayor or his designee of a written offer to purchase the Series 2015 Bonds by the Underwriter substantially in the form of the Bond Purchase Agreement, said offer to provide for, among other things, (i) the issuance of not exceeding \$20,000,000 principal amount of the Series 2015 Bonds, (ii) an underwriting discount (including management fee and all expenses) not in excess of \$5.00 per bond, (iii) a true interest cost of not more than 5.0% per annum and (iv) the maturities of the Series 2015 Bonds with the final maturity no later than August 1, 2037.

2. The Series 2015 Bonds may be subject to such optional and mandatory redemption provisions as provided in the Bond Purchase Agreement.

3. Receipt by the Mayor or his designee from the Underwriter of a disclosure statement and truth-in-bonding information complying with Section 218.385, Florida Statutes and substantially in the form attached to the Bond Purchase Agreement.

Upon satisfaction of the conditions set forth in this Section, the Mayor or his designee are hereby authorized to execute and deliver the Series 2015 Bonds and any other documents,

agreements or certificates relating to the Series 2015 Bonds, and are further authorized and directed to prepare and furnish to the purchasers of the Series 2015 Bonds, when the Series 2015 Bonds are issued, certified copies of all the proceedings and records of the Issuer relating to the Series 2015 Bonds, and such other affidavits and certificates as may be required to show the facts relating to the legality and marketability of the Series 2015 Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the Issuer as to the truth of all statements contained therein.

Section 6. Appointment of Underwriter. RBC Capital Markets, LLC, is hereby appointed the Underwriter of the Series 2015 Bonds (the "Underwriter").

Section 7. Preliminary Official Statement; Final Official Statement. The Issuer hereby authorizes and approves the distribution and use of the Preliminary Official Statement in substantially the form attached hereto as **Exhibit D** in connection with the offering for sale of the Series 2015 Bonds. The preparation of a final Official Statement is hereby approved and the Mayor or his designee is hereby authorized to execute such final Official Statement to be dated the date of the award of the Series 2015 Bonds, and upon such award, to deliver the same to the Underwriter for use by it in connection with the sale and distribution of the Series 2015 Bonds. The Official Statement shall be substantially in the form as the Preliminary Official Statement, with such changes as shall be approved by the Mayor or his designee as necessary to conform to the details of the Series 2015 Bonds, the Bond Purchase Agreement, the Escrow Deposit Agreement, the Trust Indenture and such other insertions, modifications and changes as may be approved by the Mayor or his designee. The execution and delivery of the Official Statement by the Mayor shall constitute evidence of the approval thereof. The Issuer hereby authorizes the use of the Official Statement and the information contained therein in connection with the offering and sale of the Series 2015 Bonds. The Issuer hereby authorizes the Mayor or his designee to deem "final" the Preliminary Official Statement except for permitted omissions all within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934 and to execute a certificate in that regard.

Section 8. Appointment of Escrow Agent and Approval of Escrow Deposit Agreement. Regions Bank, Orlando, Florida, is hereby appointed as escrow agent for the Refunded Bonds. Simultaneously with the delivery of the Series 2015 Bonds to the Underwriter, the Issuer shall enter into an Escrow Deposit Agreement, in substantially the form attached hereto as **Exhibit C**. The Mayor and the City Clerk are hereby authorized to enter into any agreements with such escrow agent, which may be necessary to reflect the obligation of such escrow agent to accept and perform the respective duties imposed upon each and to effectuate the transactions contemplated by this Ordinance.

PFM Asset Management is hereby appointed as bidding agent, and is authorized to act on behalf of the Issuer to structure and bid securities to be deposited into the escrow account pursuant to the Escrow Deposit Agreement. The Issuer shall be responsible for payment of the securities and all fees associated with the structuring and bidding of the securities.

The Issuer elects, effectively upon and only upon the issuance of the Series 2015 Bonds, the Refunded Bonds shall be defeased and called for redemption in accordance with the Refunding Plan in the Preliminary Official Statement. The paying agent for the Refunded Bonds is hereby authorized to provide written notice to the registered owners of the Refunded Bonds and to any bondholder whose name and address are on file with the paying agent. The escrow agent is hereby authorized to publish a notice of redemption, if required.

Section 9. Transfer of Funds. Moneys in the various funds and accounts created under the trust indenture securing the Refunded Bonds shall be transferred as provided by a certificate to be executed by the Mayor and the City Clerk.

Section 10. Delegation of Municipal Bond Insurer and Surety Provider. In order to obtain the most favorable premiums on an insurance policy and a surety bond, the City Manager is hereby authorized to solicit bids from interested municipal bond insurers and the Mayor is authorized to accept, execute and deliver the commitment of whichever municipal bond insurer and/or surety provider provides the terms and provisions which, after consultation with the Issuer's Financial Advisor, is in the best interest of the Issuer. The City Manager can designate all, some or none of the Series 2015 Bonds to be insured. The Mayor is hereby authorized to execute such agreements containing the provisions of an insurance policy and/or a surety policy. The Issuer further authorizes application of Series 2015 Bond proceeds to payment of the premium for the insurance policy and the surety policy. A statement of insurance is authorized to be printed on the Series 2015 Bonds for the benefit and information of the Bondholders.

Section 11. Continuing Disclosure. The Issuer does hereby authorize and approve the execution and delivery of a Continuing Disclosure Agreement by the Mayor or his designee substantially in the form presented to this meeting and attached hereto as **Exhibit E**. The Continuing Disclosure Agreement is being executed by the Issuer in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 12. Application of Bond Proceeds. The proceeds of the Series 2015 Bonds shall be applied to (i) fund a deposit to an escrow account pursuant to the Escrow Deposit Agreement, and (ii) paying the costs of issuance of the Series 2015 Bonds.

Section 13. Further Official Action; Ratification of Prior and Subsequent Acts. The Mayor, the City Manager, the Finance Director, the City Clerk, the City Attorney and each member of the City Commission of the Issuer and any other proper official of the Issuer are each hereby authorized and directed to execute and deliver any and all documents and instruments (including, without limitation, any documents required by the Trustee to evidence its rights and obligations with respect to the Series 2015 Bonds, any documents required in connection with implementation of a book-entry system of registration, and investment agreements relating to the investment of the proceeds of the Series 2015 Bonds and any agreements in connection with maintaining the exclusion of interest on the Series 2015 Bonds from gross income of the holders thereof) and to do and cause to be done any and all acts and things necessary or desirable for carrying out the transactions contemplated by this Ordinance. In the event that the Mayor or the

City Clerk is unable to execute and deliver the documents herein contemplated, such documents shall be executed and delivered by the respective designee of such officer or official or any other duly authorized officer or official of the Issuer. The City Clerk is hereby authorized and directed to apply and attest the official seal of the Issuer to any agreement or instrument authorized or approved herein that requires such a seal and attestation. All of the acts and doings of such members of the City Commission, the officers of the Issuer, and the agents and employees of the Issuer, which are in conformity with the intent and purposes of this Ordinance and the Trust Indenture, whether heretofore or hereafter taken or done, shall be and are hereby ratified, confirmed and approved.

Section 14. Severability. If any section, paragraph, clause or provision of this Ordinance shall be held to be invalid or ineffective for any reason, the remainder of this Ordinance shall continue in full force and effect, it being expressly hereby found and declared that the remainder of this Ordinance would have been adopted despite the invalidity or ineffectiveness of such section, paragraph, clause or provision.

Section 15. Inconsistent Proceedings. All ordinance, resolutions or proceedings, or parts thereof, in conflict with the provisions hereof are to the extent of such conflict hereby repealed or amended to the extent of such inconsistency.

Section 16. Effective Date. This Ordinance shall take effect immediately upon its enactment.

ENACTED this ___ day of _____, 2015.

CITY OF CALLAWAY, FLORIDA

By: _____
Thomas W. Abbott, Mayor

ATTEST: _____
Janice L. Peters, MMC, City Clerk

PASSED ON FIRST READING: OCTOBER 27, 2015
NOTICE PUBLISHED ON: OCTOBER 30, 2015
PASSED ON SECOND READING: _____

APPROVED AS TO FORM AND LEGAL
SUFFICIENCY FOR THE CITY OF CALLAWAY
ONLY:

VOTE OF COMMISSION:

Abbott _____
Covey _____
Henderson _____
Hollister _____
Pelletier _____

Kevin D. Obos, City Attorney

EXHIBIT A
FORM OF TRUST INDENTURE

TRUST INDENTURE

between

CITY OF CALLAWAY, FLORIDA

and

**REGIONS BANK
As Trustee**

Dated as of ____, 2015

relating to

**CITY OF CALLAWAY, FLORIDA
CAPITAL IMPROVEMENT REVENUE REFUNDING BONDS
SERIES 2015**

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EXHIBIT A - FORM OF BOND

TRUST INDENTURE

THIS TRUST INDENTURE, dated as of ____, 2015 (the "Indenture"), by and between the CITY OF CALLAWAY, FLORIDA (the "Issuer"), a municipal corporation organized and existing under Florida law and REGIONS BANK, an Alabama banking corporation and having corporate trust offices in Orlando, Florida (said Alabama banking corporation and any bank or trust company becoming successor trustee under the Indenture being hereinafter referred to as the "Trustee");

WITNESSETH:

WHEREAS, the Issuer is a municipal corporation duly organized and validly existing, created and existing under the provisions of Chapter 166, Florida Statutes; and

WHEREAS, the Issuer previously issued its outstanding \$20,435,000 Capital Improvement Revenue Bonds, Series 2007 (Special Capital Extension Project) pursuant to Ordinance No. 841 enacted on June 26, 2007 the proceeds of which financed the Project; and

WHEREAS, the Issuer has determined to issue its City of Callaway, Florida Capital Improvement Revenue Refunding Bonds, Series 2015, for the purpose, among other things, of refunding all of the Refunded Bonds pursuant to this Indenture; and

WHEREAS, the estimated Pledged Funds will be sufficient to pay all principal of and interest and redemption premium, if any, on the Bonds to be issued hereunder, as the same become due, and to make all required deposits and payments required by this Indenture.

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to provide for the issuance of Bonds under this Indenture, the security and payment of the principal, Redemption Price thereof and interest thereon, the rights of the Owners of the Bonds and the performance and observance of all of the covenants contained herein and in said Bonds for and in consideration of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, from time to time, and of the acceptance by the Trustee of the trusts hereby created, and intending to be legally bound hereby, the Issuer hereby assigns, transfers, sets over and pledges to the Trustee and grants a lien on all of the right, title and interest of the Issuer in and to the Pledged Funds (hereinafter defined) as security for the payment of the principal, Redemption Price of and interest on Bonds issued hereunder, all in the manner hereinafter provided, and the Issuer further hereby agrees with and covenants unto the Trustee as follows:

ARTICLE I DEFINITIONS

In this Indenture (except as otherwise expressly provided or unless the context otherwise requires) terms defined in the recitals hereto shall have the same meaning throughout the Indenture, and in addition, the following terms shall have the meanings specified below:

“Accounts” shall mean any account established pursuant to the Indenture.

“Accountant” shall mean the independent certified public accountant or firm of certified public accountants at the time employed by the Issuer under the provisions of this Indenture to perform and carry out the duties imposed on the Accountant by this Indenture.

“Act” shall mean the Constitution and laws of the State of Florida, Chapter 166, Part II, Florida Statutes, the Charter of the Issuer, Ordinance No. _____ enacted on _____, 2015 and other applicable provisions of law.

“Additional Parity Obligations” shall mean obligations issued at any time under the provisions of Section 6.05 hereof on a parity with the Series 2015 Bonds.

“Amortization Installments” means an amount so designated for mandatory principal installments for the Term Bonds and provided that each such installment shall be deemed to be due on a principal maturity anniversary date of each applicable year and the aggregate of such installments shall equal the aggregate principal amount of Term Bonds delivered.

“Authenticating Agent” shall mean the agent so described in, and appointed pursuant to, Section 2.05 hereof.

“Authorized Denomination” shall mean a denomination of \$5,000 or any integral multiple thereof.

“Authorized Investments” shall mean investments which are (i) permitted by applicable Florida law, or (ii) approved by the Insurer.

“Authorized Issuer Officer” for the performance on the behalf of the Issuer of any act of the Issuer or the execution of any instrument on behalf of the Issuer shall mean any person authorized by resolution or certificate of the Issuer to perform such act or sign such document.

“Authorized Newspaper” shall mean a newspaper printed in English and customarily published at least once a day at least five days a week and generally circulated in New York, New York, or such other cities as the Issuer from time to time may determine by written notice provided to the Trustee. When successive publications in an Authorized Newspaper are required, they may be made in the same or different Authorized Newspapers.

"Bond Counsel" shall mean any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America approved by the Issuer.

"Bondholder" or "Holder" or "holder" or "Owner" shall mean any Person who shall be the registered owner of any Outstanding Bond or Bonds according to the registration books of the Issuer.

"Bonds" shall mean the Series 2015 Bonds and any Additional Parity Obligations.

"Business Day" shall mean any day other than a Saturday or Sunday or legal holiday or a day on which the principal office of the Issuer, the Trustee, the Registrar or any Paying Agent is closed.

"Cede & Co" shall mean the entity which is the nominee for bond registration purposes for DTC.

"City Clerk" shall mean the City Clerk and any Acting City Clerk of the Issuer.

"City Manager" shall mean the City Manager of the Issuer.

"Code" shall mean the United States Internal Revenue Code of 1986, as the same may be amended from time to time, and the regulations thereunder, whether proposed, temporary or final, promulgated by the Department of the Treasury, Internal Revenue Service, and all other promulgations of said service pertaining thereto.

"Debt Service Fund" shall mean the Debt Service Fund established pursuant to Section 3.03 hereof.

"Debt Service Requirement" for any Fiscal Year shall mean the sum of:

(1) The aggregate amount required to pay the interest becoming due on the Bonds, during such Fiscal Year, except to the extent that such interest shall have been provided by payments into the Interest Account out of Bond proceeds or other sources (other than Pledged Funds) for a specified period of time.

(2) The aggregate amount required to pay the principal (including mandatory redemption or Amortization Installments) becoming due on the Bonds, for such Fiscal Year.

"Electric Public Service Tax" shall mean the revenues levied and collected by the Issuer on the sale of electricity under the authority of Section 166.231, Florida Statutes and Ordinance No. ____ duly enacted by the City Council of the Issuer on May 28, 1973.

"Event of Default" shall mean any of the events described in Section 7.02 hereof.

"Federal Securities" shall mean direct obligations of the United States of America and obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor. Federal Securities shall include any certificates or any other evidences of an ownership interest in the aforementioned obligations or in specified portions thereof (which may consist of specified portions of the interest thereon).

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

"Fitch" shall mean Fitch Ratings, the nationally recognized securities rating firm, and any successor and successors thereto; and if such corporation shall be dissolved or liquidated or shall no longer perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer.

"Fund" shall mean any fund established pursuant to this Indenture.

"Generally Accepted Accounting Principles" shall mean those accounting principles applicable in the preparation of financial statements of municipalities.

"Governing Body" shall mean the City Commission of the Issuer, or its successor in function.

"Indenture" shall mean this Trust Indenture dated as of _____ 1, 2015 between the Issuer and the Trustee, as may be amended or supplemented from time to time.

"Independent" shall mean a Person who is not a member of the Issuer's Governing Body, an officer or employee of the Issuer, or which is not a partnership, corporation or association having a partner, director, officer, member or substantial stockholder who is a member of the Issuer's Governing Body, or an officer or employee of the Issuer; provided, however, that the fact that such Person is retained regularly by or regularly transacts business with the Issuer shall not make such Person an employee within the meaning of this definition.

"Insurer" shall mean a municipal bond insurer guaranteeing the payment of principal and interest on the Bonds, and with respect to the Series 2015 Bonds, shall mean _____ a _____ company.

"Interest Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 3.03 hereof.

"Interest Payment Date" shall mean, with respect to the Series 2015 Bonds, February 1 and August 1 of each year, beginning February 1, 2016.

“Issuer” shall mean the City of Callaway, Florida, and any governmental entity acting as its successor.

“Maximum Debt Service Requirement” shall mean, as of any particular date of calculation, the greatest annual Debt Service Requirement for the Bonds for the then current or any future Fiscal Year.

“Mayor” shall mean the Mayor or Mayor Pro-Tempore of the Issuer.

“Moody's Investors Service” shall mean Moody's Investors Service, the nationally recognized securities rating firm, and any successor or successors thereto; and if such corporation shall be dissolved or liquidated or shall no longer perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer.

“Outstanding” shall mean all Bonds theretofore and thereupon being authenticated and delivered, except (1) any Bond in lieu of which another Bond or other Bonds have been issued under an agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for another Bond or other Bonds under Sections 2.07 and 2.10 hereof, (3) Bonds deemed to have been paid pursuant to Section 11.01 hereof, and (4) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity.

“Paying Agent” shall mean the Trustee.

“Person” shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity.

“Pledged Funds” shall mean (i) the Sales Tax Revenues, (ii) the Electric Public Service Tax, (iii) until applied in accordance with the provisions of this Indenture, the proceeds of the Bonds, and (iv) all moneys, including investments thereof, in the Funds and Accounts established hereunder, except the Rebate Fund.

“Policy” means the insurance policy or policies issued by the Insurer insuring the payment of the principal of and interest on the Bonds, as provided therein.

“Prerefunded Obligations” shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (a) not callable prior to maturity or (b) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash or Federal Securities, secured in the manner set forth in Section 4.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on

the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities deposited in such fund with any cash on deposit in such fund, are sufficient, as verified by an independent certified public accountant, to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in such irrevocable instructions, and (4) which are rated in the highest rating category of Standard & Poor's Rating Group and of Moody's Investors Service.

"Principal Account" shall mean the separate account of that name in the Debt Service Fund established pursuant to Section 3.03 hereof.

"Project" shall mean the acquisition, construction, erection, renovation or reconstruction of certain additions, extensions and improvements to the System, including specifically the extension of water and sewer distribution, collection and transmission facilities to serve Allanton peninsula and shall include all property rights, appurtenances, easements, rights of way, franchises and equipment relating thereto and deemed necessary or convenient for the acquisition, construction, erection, renovation, reconstruction, or the operation thereof which were financed in whole or in part with the proceeds of the Refunded Bonds.

"Rebate Fund" shall mean the Rebate Fund established pursuant to Section 3.03 hereof.

"Record Date" shall mean, as the case may be, the applicable Regular or Special Record Date.

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

"Refunded Bonds" shall mean all of the Issuer's \$20,435,000 Capital Improvement Revenue Bonds, Series 2007 (Special Capital Extension Project) outstanding in the principal amount of \$18,625,000.

"Registrar" shall mean the Trustee.

"Regular Record Date" shall mean the fifteenth day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date.

"Reserve Fund" shall mean the Reserve Fund established pursuant to Section 3.03 hereof.

"Reserve Fund Requirement", with respect to the Series 2015 Bonds, shall mean an amount equal to the lesser of (i) ten (10%) percent of the proceeds of the Series 2015 Bonds, (ii) Maximum Debt Service Requirement for the Series 2015 Bonds or (iii) one hundred twenty-five (125%) percent of the average annual Debt Service Requirement for the Series 2015 Bonds. The

Reserve Fund Requirement for any other Series of Bonds shall be determined by Supplemental Indenture.

“Revenue Fund” shall mean the Revenue Fund established pursuant to Section 3.03 hereof.

“Sales Tax Revenues” shall mean all amounts received by the Issuer from the Local Government Half-Cent Sales Tax Trust Fund pursuant to the provisions of Chapter 218, Part VI, Florida Statutes.

“Securities” shall mean Federal Securities and Prerefunded Obligations.

“Series” shall mean all the Bonds delivered on original issuance in a simultaneous transaction and identified pursuant to a Supplemental Indenture authorizing the issuance by the Issuer of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

“Series 2015 Bonds” shall mean the Issuer’s \$ _____ Capital Improvement Revenue Bonds, Series 2015 authorized to be issued pursuant to this Indenture.

“Sewer System” shall mean the complete sewer, wastewater and residential reuse system now owned, operated and maintained by the Issuer and which the Issuer is, or shall be responsible for, maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

“Special Record Date” shall mean such date as shall be fixed for the payment of defaulted interest on the Bonds in accordance with Section 2.03 hereof.

“Standard & Poor's Rating Group” shall mean Standard & Poor's Rating Group, the nationally recognized securities rating firm, and any successor and successors thereto; and if such organization shall be dissolved or liquidated or shall no longer perform securities rating functions, shall mean any other nationally recognized securities rating firm designated by the Issuer.

“State” shall mean the State of Florida.

“Supplemental Indenture” shall mean an indenture amending or supplementing this Indenture.

“System” shall mean, collectively, the Water System and the Sewer System of the Issuer. Notwithstanding the foregoing definition of the term System, such term shall not include any

properties or interest in properties of the Issuer which the Issuer determines shall not constitute a part of the System for the purpose of this Indenture.

“Term Bonds” means a Series of Bonds which shall be stated to mature on one date and which shall be subject to mandatory redemption by operation of Amortization Installments.

“Trustee” shall mean Regions Bank, Orlando, Florida, as trustee or any successor thereto under this Indenture.

“Trust Estate” shall mean the property, rights, Pledged Funds and other assets pledged to the Trustee pursuant to the Whereas Clauses hereof.

“Water System” shall mean the complete water system now owned, operated and maintained by the Issuer or which is proposed to be acquired by and operated and maintained by the Issuer and which the Issuer is, or shall be responsible for, maintaining, together with any and all acquisitions, improvements, extensions and additions thereto, hereafter constructed or acquired, together with all lands or interests therein, including plants, buildings, machinery, franchises, pipes, mains, fixtures, equipment and all property, real or personal, tangible or intangible (including agreements for the providing of such services), now or hereafter constructed and/or owned or used in connection therewith.

The terms “herein,” “hereunder,” “hereby,” “hereto,” “hereof,” and any similar terms, shall refer to this Indenture; the term “heretofore” shall mean before the date of this Indenture; and the term “hereafter” shall mean after the date of this Indenture.

[END OF ARTICLE I]

**ARTICLE II
THE BONDS**

Section 2.01. Authorization of Bonds; Authorization of the Series 2015 Bonds; and Refunding. The Issuer hereby authorizes the issuance of Bonds pursuant to the Act to be designated as "City of Callaway, Florida Capital Improvement Revenue [Refunding] Bonds, Series ____." The initial Series of Bonds shall be designated as "City of Callaway, Florida Capital Improvement Revenue Refunding Bonds, Series 2015" in the aggregate principal amount of \$_____. The Bonds may have a different series designation based on the year issued. Refunding of the Refunded Bonds is hereby authorized and the Series 2015 Bonds are hereby issued for such purpose.

Section 2.02. Description of Bonds. The Bonds shall be issued in fully registered form; shall be numbered consecutively from R-1 upward; shall be in Authorized Denominations and in substantially the form as Exhibit A hereto. Each Bond shall bear interest from the Interest Payment Date next preceding the date on which it is authenticated, unless authenticated on an Interest Payment Date, in which case it shall bear interest from such Interest Payment Date, or, unless authenticated prior to the first Interest Payment Date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication interest is in default, such Bond shall bear interest from the date to which interest shall have been paid.

The Series 2015 Bonds shall bear interest at the rates, in the amounts and on the dates set forth below:

[To Come]

Section 2.03. Payment Provisions. Both the principal of and the interest on the Bonds shall be payable in any coin or currency of the United States of America which is legal tender on the respective dates of payment thereof for the payment of public and private debts. Unless otherwise provided in Section 2.13 hereof, the principal of all Bonds shall be payable at the principal corporate trust office of the Paying Agent upon the presentation and surrender of such Bonds as the same shall become due and payable.

Except to the extent otherwise provided in Section 2.13 hereof, interest on any Bond is payable on any Interest Payment Date by check or draft mailed on the Interest Payment Date to the person in whose name that Bond is registered at the close of business on the Regular Record Date for such Interest Payment Date, at his address as it appears on the Bond Register (hereafter defined). The foregoing notwithstanding, any Owner of Bonds in an aggregate principal amount of at least \$1,000,000 shall be entitled to have interest paid by wire transfer to such Owner to the bank account number on file with the Trustee and Paying Agent, upon requesting the same in a writing received by the Trustee and Paying Agent at least fifteen (15) days prior to the relevant Record Date, which writing shall specify the bank, which shall be a bank within the United States, and bank account number to which interest payments are to be wired. Any such

request for interest payments by wire transfer shall remain in effect until rescinded or changed, in a writing delivered by the Owner to the Trustee and Paying Agent, and any such rescission or change of wire transfer instructions must be received by the Trustee and Paying Agent at least fifteen (15) days prior to the relevant Record Date. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Interest on overdue principal and, to the extent lawful, on overdue interest will be payable at the rate of interest borne by such Bonds on the day before the default occurred.

From and after any maturity date of any of the Bonds (deposit of moneys for the payment of the principal and interest on such Bonds having been made by the Issuer with the Paying Agent), notwithstanding that any of such Bonds shall not have been surrendered for cancellation, no further interest shall accrue upon the principal or upon the interest which shall have accrued and shall then be due on such date, and such Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and the Holders shall have no rights in respect of such Bonds except to receive payment of such principal and unpaid interest accrued to the maturity date from such moneys.

The Trustee is hereby constituted and appointed as Paying Agent for the Bonds.

Section 2.04. Execution. The Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the Mayor and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of City Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of this Indenture, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

Section 2.05. Authentication; Authenticating Agent. No Bond shall be valid until the certificate of authentication shall have been duly executed by the Trustee, hereby appointed as the Authenticating Agent, and such authentication shall be proof that the Bondholder is entitled to the benefit of the trust hereby created.

The Trustee shall be entitled to be reimbursed for payments made to any Authenticating Agent as reasonable compensation for its services.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation

or conversion to which any Authenticating Agent shall be party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing of any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee, the Issuer and any Paying Agent. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent, the Issuer and any Paying Agent. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Authenticating Agent, shall give written notice of such appointment to the Issuer and the Paying Agent, shall mail a notice of such appointment to all Holders of Bonds as the names and addresses of such Holders appear on the Bond Register.

Section 2.06. Registration and Registrar. The Trustee is hereby constituted and appointed as the Registrar for the Bonds. The Registrar shall act as registrar and transfer agent for the Bonds. The Issuer shall cause to be kept at an office of the Registrar a register (herein sometimes referred to as the "Bond Register" or "Register") in which, subject to the provisions set forth in Section 2.10 below and such other regulations as the Issuer and Registrar may prescribe, the Issuer shall provide for the registration of the Bonds and for the registration of transfers and exchanges of such Bonds. The Issuer shall cause the Registrar to designate, by a written notification to the Trustee, a specific office location (which may be changed from time to time, upon similar notification) at which the Bond Register is kept.

The Registrar when it is not also the Trustee, forthwith following each Record Date and at any other time as reasonably requested by the Trustee, shall certify and furnish to the Trustee, and to any Paying Agent as such Trustee shall specify, the names, addresses, and holdings of Bondholders and any other relevant information reflected in the Bond Register, and the Trustee and any such Paying Agent shall for all purposes be entitled to rely upon the information so furnished to it and shall have no liability or responsibility in connection with the preparation thereof.

Section 2.07. Mutilated, Destroyed, Lost or Stolen Bonds. If any Bond shall become mutilated, the Issuer shall execute and the Trustee or Authenticating Agent, as the case may be, shall thereupon authenticate and deliver a new Bond of like tenor and denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee or Authenticating Agent, as the case may be, of such mutilated Bond for cancellation, and the Issuer and the Trustee or Authenticating Agent, as the case may be, may require reasonable indemnity therefor. If any Bond shall be reported lost, stolen or destroyed, evidence as to the ownership and the loss, theft or destruction thereof shall be submitted to the Issuer and the Trustee or Authenticating Agent, as the case may be; and if such evidence shall be satisfactory to both and indemnity satisfactory to both shall be given, the Issuer shall execute, and

thereupon the Trustee or Authenticating Agent, as the case may be, shall authenticate and deliver a new Bond of like tenor and denomination. The cost of providing any substitute Bond under the provisions of this Section shall be borne by the Bondholder for whose benefit such substitute Bond is provided. If any such mutilated, lost, stolen or destroyed Bond shall have matured or be about to mature, the Issuer may, with the consent of the Trustee or Authenticating Agent, as the case may be, pay to the Owner the principal amount of and accrued interest on such Bond upon the maturity thereof and compliance with the aforesaid conditions by such Owner, without the issuance of a substitute Bond therefor.

Every substituted Bond issued pursuant to this Section 2.07 shall constitute an additional contractual obligation of the Issuer, whether or not the Bond alleged to have been destroyed, lost or stolen shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies with respect to the replacement or payment of negotiable instruments, investments or other securities without their surrender.

Section 2.08. Temporary Bonds. Pending preparation of definitive Bonds, or by agreement with the original purchasers of all Bonds, the Issuer may issue and, upon its request, the Trustee shall authenticate in lieu of definitive Bonds one or more temporary printed or typewritten Bonds of substantially the tenor recited above. Upon request of the Issuer, the Trustee shall authenticate definitive Bonds in exchange for and upon surrender of an equal principal amount of temporary Bonds. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds. So long as Cede & Co., or any other nominee of DTC is the registered Owner of the Bonds, the definitive Bonds shall be in typewritten form.

Section 2.09. Cancellation and Destruction of Surrendered Bonds. All Bonds surrendered for payment or redemption and all Bonds surrendered for exchange shall, at the time of such payment, redemption or exchange, be promptly transferred by the Registrar, Paying Agent or Authenticating Agent to, and cancelled and destroyed by, the Trustee. The Trustee shall deliver to the Issuer a certificate of destruction in respect of all Bonds destroyed in accordance with this Section.

Section 2.10. Registration, Transfer and Exchange. As provided in Section 2.06 hereof, the Issuer shall cause a Bond Register in respect of the Bonds to be kept at the designated office of the Registrar.

Upon surrender for transfer of any Bond at the designated office of the Registrar, and upon compliance with the conditions for the transfer of Bonds set forth in this Section 2.10, the

Issuer shall execute and the Trustee (or Registrar or Authenticating Agent as described in Section 2.05 hereof) shall authenticate and deliver, in the name of the designated transferees, one or more new Bonds of a like aggregate principal amount and of the same maturity.

At the option of the Bondholder, Bonds may be exchanged for other Bonds of a like aggregate principal amount and of the same maturity, upon surrender of the Bonds to be exchanged at any such office or agency. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute and the Trustee (or Registrar or Authenticating Agent as described in Section 2.05 hereof) shall authenticate and deliver the Bonds which the Bondholder making the exchange is entitled to receive.

All Bonds issued upon any transfer or exchange of Bonds shall be valid obligations of the Issuer, evidencing the same debt and entitled to the same benefits under the Indenture as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Trustee, Paying Agent or the Registrar, duly executed by the Bondholder or his attorney duly authorized in writing.

Transfers and exchanges shall be made without charge to the Bondholder, except that the Issuer or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the Issuer nor the Registrar on behalf of the Issuer shall be required (i) to issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of mailing of a notice of redemption of Bonds selected for redemption and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

Section 2.11. Persons Deemed Owners. The Issuer, the Trustee, any Paying Agent, the Registrar, or the Authenticating Agent shall deem and treat the person in whose name any Bond is registered as the absolute Owner thereof (whether or not such Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuer, the Trustee, any Paying Agent, the Registrar or the Authenticating Agent) for the purpose of receiving payment of or on account of the principal or Redemption Price of and interest on such Bond, and for all other purposes, and the Issuer, the Trustee, any Paying Agent, the Registrar and the Authenticating Agent shall not be affected by any notice to the contrary. All such payments so made to any such Owner, or upon his order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Bond.

Section 2.12. Limitation on Incurrence of Certain Indebtedness. The Issuer will not issue Bonds, except upon the conditions and in the manner provided or as otherwise permitted in the Indenture.

Section 2.13. Qualification for the Depository Trust Company. The Trustee shall be authorized to enter into agreements with The Depository Trust Company, New York, New York ("DTC") and other depository trust companies, including, but not limited to, agreements necessary for wire transfers of interest and principal payments with respect to the Bonds, utilization of electronic book entry data received from DTC, and other depository trust companies in place of actual delivery of Bonds and provision of notices with respect to Bonds registered by DTC and other depository trust companies (or any of their designees identified to the Trustee) by overnight delivery, courier service, telegram, telecopy or other similar means of communication.

So long as there shall be maintained a book-entry-only system with respect to the Bonds, the following provisions shall apply:

The Bonds shall initially be registered in the name of Cede & Co. as nominee for DTC, which will act initially as securities depository for the Bonds and so long as the Bonds are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof. On original issue, the Bonds shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the ownership interest of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). The DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Bonds ("Beneficial Owners").

Principal and interest on the Bonds prior to and at maturity shall be payable directly to Cede & Co. in care of DTC. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee or the Issuer.

The Bonds shall initially be issued in the form of one fully registered Bond for each maturity and shall be held in such form until maturity. Individuals may purchase beneficial interests in Authorized Denominations in book-entry-only form, without certificated Bonds, through DTC Participants and Indirect Participants.

DURING THE PERIOD FOR WHICH CEDE & CO. IS REGISTERED OWNER OF THE BONDS, ANY NOTICES TO BE PROVIDED TO ANY REGISTERED OWNER WILL BE PROVIDED TO CEDE & CO. DTC SHALL BE RESPONSIBLE FOR NOTICES TO DTC PARTICIPANTS AND DTC PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICES TO INDIRECT PARTICIPANTS, AND DTC PARTICIPANTS AND INDIRECT PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICES TO BENEFICIAL OWNERS.

The Issuer and the Trustee shall enter into a blanket letter of representations with DTC providing for such book-entry-only system. Such agreement may be terminated at any time by either DTC or the Issuer. In the event of such termination, the Issuer shall select another securities depository. If the Issuer does not replace DTC, the Trustee will register and deliver to the Beneficial Owners replacement Bonds in the form of fully registered Bonds in accordance with the instructions from Cede & Co.

In the event DTC, any successor of DTC or the Issuer elects to discontinue the book-entry only system, the Trustee shall deliver bond certificates in accordance with the instructions from DTC or its successor and after such time Bonds may be exchanged for an equal aggregate principal amount of Bonds in other Authorized Denominations and of the same maturity upon surrender thereof at the designated corporate trust office of the Trustee.

Section 2.14. Provisions related to Insurer. Notwithstanding anything in this Indenture to the contrary, so long as the Policy shall be in full force and effect, the Issuer and the Trustee hereby agree to comply with the following provisions:

[To Come]

[END OF ARTICLE II]

ARTICLE III
SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

Section 3.01. Bonds not to be Indebtedness of Issuer. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds in accordance with the terms of this Indenture. No Holder of any Bond shall ever have the right to compel the exercise of the ad valorem taxing power of the State, Bay County, the Issuer or any governmental entity to pay such Bond or shall be entitled to payment of such Bond from any moneys of the Issuer except the Pledged Funds, in the manner provided herein. The Bonds are limited obligations of the Issuer. To the extent that Pledged Funds are not available, the Issuer shall not be compelled to use any other funds or revenues to make the required payments.

Section 3.02. Security for Bonds. The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds. The Issuer does hereby irrevocably pledge the Pledged Funds to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds.

The Pledged Funds shall be subject to the lien of this pledge immediately upon the issuance and delivery of the Bonds, without any physical delivery by the Issuer of the Pledged Funds or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind against the Issuer, in tort, contract or otherwise.

Section 3.03. Funds and Accounts. The Issuer covenants and agrees to establish the following separate Funds and Accounts to be held by the Trustee:

- (a) Revenue Fund.
- (b) Debt Service Fund. The Issuer shall establish in the Debt Service Fund two (2) accounts: the "Interest Account" and the "Principal Account".
- (c) Reserve Fund.
- (d) Rebate Fund.

Section 3.04. Flow of Funds.

(a) **Revenues.** Beginning on the date the Series 2015 Bonds are issued, the Issuer shall send to the Trustee for deposit to the Revenue Fund an amount of Sales Tax Revenues and Electric Public Service Taxes sufficient to satisfy all payment obligations hereunder, to the extent a sufficient amount is not already on deposit from other legally available revenue sources of the Issuer. On or before the last day of each month, commencing with the month in which delivery of the Series 2015 Bonds shall be made to the purchasers thereof, the moneys in the

Revenue Fund shall be deposited or credited in the following manner and in the following order of priority:

(1) Debt Service Fund. The Trustee shall deposit into or credit to the Debt Service Fund such sums as are described in Section 3.04(b) hereof.

(2) Reserve Fund. Next, the Trustee shall deposit into or credit to the Reserve Fund such sums as are described in Section 3.04(c) hereof.

(3) Surplus Moneys. The balance of any moneys remaining in the Revenue Fund after the payments and deposits required by parts (1) and (2) of this subsection each month may be used for any lawful purpose.

(b) Debt Service Fund. The Trustee shall deposit into or credit to the Debt Service Fund from moneys in the Revenue Fund an amount sufficient to make all of the deposits required by this subsection (b). The moneys on deposit in the Debt Service Fund shall be applied in the manner provided herein solely for the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds and shall not be available for any other purpose. The moneys transferred from the Revenue Fund to the Debt Service Fund shall be deposited or credited in the following manner and in the following order of priority:

(1) Interest Account. The Trustee shall deposit into or credit to the Interest Account the sum which, together with the balance in said account, shall equal the interest on all Outstanding Bonds accrued and unpaid and to accrue to the end of the then current calendar month. Moneys in the Interest Account shall be applied to pay interest on the Bonds as and when the same shall become due, whether by redemption or otherwise, and for no other purpose.

(2) Principal Account. Next, the Trustee shall deposit into or credit to the Principal Account the sum which, together with the balance in said Account, shall equal the principal amount of all Outstanding Bonds due and unpaid and that portion of the principal and Amortization Installments next due within one year which would have accrued on said Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of twelve (12) equal calendar months of thirty (30) days) in equal amounts from the next preceding principal payment due date, or, if there is no such preceding principal payment due date, from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be used to pay the principal of the Bonds as and when the same shall mature and any Amortization Installments due, and for no other purpose. The Issuer shall adjust the amount of deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date.

(c) Reserve Fund. The Trustee shall deposit into the Reserve Fund such sum, if any, as will be necessary to immediately restore the funds on deposit therein to an amount equal to

the Reserve Fund Requirement therefor. Such sum shall be deposited monthly until the balance in the Fund equals the Reserve Fund Requirement. Subject to the second paragraph of Section 6.02 hereof, on or prior to each principal and interest payment date for the Bonds, moneys in the Reserve Fund shall be applied by the Trustee to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds, to the extent moneys in the Interest Account and the Principal Account shall be insufficient for such purpose. Whenever there shall be surplus moneys in the Reserve Fund by reason of a decrease in the Reserve Fund Requirement, such surplus moneys shall be deposited by the Trustee into the Principal Account or used to pay or provide for necessary rebate through the Rebate Fund. The Trustee may establish in a Supplemental Indenture, separate subaccounts in the Reserve Fund for a Series of Bonds.

Notwithstanding the foregoing provisions, in lieu of the required cash deposits into the Reserve Fund, the Issuer may, at any time, cause to be deposited into the Reserve Fund a surety bond, irrevocable letter of credit, guaranty or an insurance policy for the benefit of the Bondholders in an amount equal to the difference between the Reserve Account Requirement and the sums then on deposit in the Reserve Fund, if any. Such surety bond, irrevocable letter of credit, guaranty or insurance policy shall be payable to the Paying Agent (upon the giving of notice as required thereunder) on any Interest Date on which a deficiency exists which cannot be cured by funds in any other fund or account held pursuant to this Resolution and available for such purpose. Repayment of draws made from a surety bond, irrevocable letter of credit, guaranty or an insurance policy provided pursuant to this paragraph, shall be made in accordance with the provisions of a Supplemental Indenture.

(d) Deposit of Moneys with Paying Agent. On or before the date established for payment of any principal of or Redemption Price, if applicable, or interest on the Bonds, the Trustee shall withdraw from the Debt Service Fund sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Bonds to be paid.

Section 3.05. Rebate Fund. Amounts on deposit in the Rebate Fund shall be held by the Trustee and used solely to make required rebates to the United States Treasury and the Bondholders shall have no right to have the same applied for debt service on the Bonds. The Issuer agrees to undertake all actions required of it in its arbitrage certificate, and other instructions from Bond Counsel, delivered in connection with or subsequent to the issuance of a Series of Bonds, including, but not limited to:

(a) making a determination in accordance with the Code of the amount required to be deposited in the Rebate Fund;

(b) depositing from moneys in the Revenue Fund or from other moneys of the Issuer derived from sources other than ad valorem taxation and legally available for such purpose the amount determined in subsection (a) above into the Rebate Fund;

(c) paying on the dates and in the manner required by the Code to the United States Treasury from the Rebate Fund and any other legally available moneys of the Issuer such amounts as shall be required by the Code to be rebated to the United States Treasury; and

(d) keeping such records of the determinations made pursuant to this Section 5.05 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of a Series of Bonds.

The provisions of the above-described arbitrage certificate and instructions of Bond Counsel may be amended from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

The Issuer agrees to retain or cause to be retained a rebate administrator who shall be a professional qualified to assure compliance by the Issuer with the requirements of this section. The rebate administrator so retained is hereby authorized to hire counsel, accountants, and other experts whom the rebate administrator may, in its sole discretion, determine to be advisable for the purpose of obtaining the required calculations of the rebate amounts and other matters necessary for compliance with Section 148(f) of the Code as the same relates to the Bonds. The rebate administrator will not be liable for any loss occasioned by its reliance upon the instructions of such experts or upon the Issuer's certification of the amounts earned on nonpurpose investments, as such term is defined in Section 148(b)(2) of the Code, in which gross proceeds of a Series of Bonds shall be invested. The duties and responsibilities of the rebate administrator may be performed by more than one Person.

Section 3.06. Procedure When Funds Are Sufficient to Pay All Bonds. If at any time the moneys held by the Trustee in the Funds and Accounts hereunder and available therefor are sufficient to pay the principal or Redemption Price of, as the case may be, and interest on all Bonds then Outstanding under this Indenture to maturity or prior redemption, together with any amounts due the Trustee, Paying Agent and Registrar, the Trustee, at the direction of the Issuer, shall apply the amounts in the Funds and Accounts to the payment of the aforesaid obligations and the Issuer shall not be required to pay over any further Pledged Funds with respect to such Bonds unless and until it shall appear that there is a deficiency in the Funds and Accounts held by the Trustee.

Section 3.07. Unclaimed Moneys. In the event any Bond shall not be presented for payment when the principal of such Bond becomes due, either at maturity or at the date fixed for redemption of such Bond or otherwise, if amounts sufficient to pay such Bond have been deposited with the Trustee for the benefit of the owner of the Bond and have remained unclaimed for three (3) years after the date payment thereof becomes due, the Trustee shall, upon request of the Issuer, if the Issuer is not at the time to the knowledge of the Trustee in default with respect to any covenant in the Indenture or the Bonds, be paid to the Issuer, and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Issuer; provided, however, that the Trustee, before making payment to the Issuer,

may, at the expense of the Issuer, cause a notice to be published in an Authorized Newspaper, stating that the money remaining unclaimed will be returned to the Issuer after a specified date.

[END OF ARTICLE VI]

ARTICLE IV
SECURITY FOR AND INVESTMENT OR DEPOSIT OF FUNDS

Section 4.01. Deposits and Security Therefor. All moneys received by the Trustee for deposit in any Fund or Account established under the Indenture shall be considered trust funds, shall not be subject to lien or attachment, except for the lien created by the Indenture.

Section 4.02. Investment or Deposit of Funds. The Trustee shall, as directed by the Issuer in writing, invest moneys held in the Debt Service Fund in Authorized Investments. The Trustee shall, as directed by the Issuer in writing, invest moneys held in the Debt Service Reserve Fund in Authorized Investments. The Trustee may conclusively presume that any investment direction made by the Issuer is for an Authorized Investment. All deposits in time accounts shall be subject to withdrawal without penalty and all investments shall mature or be subject to redemption by the holder without penalty, not later than the date when the amounts will foreseeably be needed for purposes set forth herein. All securities securing investments under this Section shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee, as authorized by law with respect to trust funds in the State, or with a bank or trust company having a combined net capital and surplus of not less than \$50,000,000. The interest and income received upon such investments and any interest paid by the Trustee or any other depository of any Fund or Account and any profit or loss resulting from the sale of securities shall be added or charged to the Fund or Account for which such investments are made; provided, however, that if the amount in any Fund or Account equals or exceeds the amount required to be on deposit therein, any interest and other income so received shall be deposited in the Revenue Fund. Upon request of the Issuer, or on its own initiative whenever payment is to be made out of any Fund or Account, the Trustee shall sell such securities as may be requested to make the payment and restore the proceeds to the Fund or Account in which the securities were held. The Trustee shall not be accountable for any depreciation in the value of any such security or for any loss resulting from the sale thereof, except as provided hereinafter. If net proceeds from the sale of securities held in any Fund or Account shall be less than the amount invested and, as a result, the amount on deposit in such Fund or Account is less than the amount required to be on deposit in such Fund or Account, the amount of such deficit shall be transferred to such Fund or Account of the Revenue Fund.

Moneys in any of the Funds and Accounts established pursuant to the Indenture, when held by the Trustee, shall be immediately invested by the Trustee as set forth herein and, thereafter, shall be continuously invested and reinvested and deposited and redeposited by the Trustee subject to all written directions from the Issuer, as aforesaid. The Trustee shall not be liable or responsible for any loss or entitled to any gain resulting from any investment or sale upon the investment instructions of the Issuer or otherwise, including that set forth in the first sentence of this paragraph.

Section 4.03. Valuation of Funds. The Trustee shall value the assets in each of the Funds and Accounts established hereunder as of September 30 of each Fiscal Year, and as soon as practicable after each such valuation date (but no later than ten (10) days after each such

valuation date) shall provide the Issuer a report of the status of each Fund and Account as of the valuation date. In computing the assets of any Fund or Account, investments and accrued interest thereon shall be deemed a part thereof. For the purpose of determining the amount on deposit to the credit of any Fund or Account established hereunder, obligations in which money in such Fund or Account shall have been invested shall be valued at the market value or the amortized cost thereof, whichever is lower, or at the redemption price thereof, to the extent that any such obligation is then redeemable at the option of the holder.

[END OF ARTICLE IV]

**ARTICLE V
REDEMPTION OF BONDS**

Section 5.01. Redemption Dates and Prices. A Series of Bonds may be made subject to optional and mandatory redemption, prior to maturity in the amounts, at the times and in the manner provided in this Article V and pursuant to Supplemental Indenture.

The Series 2015 Bonds may be made subject to optional and mandatory redemption, prior to maturity in the amounts, at the times and in the manner provided in this Article V.

[To Come]

Section 5.02. Notice of Redemption. When required to redeem Bonds under any provision of the Indenture or directed to do so by the Issuer, the Trustee shall cause notice of the redemption to be mailed at least thirty (30) but not more than sixty (60) days prior to the redemption date to all Owners of a Series of Bonds to be redeemed (as such Owners appear on the Bond Register on the fifth (5th) day prior to such mailing), at their registered addresses, but failure to mail any such notice or defect in the notice or in the mailing thereof shall not affect the validity of the redemption of such Series of Bonds for which notice was duly mailed in accordance with this Section 5.02. Such notice shall be given in the name of the Issuer, shall be dated, shall set forth the Bonds Outstanding which shall be called for redemption and shall include, without limitation, the following additional information:

- (a) the redemption date;
- (b) the Redemption Price;
- (c) CUSIP numbers, to the extent applicable, and any other distinctive numbers and letters;
- (d) that on the redemption date the Redemption Price will become due and payable upon surrender of each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and
- (e) the place where such Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be a corporate trust office of the Trustee.

If at the time of mailing of notice of an optional redemption, the Issuer shall not have deposited with the Trustee or Paying Agent moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee or Paying Agent, as the case may be, not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

If the amount of funds deposited with the Trustee for such redemption, or otherwise available, is insufficient to pay the Redemption Price and accrued interest on the Bonds so called for redemption on the redemption date, the Trustee shall redeem and pay on such date an amount of such Bonds for which such funds are sufficient, selecting the Bonds to be redeemed by lot from among all such Bonds called for redemption on such date, and among different maturities of Bonds in the same manner as the initial selection of Bonds to be redeemed, and from and after such redemption date, interest on the Bonds or portions thereof so paid shall cease to accrue and become payable; but interest on any Bonds or portions thereof not so paid shall continue to accrue until paid at the same rate as it would have had such Bonds not been called for redemption.

The Trustee shall also cause to be mailed a copy of such notice by registered or certified mail or overnight delivery service (or by telecopy where permitted) for receipt not less than thirty (30) days before such redemption date to the following: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530; Midwest Securities Trust Company, Capital Structures - Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103; Attention: Bond Department; provided, however, that such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of any proceedings for the redemption of Bonds.

The notices required to be given by this Section 5.02 shall state that no representation is made as to correctness or accuracy of the CUSIP numbers listed in such notice or printed on the Bonds.

Section 5.03. Payment of Redemption Price. If any required (a) unconditional notice of redemption has been duly mailed or waived by the Owners of all Bonds called for redemption or (b) conditional notice of redemption has been so mailed or waived and the redemption moneys have been duly deposited with the Trustee or Paying Agent, then in either case, the Bonds called for redemption shall be payable on the redemption date at the applicable Redemption Price plus accrued interest, if any, to the redemption date. Bonds so called for redemption, for which moneys have been duly deposited with the Escrow Agent, will cease to bear interest on the specified redemption date, shall no longer be secured by the Indenture and shall not be deemed to be Outstanding under the provisions of the Indenture.

Payment of the Redemption Price, together with accrued interest, shall be made by the Trustee or Paying Agent to or upon the order of the Owners of the Bonds called for redemption upon surrender of such Bonds. The Redemption Price of the Bonds to be redeemed, the expenses of giving notice and any other expenses of redemption, shall be paid out of the Fund from which redemption is to be made or by the Issuer.

[END OF ARTICLE V]

**ARTICLE VI
COVENANTS OF THE ISSUER**

Section 6.01. Power to Issue Bonds and Create Lien. The Issuer is duly authorized under the Act and all applicable laws of the State to issue Bonds, specifically the Series 2015 Bonds, to adopt and execute the Indenture and to pledge the Pledged Funds for the benefit of the Bonds. The Pledged Funds are not and shall not be subject to any other lien senior to or on a parity with the lien created in favor of the Bonds. The Bonds and the provisions of the Indenture are and will be valid and legally enforceable obligations of the Issuer in accordance with their respective terms. The Issuer shall, at all times, to the extent permitted by law, defend, preserve and protect the pledge created by the Indenture and all the rights of the Bondholders under the Indenture against all claims and demands of all other Persons whomsoever.

Section 6.02. Payment of Principal and Interest on Bonds. The payment of the principal or Redemption Price of and interest on all Bonds issued under the Indenture shall be secured forthwith equally and ratably by a first lien on and pledge of the Pledged Funds. Pledged Funds in an amount sufficient to pay the principal or Redemption Price of and interest on the Bonds authorized by the Indenture are hereby irrevocably pledged to the payment of the principal or Redemption Price of and interest on the Bonds authorized under the Indenture, as the same become due and payable. The Issuer shall promptly pay the interest on and the principal or Redemption Price of every Bond issued hereunder according to the terms thereof, but shall be required to make such payment only out of the Pledged Funds.

THE BONDS AUTHORIZED UNDER THE INDENTURE AND THE OBLIGATION EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN UPON ANY PROPERTY OF THE ISSUER, BUT SHALL CONSTITUTE A LIEN ONLY ON THE PLEDGED FUNDS AS SET FORTH IN THE INDENTURE. NOTHING IN BONDS AUTHORIZED UNDER THE INDENTURE OR IN THE INDENTURE SHALL BE CONSTRUED AS OBLIGATING THE ISSUER TO PAY THE BONDS OR THE REDEMPTION PRICE THEREOF OR THE INTEREST THEREON EXCEPT FROM THE PLEDGED FUNDS, OR AS PLEDGING THE FAITH AND CREDIT OF THE ISSUER, BAY COUNTY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, OR AS OBLIGATING THE ISSUER, THE COUNTY OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, DIRECTLY OR INDIRECTLY OR CONTINGENTLY, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR.

Section 6.03. Use of Revenues for Authorized Purposes Only. None of the Pledged Funds shall be used for any purpose other than as provided in the Indenture and no contract or contracts shall be entered into or any action taken by the Issuer or the Trustee which will be inconsistent with the provisions of the Indenture.

Section 6.04. No Loss of Lien on Pledged Funds. The Issuer shall not do or omit to do, or suffer to be done or omit to be done, any matter or thing whatsoever whereby the lien of the Bonds on the Pledged Funds or any part thereof, or the priority thereof, would be lost or

impaired; provided, however, that this Section shall not prohibit the Trustee from transferring moneys to the Rebate Fund held by the Trustee under any arbitrage rebate agreement.

Section 6.05. Issuance of Additional Parity Obligations. The Issuer will not issue any other obligations, payable from the Pledged Funds or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance of other charge having priority to or being on parity with the lien thereon in favor of the Series 2015 Bonds and the interest thereon; provided however, the Issuer may issue Additional Parity Obligations under the conditions and in the manner provided below.

(1) The Issuer's Finance Director shall certify at the time of the issuance of the Additional Parity Obligations that the Issuer is not in default of any of the provisions, covenants and agreements hereof.

(2) The Issuer's Finance Director shall also certify at the time of the issuance of the Additional Parity Obligations that the average annual aggregate amount of Sales Tax Revenues and Electric Public Service Tax for the two most recently completed Fiscal Years immediately preceding the proposed date of issuance of such Additional Parity Obligations shall equal not less than 1.35 times the Maximum Debt Service Requirement on the outstanding Bonds and the proposed Additional Parity Obligations during any Fiscal Year.

The Issuer may issue subordinate debt payable from Sales Tax Revenues and Electric Public Service Tax. Any subordinate debt issued by the Issuer which is payable from the Pledged Funds shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to lien on and source and security for payment from such Pledged Funds.

Section 6.06. Extension of Time for Payment of Interest Prohibited. The Issuer shall not directly or indirectly extend or assent to an extension of time for payment of any claim for interest on any of the Bonds and shall not directly or indirectly be a party to or approve any arrangement therefor by purchasing or funding or in any manner keeping alive any such claim for interest; no claim for interest which in any way, at or after maturity, shall have been transferred or pledged apart from the Bonds to which it relates or which shall in any manner have been kept alive after maturity by extension thereof by or on behalf of the Issuer, shall be entitled, in case of a default hereunder, to any benefit or security under the Indenture except after the prior payment in full of the principal of all Bonds and claims for interest appertaining thereto not so transferred, pledged, kept alive or extended.

Section 6.07. Further Assurances. The Issuer shall not enter into any contract or take any action by which the rights of the Trustee or the Bondholders may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of the Indenture.

Section 6.08. Investments to Comply with Internal Revenue Code. The Issuer covenants with the Holders of the Bonds (other than Taxable Bonds) that it will not make or direct the making of any investment or other use of the proceeds of any Bonds issued hereunder which would cause such Bonds to be "arbitrage bonds" as that term is defined in Section 148 (or any successor provision thereto) of the Code and or "private activity bonds" as that term is defined in Section 141 (or any successor provision thereto) of the Code, and that it will comply with the requirements of such Code section and related regulations throughout the term of such Bonds. The Issuer hereby further covenants and agrees to comply with the procedures and covenants contained in any arbitrage rebate agreement executed in connection with the issuance of the Bonds for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. The provisions of this section will not apply to a Series of Bonds issued as Taxable Bonds.

Section 6.09. Corporate Existence and Maintenance of Properties. For so long as any Bonds are Outstanding hereunder, unless otherwise provided by the Act, the Issuer shall maintain its corporate existence as a municipal government under the Act and shall provide for or otherwise require the System, and all parts thereof owned by the Issuer to be (a) continuously operated, repaired, improved and maintained as shall be necessary to provide adequate service to the lands benefited thereby; and (b) in compliance with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any competent public authority.

Section 6.10. Continuing Disclosure. The Issuer hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of the Indenture, failure of the Issuer to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee, at the request of any participating underwriter or the Holders of at least 25% aggregate principal amount in Outstanding Bonds and receipt of indemnity to its satisfaction, shall or any Holder of the Bonds or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Section 6.20. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Section 6.11. Book and Records. The Issuer shall keep proper books of record and account in accordance with Generally Accepted Accounting Principles and which shall at all times be subject during regular business hours to the inspection of the Trustee. The Issuer covenants that, no later than 180 days after the end of each Fiscal Year, it will cause an audit to be made by an Accountant covering all receipts and moneys then on deposit with or in the name of the Trustee or the Issuer and any security held therefor and any investments thereof. Copies of such audit reports shall be filed with the Trustee and with the Electronic Municipal Market Access web portal of the Municipal Securities Rulemaking Board.

[END OF ARTICLE VI]

**ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES**

Section 7.01. Events of Default and Remedies. Events of default and remedies with respect to the Bonds shall be as set forth in this Indenture.

Section 7.02. Events of Default Defined. Each of the following shall be an “Event of Default” under the Indenture:

(a) If the Issuer fails to pay interest on or principal of the Bonds of a Series when due; or

(b) if the Issuer, for any reason, is rendered incapable of fulfilling its obligations under the Indenture or under the Act; or

(c) if the Issuer proposes or makes an assignment for the benefit of creditors or enters into a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the Issuer or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, local, state or federal, by or against the Issuer and if such is not vacated, dismissed or stayed on appeal within ninety (90) days; or

(d) if the Issuer defaults in the due and punctual performance of any other covenant in the Indenture or in any Bond issued pursuant to the Indenture and such default continues for sixty (60) days after written notice requiring the same to be remedied shall have been given to the Issuer by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds; provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such sixty (60) day period, no Event of Default shall be deemed to have occurred or exist if, and so long as, the Issuer shall commence such performance within such sixty (60) day period and shall diligently and continuously prosecute the same to completion; or

Section 7.03. No Acceleration. No Bonds issued under this Indenture shall be subject to acceleration.

Section 7.04. Legal Proceedings by Trustee. If any Event of Default has occurred and is continuing, the Trustee, upon the written request of the Holders of not less than a majority of the aggregate principal amount of the Outstanding Bonds and receipt of indemnity to its satisfaction shall in its own name:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders of such Bonds, including, without limitation, the right to require the Issuer to carry out any agreements with, or for the benefit of, the Bondholders and to perform its or their duties under the Act;

(b) bring suit upon the Bonds;

(c) by action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds;

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds ; and

(e) by other proceeding in law or equity, exercise all rights and remedies provided for by any other document or instrument securing such Bonds.

Section 7.05. Discontinuance of Proceedings by Trustee. If any proceeding taken by the Trustee on account of any Event of Default is discontinued or is determined adversely to the Trustee, the Issuer, the Trustee, the Paying Agent and the Bondholders shall be restored to their former positions and rights hereunder as though no such proceeding had been taken.

Section 7.06. Bondholders May Direct Proceedings. The Holders of a majority in aggregate principal amount of the Outstanding Bonds then subject to remedial proceedings under this Article VII shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided that such directions shall not be otherwise than in accordance with law or the provisions of the Indenture.

Section 7.07. Limitations on Actions by Bondholders. No Bondholder shall have any right to pursue any remedy hereunder unless (a) the Trustee shall have been given written notice of an Event of Default, (b) the Holders of at least a majority of the aggregate principal amount of the Outstanding Bonds shall have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and (d) the Trustee shall have failed to comply with such request within a reasonable time.

Section 7.08. Trustee May Enforce Rights Without Possession of Bonds. All rights under the Indenture and the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Holders of the Bonds.

Notwithstanding any other provision of this Indenture, in determining whether the rights of Bondholders will be adversely affected by an action taken pursuant to the terms and provisions of the Indenture, the Trustee shall consider the effect on the Bondholders as if there were no Policy.

Section 7.09. Remedies Not Exclusive. Except as limited under Section 12.01 of this Indenture, no remedy contained in the Indenture is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 7.10. Delays and Omissions Not to Impair Rights. No delay or omission in respect of exercising any right or power accruing upon any Event of Default shall impair such right or power or be a waiver of such Event of Default, and every remedy given by this Article VII may be exercised from time to time and as often as may be deemed expedient.

Section 7.11. Application of Moneys in Event of Default. Any moneys received by the Trustee or the Paying Agent, as the case may be, in connection with any proceedings brought under this Article VII with respect to the Bonds shall be applied:

(a) to the payment of the costs of the Trustee and Paying Agent incurred in connection with actions taken under this Article VII with respect to the Bonds, including counsel fees and any disbursements of the Trustee and the Paying Agent and payment of unpaid fees owed to the Trustee.

(b) unless the principal of all the Bonds shall have become or shall have been declared due and payable:

FIRST, to payment of all installments of interest then due on the Bonds in the order of maturity of such installments of interest, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any preference or priority of one installment of interest over any other installment; and

SECOND, to payment to the persons entitled thereto of the unpaid principal or Redemption Price of any of the Bonds which shall have become due in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full the principal or Redemption Price coming due on such Bonds on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any preference or priority of one such Bond over another or of any installment of interest over another.

(c) If the principal of all Bonds shall have become or shall have been declared due and payable, to the payment of principal or Redemption Price (as the case may be) and interest then owing on the Bonds and in case such moneys shall be insufficient to pay the same in full,

then to the payment of principal or Redemption Price and interest ratably, without preference or priority of one Bond over another or of any installment of interest over any other installment of interest.

Any surplus remaining after the payments described above shall be paid to the Issuer or to the Person lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Section 7.12. Trustee's Right to Receiver; Compliance with Act. The Trustee shall be entitled as of right to the appointment of a receiver and the Trustee, the Bondholders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act and other applicable law of the State.

Section 7.13. Trustee and Bondholders Entitled to all Remedies under Act. It is the purpose of this Article to provide such remedies to the Trustee and Bondholders as may be lawfully granted under the provisions of the Act and other applicable laws of the State; if any remedy herein granted shall be held unlawful, the Trustee and the Bondholders shall nevertheless be entitled to every other remedy provided by the Act and other applicable laws of the State. It is further intended that, insofar as lawfully possible, the provisions of this Article VII shall apply to and be binding upon any receiver appointed in accordance with Section 7.12 hereof.

Section 7.14. Insurer to be Deemed Bondholder. Notwithstanding any provisions of this Indenture to the contrary, unless the Insurer is in default under its Policy, the Insurer shall at all times be deemed the exclusive Owner of Bonds insured under its Policy for all purposes except for the purpose of payment of the principal of and premium, if any, and interest on the Series of Bonds prior to the payment by the Insurer of the principal of and interest on the Series of Bonds, unless the Insurer is in default under its Policy. The Insurer shall have the exclusive right to direct any action or remedy to be undertaken by the Trustee, by the Owners or by any other party pursuant to this Indenture, and no event of default shall be waived, without the Insurer's consent.

Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, the Insurer, unless the Insurer is in default under its Policy, shall at all times be deemed the exclusive owner of all Series of Bonds insured under its Policy for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of the Bonds insured by it for the benefit of such Bondholders under this Indenture.

[END OF ARTICLE VII]

ARTICLE VIII
THE TRUSTEE; THE PAYING AGENT AND REGISTRAR

Section 8.01. Acceptance of Trust. The Trustee accepts and agrees to execute the trusts hereby created, but only upon the additional terms set forth in this Article VIII, to all of which the parties hereto and the Bondholders agree. The Trustee shall act as Trustee for the Bonds. Subject to the provisions of Section 8.03 hereof, the Trustee shall have only such duties as are expressly set forth herein, and no duties shall be implied on the part of the Trustee. The Trustee further agrees to comply with the written directions of the Issuer relating to arbitrage rebate, as applicable for such Series of Bonds.

Section 8.02. No Responsibility for Recitals. The recitals, statements and representations in this Indenture or in the Bonds, save only the Trustee's Certificate, if any, upon the Bonds, have been made by the Issuer and not by the Trustee and the Trustee shall be under no responsibility for the correctness thereof.

Section 8.03. Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Negligence. The Trustee may execute any powers hereunder and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to advice of Counsel concerning all questions hereunder; the Trustee shall not be answerable for the default or misconduct of any attorney or agent selected and supervised by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under the Indenture nor for anything whatever in connection with the trust hereunder, except only its own negligence or willful misconduct or breach of its obligations hereunder.

Section 8.04. Compensation and Indemnity. The Issuer shall pay the Trustee reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, and shall indemnify and hold the Trustee harmless against any liabilities which it may incur in the proper exercise and performance of its powers and duties hereunder, except with respect to its own willful misconduct, negligence or breach of its obligations hereunder. If the Issuer defaults in respect of the foregoing obligations, the Trustee may deduct the amount owing to it from any moneys coming into its hands and payable to the Issuer but exclusive of the Rebate Fund, which right of payment shall be prior to the right of the holders of the Bonds. This provision shall survive the termination of the Indenture and, as to any Trustee, its removal or resignation as Trustee.

Section 8.05. Notice of Default; Right to Investigate. The Trustee shall give written notice by first-class mail to registered Holders of Bonds of all defaults known to the Trustee, unless such defaults have been remedied (the term "defaults" for purposes of this Section and Section 8.07 being defined to include the events specified as "Events of Default" in Article VII hereof, but not including any notice or periods of grace provided for therein); provided that, except in the case of a default in payment of principal or interest or Redemption Price, the Trustee may withhold such notice so long as it in good faith determines that such withholding is in the interest of the Bondholders. The Trustee shall not be deemed to have notice of any

default other than a payment default under the Indenture, unless notified in writing of such default by the Holders of at least a majority of the aggregate principal amount of the Outstanding Bonds. The Trustee may, however, at any time require of the Issuer full information as to the performance of any covenant hereunder, and if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Issuer, an investigation into the affairs of the Issuer.

Section 8.06. Obligation to Act on Defaults. The Trustee shall be under no obligation to take any action in respect of any default or otherwise, unless it is requested in writing to do so by the Holders of at least a majority of the aggregate principal amount of the Outstanding Bonds which are or would be, upon the taking of such action, subject to remedial proceedings under Article VIII of this Indenture if in its opinion such action may tend to involve expense or liability, and unless it is also furnished with indemnity satisfactory to it.

Section 8.07. Reliance by Trustee. The Trustee may act on any requisition, resolution, notice, telegram, facsimile transmission, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed, signed or given by the persons purporting to be authorized (which in the case of the Issuer shall be an Authorized Issuer Officer) or to have been prepared and furnished pursuant to any of the provisions of the Indenture; the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

Section 8.08. Construction of Ambiguous Provisions. The Trustee may construe any ambiguous or inconsistent provisions of the Indenture, and except as otherwise provided in Article X of this Indenture, any construction by the Trustee shall be binding upon the Bondholders. The Trustee shall give prompt notice to the Issuer of any intention to make such construction.

Section 8.09. Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the City Clerk of the Issuer not less than sixty (60) days before the date when such resignation is to take effect; provided, however, that (i) if any Outstanding Bonds are not registered Bonds, notice of such resignation is published at least once a week for two (2) consecutive calendar weeks in The Bond Buyer, or its successor, if any, the first publication to appear not less than three (3) weeks prior to the date when the resignation is to take effect; and that (ii) if any Outstanding Bonds are registered Bonds, notice of such resignation shall be sent by first-class mail to each Bondholder as its name and address appears on the Bond Register and to any Paying Agent, Registrar and Authenticating Agent, at least sixty (60) days before the resignation is to take effect. Such resignation shall take effect on the day specified in the Trustee's notice of resignation unless a successor Trustee is previously appointed, in which event the resignation shall take effect immediately on the appointment of such successor; provided, however, that notwithstanding the foregoing, such resignation shall not take effect until a successor Trustee has been appointed. If a successor Trustee has not been appointed within ninety (90) days after the

Trustee has given its notice of resignation, the Trustee may petition any court of competent jurisdiction for the appointment of a temporary successor Trustee to serve as Trustee until a successor Trustee has been duly appointed. Prior written notice of such resignation shall also be given to any rating agency that shall then have in effect a rating on any of the Bonds and the Insurer.

Section 8.10. Removal of Trustee. The Trustee may be removed at any time by either (a) the Issuer, if no default exists under the Indenture, (b) the Insurer, if no default exists under the policy or (c) an instrument or concurrent instruments in writing, executed by the Owners of at least a majority of the aggregate principal amount of the Bonds then Outstanding and filed with the Issuer. A photographic copy of any instrument or instruments filed with the Issuer under the provisions of this paragraph, duly certified by a Authorized Issuer Officer, shall be delivered promptly by the Issuer to the Trustee and to any Paying Agent, Registrar and Authenticating Agent.

The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Issuer or the Holders of not less than a majority of the aggregate principal amount of the Bonds then Outstanding.

Prior written notice of such removal shall be given to the Insurer.

Section 8.11. Appointment of Successor Trustee. If the Trustee or any successor Trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the Issuer shall appoint a successor, acceptable to the Insurer, and (i) if any Outstanding Bonds are not registered bonds, shall publish notice of such appointment in an Authorized Newspaper and in The Bond Buyer, or its successor, if any, and (ii) if any Outstanding Bonds are registered Bonds, shall mail notice of such appointment by first-class mail to each Bondholder as its name and address appear on the Bond Register, and to the Paying Agent, Registrar, Authenticating Agent, and any rating agency that shall then have in effect a rating on any of the Bonds. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Indenture prior to the date specified in the notice of resignation or removal as the date when such resignation or removal was to take effect, the Holders of a majority in aggregate principal amount of all Bonds then Outstanding may appoint a successor Trustee.

Section 8.12. Qualification of Successor. A successor Trustee shall be a national bank with trust powers or a bank or trust company with trust powers, having a combined net capital and surplus of at least \$50,000,000 and be acceptable to the Insurer.

Section 8.13. Instruments of Succession. Any successor Trustee shall execute, acknowledge and deliver to the Issuer an instrument accepting such appointment hereunder

and thereupon, such successor Trustee, without any further act, deed, or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named Trustee herein. The Trustee ceasing to act hereunder, after deducting all amounts owed to the Trustee, shall pay over to the successor Trustee all moneys held by it hereunder and, upon request of the successor Trustee, the Trustee ceasing to act and the Issuer shall execute and deliver an instrument or instruments prepared by the Issuer transferring to the successor Trustee all the estates, properties, rights, powers and trusts hereunder of the predecessor Trustee, except for its rights under Section 8.04 hereof.

Section 8.14. Merger of Trustee. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party or any corporation acquiring substantially all of the corporate trust business of the Trustee, shall be the successor Trustee under the Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding; provided, however, that any such successor corporation continuing to act as Trustee hereunder shall meet the requirements of Section 8.14 hereof, and if such corporation does not meet the aforesaid requirements, a successor Trustee shall be appointed pursuant to this Article VIII.

Section 8.15. Extension of Rights and Duties of Trustee to Paying Agent and Registrar. The provisions of Sections 8.02, 8.03, 8.04, 8.08 and 8.09 hereof are hereby made applicable to the Paying Agent and the Registrar, as appropriate, and any Person serving as Paying Agent and/or Registrar, hereby enters into and agrees to comply with the covenants and agreements of the Indenture applicable to the Paying Agent and Registrar, respectively.

Section 8.16. Resignation of Paying Agent or Registrar. The Paying Agent or Registrar may resign and be discharged of the duties created by the Indenture by executing an instrument in writing resigning such duties and specifying the date when such resignation shall take effect, and filing the same with the Issuer, the Trustee, and any rating agency that shall then have in effect a rating on any of the Bonds, not less than forty-five (45) days before the date specified in such instrument when such resignation shall take effect, and by giving written notice of such resignation not less than three (3) weeks prior to such resignation date to the Bondholders, mailed to their addresses as such appear in the Bond Register. Such resignation shall take effect on the date specified in such instrument and notice, but only if a successor Paying Agent or Registrar shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor Paying Agent or Registrar. If the successor Paying Agent or Registrar shall not have been appointed within a period of ninety (90) days following the giving of notice, then the Paying Agent or Registrar shall be authorized to petition any court of competent jurisdiction to appoint a successor Paying Agent or Registrar as provided in Section 8.21 hereof.

Section 8.17. Removal of Paying Agent or Registrar. The Paying Agent or Registrar may be removed at any time prior to any Event of Default by the Issuer by filing with the

Paying Agent or Registrar to be removed, and with the Trustee, an instrument or instruments in writing executed by the Issuer appointing a successor, or an instrument or instruments in writing designating, and accompanied by an instrument or appointment by the Issuer of, such successor. Such removal shall be effective thirty (30) days (or such longer period as may be set forth in such instrument) after delivery of the instrument; provided, however, that no such removal shall be effective until the successor Paying Agent or Registrar appointed hereunder shall execute, acknowledge and deliver to the Issuer an instrument accepting such appointment hereunder.

Section 8.18. Appointment of Successor Paying Agent or Registrar. In case at any time the Paying Agent or Registrar shall be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy, or for any other reason, then a vacancy shall forthwith and ipso facto exist in the office of the Paying Agent or Registrar, as the case may be, and a successor shall be appointed by the Issuer; and in case at any time the Paying Agent or Registrar shall resign, then a successor shall be appointed by the Issuer. After any such appointment, notice of such appointment shall be given by the Issuer to the predecessor Paying Agent or Registrar, the successor Paying Agent or Registrar, the Trustee, any rating agency that shall then have in effect a rating on any of the Bonds, and all Bondholders. Any new Paying Agent or Registrar so appointed shall immediately, and without further act, supersede the predecessor Paying Agent or Registrar.

Section 8.19. Qualifications of Successor Paying Agent or Registrar. Every successor Paying Agent or Registrar (a) shall be a commercial bank or trust company (i) duly organized under the laws of the United States or any state or territory thereof, (ii) authorized by law to perform all the duties imposed upon it by the Indenture and (iii) capable of meeting its obligations hereunder, and (b) shall have a combined net capital and surplus of at least \$50,000,000.

Section 8.20. Judicial Appointment of Successor Paying Agent or Registrar. In case at any time the Paying Agent or Registrar shall resign and no appointment of a successor Paying Agent or Registrar shall be made pursuant to the foregoing provisions of this Indenture prior to the date specified in the notice of resignation as the date when such resignation is to take effect, the retiring Paying Agent or Registrar may forthwith apply to a court of competent jurisdiction for the appointment of a successor Paying Agent or Registrar. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Paying Agent or Registrar. Notice of such appointment shall be given by the Successor Registrar or Paying Agent to the Issuer, the Trustee, any rating agency that shall then have in effect a rating on any of the Bonds, and all Bondholders. In the absence of such an appointment, the Trustee shall become the Registrar or Paying Agent, or and shall so notify the Issuer, any rating agency that shall have issued a rating on the Bonds, and all Bondholders.

Section 8.21. Acceptance of Duties by Successor Paying Agent or Registrar. Any successor Paying Agent or Registrar shall become duly vested with all the estates, property,

rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named Paying Agent or Registrar herein. Upon request of such Paying Agent or Registrar, such predecessor Paying Agent or Registrar and the Issuer shall execute and deliver an instrument transferring to such successor Paying Agent or Registrar all the estates, property, rights and powers hereunder of such predecessor Paying Agent or Registrar and such predecessor Paying Agent or Registrar shall pay over and deliver to the successor Paying Agent or Registrar all moneys and other assets at the time held by it hereunder.

Section 8.22. Successor by Merger or Consolidation. Any corporation into which any Paying Agent or Registrar hereunder may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Paying Agent or Registrar hereunder or any corporation acquiring substantially all of the corporate trust business of the Trustee, shall be a party, or any corporation which shall have acquired substantially all of the Paying Agent's or Registrar's corporate trust business, shall be the successor Paying Agent or Registrar under the Indenture without the execution or filing of any paper or any further act on the part of the parties thereto, anything in the Indenture to the contrary notwithstanding.

[END OF ARTICLE VIII]

ARTICLE IX
ACTS OF BONDHOLDERS; EVIDENCE OF OWNERSHIP OF BONDS

Section 9.01. Acts of Bondholders; Evidence of Ownership of Bonds. Any action to be taken by Bondholders may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Bondholders in person or by an agent appointed in writing. The fact and date of the execution by any person of any such instrument may be provided by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution. Any action by the Owner of any Bond shall bind all future Owners of the same Bond in respect of anything done or suffered by the Issuer, Trustee, Paying Agent or Registrar in pursuance thereof.

[END OF ARTICLE IX]

ARTICLE X
AMENDMENTS AND SUPPLEMENTS

Section 10.01. Amendments and Supplements Without Bondholders' Consent. This Indenture may be amended or supplemented, from time to time, without the consent of the Bondholders, by a Supplemental Indenture authorized by an ordinance of the Issuer filed with the Trustee, for one or more of the following purposes:

(a) to add additional covenants of the Issuer or to surrender any right or power herein conferred upon the Issuer;

(b) for any purpose not inconsistent with the terms of the Indenture, or to cure any ambiguity or to cure, correct or supplement any defective provision (whether because of any inconsistency with any other provision hereof or otherwise) of the Indenture, in such manner as shall not impair the security hereof or thereof or adversely affect the rights and remedies of the Bondholders;

(c) to make such changes as may be necessary, so long as, in the opinion of counsel to the Issuer, such changes do not have an adverse effect on the Holders of the Bonds.

(d) to issue Additional Parity Obligations in accordance with the provisions of Section 6.05 hereof.

Section 10.02. Amendments with Bondholders' Consent. Subject to the provisions of Sections 7.14 and 10.03 hereof, this Indenture may be amended from time to time by a supplemental indenture approved by the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding; provided that with respect to (a) the interest payable upon any Bonds, (b) the dates of maturity or redemption provisions of any Bonds, (c) this Article X and (d) the security provisions hereunder, which may only be amended by approval of the Owners of all Bonds to be so amended.

Notwithstanding the foregoing or any other provisions to the contrary, for as long as the Policy remains in full force and effect, consent and approval by the Insurer shall constitute the required consent and approval of the Owners of the Bonds, provided, however, that in no event shall the Insurer's consent to the actions listed in subsections (a) through (d) of this Section 12002 above constitute consent of the Owners.

Section 10.03. Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel. The Trustee is authorized to join in the execution and delivery of any supplemental indenture or amendment permitted by this Article X and in so doing may rely on a written opinion of Counsel that such supplemental indenture or amendment is so permitted and has been duly authorized by the Issuer and that all things necessary to make it a valid and binding agreement have been done.

Section 10.04. Notice to Rating Agencies. The Trustee shall give notice to the Insurer and any rating agency then rating the Bonds of any amendments or supplemental indentures pursuant to this Article X.

[END OF ARTICLE X]

ARTICLE XI DEFEASANCE

Section 11.01. Defeasance. When interest on, and principal or Redemption Price (as the case may be) of, the Series of Bonds or any portion thereof to be defeased have been paid, or there shall have been deposited with the Trustee, acting as escrow agent, or such other escrow agent (the "Escrow Agent") moneys sufficient, or Federal Securities, the principal of and interest on which, when due, together with any moneys, remaining uninvested, will provide sufficient moneys to fully pay (i) such Series of Bonds or portion thereof to be defeased, and (ii) any other sums payable hereunder by the Issuer, the right, title and interest of the Trustee with respect to such Series of Bonds or portion thereof to be defeased shall thereupon cease, the lien of the Indenture on the Pledged Funds, and the Funds and Accounts established under the Indenture shall be defeased and discharged, and the Trustee, on demand of the Issuer, shall release the Indenture as to such Series of Bonds or portion thereof to be so defeased and shall execute such documents to evidence such release as may be reasonably required by the Issuer and shall turn over to the Issuer or to such Person, body or authority as may be entitled to receive the same all balances remaining in any Funds and Accounts upon the defeasance in whole of all of the Bonds.

In the event that the principal and/or interest due on a Series of Bonds shall be paid by the Insurer insuring such Series of Bonds pursuant to its Policy, such Series of Bonds shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Issuer, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and shall run to the benefit of the Insurer, and the Insurer shall be subrogated to the rights of such registered owners including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the Bonds.

Section 11.02. Deposit of Funds for Payment of Bonds. If the Issuer deposits with the Escrow Agent moneys sufficient, or Federal Securities, the principal of and interest on which, when due, together with any moneys remaining uninvested, will provide sufficient moneys to pay the principal or Redemption Price of any Bonds becoming due, either at maturity or by redemption or otherwise, together with all interest accruing thereon to the date of maturity or such prior redemption, and reimburses or causes to be reimbursed or pays or causes to be paid the other amounts required to be reimbursed or paid under Section 11.01 hereof, interest on such Bonds shall cease to accrue on such date of maturity or prior redemption and all liability of the Issuer with respect to such Bonds shall likewise cease, except as hereinafter provided; provided, however, that (a) if any Bonds are to be redeemed prior to the maturity thereof, notice of the redemption thereof shall have been duly given in accordance with the provisions of Section 5.02 hereof, or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice, and (b) in the event that any Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days following a deposit of moneys

with the Escrow Agent, in accordance with this Section, the Issuer shall have given the Escrow Agent, in form satisfactory to the Escrow Agent, irrevocable instructions to mail to the Owners of such Bonds at their addresses as they appear on the Bond Register, a notice stating that a deposit in accordance with this Section has been made with the Escrow Agent and that the Bonds to which such notice relates are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price (as the case may be) of, and interest on, said Bonds. Thereafter such Bonds shall be deemed not to be Outstanding hereunder and the Owners of such Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bonds, and the Escrow Agent shall hold such funds in trust for such Owners.

Money so deposited with the Escrow Agent which remains unclaimed three (3) years after the date payment thereof becomes due shall, upon request of the Issuer, if the Issuer is not at the time to the knowledge of the Escrow Agent in default with respect to any covenant in the Indenture or the Bonds contained, be paid to the Issuer, and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Issuer; provided, however, that the Escrow Agent, before making payment to the Issuer, may, at the expense of the Issuer, cause a notice to be published in an Authorized Newspaper, stating that the money remaining unclaimed will be returned to the Issuer after a specified date.

[END OF ARTICLE XI]

ARTICLE XII
MISCELLANEOUS PROVISIONS

Section 12.01. Limitations on Recourse. No personal recourse shall be had for any claim based on the Indenture or the Bonds against any member of the Governing Body of the Issuer, officer, employee or agent, past, present or future, of the Issuer or of any successor body as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

The Bonds are payable solely from the Pledged Funds. There shall be no other recourse under the Bonds, the Indenture or otherwise, against the Issuer or any other property now or hereafter owned by it.

Section 12.02. Payment Dates. In any case where an Interest Payment Date or the maturity date of the Bonds or the date fixed for the redemption of any Bonds shall be other than a Business Day, then payment of interest, principal or Redemption Price need not be made on such date but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date, and no interest on such payment shall accrue for the period after such due date if payment is made on such next succeeding Business Day.

Section 12.03. No Rights Conferred on Others. Nothing herein contained shall confer any right upon any Person other than the parties hereto and the Holders of the Bonds.

Section 12.04. Illegal Provisions Disregarded. If any term of the Indenture or the Bonds or the application thereof for any reason or circumstances shall to any extent be held invalid or unenforceable, the remaining provisions or the application of such terms or provisions to Persons and situations other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each remaining term and provision hereof and thereof shall be valid and enforced to the fullest extent permitted by law.

Section 12.05. Substitute Notice. If for any reason it shall be impossible to make duplication of any notice required hereby in a newspaper or newspapers, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

Section 12.06. Notices. Any notice, demand, direction, request or other instrument authorized or required by the Indenture to be given to or filed with the Issuer, the Trustee or Bondholders shall be deemed to have been sufficiently given or filed for all purposes of the Indenture if and when personally delivered and receipted for, or sent by registered United States mail, return receipt requested, addressed as follows:

As to the Issuer – City of Callaway, Florida
6601 East Highway 22
Callaway, Florida 32404
Telephone: (850) 871-6000
Fax: (850) 871-2444
Attention: City Manager

As to the Trustee - Regions Bank

Orlando, Florida
Attention:
Telephone:
Fax:

As to the Insurer -

As to the Bondholders - The address which is on file with the Registrar

Any of the foregoing may, by notice sent to each of the others, designate a different or additional address to which notices under the Indenture are to be sent.

Any notices required to be sent to the Issuer or Trustee shall also be sent to the Bondholders.

All documents received by the Trustee under the provisions of the Indenture and not required to be redelivered shall be retained in its possession, subject at all reasonable times to the inspection of the Issuer, any Bondholder and the agents and representatives thereof as evidence in writing.

Section 12.07. Controlling Law. The Indenture shall be governed by and construed in accordance with the laws of the State.

Section 12.08. Successors and Assigns. All the covenants, promises and agreements in the Indenture contained by or on behalf of the Issuer or by or on behalf of the Trustee shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 12.09. Headings for Convenience Only. The table of contents and descriptive headings in this Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 12.10. Counterparts. This Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 12.11. Appendices and Exhibits. Any and all appendices or exhibits referred to in and attached to this Indenture are hereby incorporated herein and made a part hereof for all purposes.

[END OF ARTICLE XII]

IN WITNESS WHEREOF, the City of Callaway, Florida has caused this Trust Indenture to be executed by the Mayor and its corporate seal to be hereunto affixed, attested by the City Clerk and Regions Bank has caused this Trust Indenture to be executed by one of its corporate officers, all as of the day and year first above written.

CITY OF CALLAWAY, FLORIDA

[SEAL]

By: _____
Mayor

ATTEST:

By: _____
City Clerk

**REGIONS BANK, as Trustee, Paying
Agent and Registrar**

By: _____
Name:
Title:

EXHIBIT A
FORM OF BOND

R-_____

\$_____

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF BAY
CITY OF CALLAWAY
CAPITAL IMPROVEMENT REVENUE [REFUNDING] BOND
SERIES []

Interest Rate

Maturity Date

Date of Original Issuance

CUSIP

Registered Owner:

Principal Amount:

KNOW ALL PERSONS BY THESE PRESENTS that the City of Callaway, Florida (the "Issuer"), for value received, hereby promises to pay to the registered owner shown above or registered assigns, on the date specified above, from the sources hereinafter mentioned, upon presentation and surrender hereof at the corporate trust office of Regions Bank, as paying agent (said Regions Bank. and/or any bank or trust company to become successor paying agent being herein called the "Paying Agent"), the Principal Amount set forth above with interest thereon at the Interest Rate per annum set forth above, computed on a 360-day year of 30-day months, payable on the Maturity Date. Principal of this Bond is payable at the corporate trust office of Regions Bank located in _____, Florida, in lawful money of the United States of America. Interest on this Bond is payable by check or draft of the Paying Agent made payable to the registered owner and mailed on each Interest Payment Date to the address of the registered owner as such name and address shall appear on the registry books of the Issuer maintained by Regions Bank, as Registrar (said Regions Bank and any successor Registrar being herein called the "Registrar") at the close of business on the fifteenth day of the calendar month preceding each interest payment date or the date on which the principal of a Bond is to be paid (the "Record Date"). Such interest shall be payable from the most recent interest payment date next preceding the date of authentication hereof to which interest has been paid, unless the date of

authentication hereof is a _____ 1 or _____ 1 to which interest has been paid, in which case from the date of authentication hereof, or unless such date of authentication is prior to [_____ 1, ____], in which case from [_____ 1, ____], or unless the date of authentication hereof is between a Record Date and the next succeeding interest payment date, in which case from such interest payment date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Record Date and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent, notice whereof shall be given to Bondholders of record as of the fifth (5th) day prior to such mailing, at their registered addresses, not less than ten (10) days prior to such Special Record Date, or may be paid, at any time in any other lawful manner, as more fully provided in the Indenture (defined below).

This Bond is one of an authorized issue of City of Callaway, Florida Capital Improvement Revenue [Refunding] Bonds, Series ____ (the "Bonds"), in the aggregate principal amount of _____ Dollars (\$_____) of like date, tenor and effect, except as to number. The Bonds are being issued under authority of the laws and Constitution of the State of Florida, including particularly the Act, to refund the Refunded Bonds. The Bonds shall be issued as fully registered Bonds in authorized denominations, as set forth in the Indenture. The Bonds are issued under and secured by a Trust Indenture dated as of _____, 2015 (the "Indenture"), by and between the Issuer and the Trustee, executed counterparts of which are on file at the corporate trust office of the Trustee in _____, Florida.

Reference is hereby made to the Indenture for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds issued under the Indenture, the operation and application of the Debt Service Fund and other Funds and Accounts (each as defined in the Indenture) charged with and pledged to the payment of the principal of, premium, if any, and the interest on the Bonds, the nature and extent of the security for the Bonds, the terms and conditions on which the Bonds are issued, the rights, duties and obligations of the Issuer and of the Trustee under the Indenture, the conditions under which such Indenture may be amended without the consent of the registered owners of Bonds, the conditions under which such Indenture may be amended with the consent of the registered owners of a majority in aggregate principal amount of the Bonds outstanding, and as to other rights and remedies of the registered owners of the Bonds.

The registered owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

It is expressly agreed by the registered owner of this Bond that such registered owner shall never have the right to require or compel the exercise of the ad valorem taxing power of the Issuer, Bay County, Florida, the State of Florida or any political subdivision thereof, or

taxation in any form of any real or personal property of the Issuer, Bay County, Florida, the State of Florida or any political subdivision thereof, for the payment of the principal of, premium, if any, and interest on this Bond or the making of any other sinking fund and other payments provided for in the Indenture, except for Pledged Funds as set forth in the Indenture.

By the acceptance of this Bond, the registered owner hereof assents to all the provisions of the Indenture.

This Bond is payable from and secured by Pledged Funds, as such term is defined in the Indenture, all in the manner provided in the Indenture.

The Bonds are subject to redemption prior to maturity in the amounts, at the times and in the manner provided below. All payments of the redemption price of the Bonds shall be made on the dates specified below.

Optional Redemption

The Bonds are subject to optional redemption prior to maturity on or after _____ 1, _____ by the Issuer in whole, on any interest payment date, at an optional redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the redemption date, when sufficient moneys are on deposit in the related Funds and Accounts (other than the Rebate Fund) to pay and redeem Outstanding Bonds and accrued interest thereon to the redemption date in addition to all amounts owed to Persons under the Indenture.

Notice of Redemption

The Trustee shall cause notice of redemption to be mailed at least thirty but not more than sixty days prior to the date of redemption to all registered owners of Bonds to be redeemed (as such owners appear on the books of the Registrar on the fifth (5th) day prior to such mailing) and to certain additional parties as set forth in the Indenture; provided, however, that failure to mail any such notice or any defect in the notice or the mailing thereof shall not affect the validity of the redemption of the Bonds for which such notice was duly mailed in accordance with the Indenture. On the redemption date, the Bonds called for redemption will be payable at the designated corporate trust office of the Paying Agent and on such date interest shall cease to accrue, such Bonds shall cease to be entitled to any benefit under the Indenture and such Bonds shall not be deemed to be outstanding under the provisions of the Indenture and the registered owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. If the amount of funds so deposited with the Trustee, or otherwise available, is insufficient to pay the redemption price and interest on all Bonds so called for redemption on such date, the Trustee shall redeem and pay on such date an amount of such Bonds for which such funds are sufficient, selecting the Bonds to be redeemed by lot from among all such Bonds called for redemption on such date, and interest on any Bonds not paid shall continue to accrue, as provided in the Indenture.

The Issuer shall keep books for the registration of the Bonds at the corporate trust office of the Registrar in Orlando, Florida. Subject to the restrictions contained in the Indenture, the Bonds may be transferred or exchanged by the registered owner thereof in person or by his attorney duly authorized in writing only upon the books of the Issuer kept by the Registrar and only upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Issuer shall execute and the Trustee or such other authenticating agent as may be appointed by the Trustee under the Indenture shall authenticate and deliver a new Bond or Bonds in authorized form and in like aggregate principal amount in accordance with the provisions of the Indenture. Every Bond presented or surrendered for transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Trustee, Paying Agent or the Registrar, duly executed by the Bondholder or his attorney duly authorized in writing. Transfers and exchanges shall be made without charge to the Bondholder, except that the Issuer or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds. Neither the Issuer nor the Registrar on behalf of the Issuer shall be required (i) to issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of mailing of a notice of redemption of Bonds selected for redemption and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

The Issuer, the Trustee, the Paying Agent and the Registrar may deem and treat the person in whose name any Bond shall be registered upon the books kept by the Registrar as the absolute owner thereof (whether or not such Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuer, the Trustee, the Paying Agent or the Registrar) for the purpose of receiving payment of or on account of the principal of, premium, if any, and interest on such Bond as the same becomes due, and for all other purposes. All such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Issuer, the Trustee, the Paying Agent, nor the Registrar shall be affected by any notice to the contrary.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen, and to be performed, precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, including particularly the Act, and that the issuance of this Bond, and of the issue of the Bonds of which this Bond is one, is in full compliance with all constitutional and statutory limitations or provisions.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Indenture until it shall have been authenticated by execution of the Trustee, or such other authenticating agent as may be appointed by the Trustee under the Indenture, of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, the City of Callaway, Florida has caused this Bond to be signed by the manual or facsimile signature of the Mayor and a manual or facsimile of its seal to be imprinted hereon, and attested by the facsimile signature of the City Clerk, all as of the date hereof.

CITY OF CALLAWAY, FLORIDA

By: _____
Mayor

(SEAL)

Attest:

By: _____
City Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds delivered pursuant to the within mentioned Indenture.

Date of Authentication: _____

Regions Bank, as Trustee

By: _____
Authorized Officer

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with rights of survivorship and not as
tenants in common

UNIFORM GIFT MIN ACT - _____ Custodian _____
(Cust) (Minor)

Under Uniform Gifts to Minors

Act _____
(State)

Additional abbreviations may also be used though not in the above list.

ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

(please print or typewrite name and address of assignee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Signature Guarantee:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Please insert social security or other identifying number of Assignee.

ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT, dated as of _____, 2015, by and between the CITY OF CALLAWAY, FLORIDA (the "Issuer"), and REGIONS BANK, a state banking corporation organized under the laws of the State of Alabama having a designated corporate trust office in Orlando, Florida, as Escrow Agent and its successors and assigns (the "Escrow Agent");

WITNESSETH:

WHEREAS, the Issuer has previously authorized and issued obligations, hereinafter defined as "Refunded Bonds", as to which the Total Debt Service (as hereinafter defined) is set forth on Schedule A; and

WHEREAS, the Issuer has determined to provide for payment of the Total Debt Service of the Refunded Bonds by depositing with the Escrow Agent an amount which together with investment earnings thereon is at least equal to such Total Debt Service; and

WHEREAS, in order to obtain the funds needed for such purpose, the Issuer has authorized and is, concurrently with the delivery of this Agreement, issuing its Bonds as defined herein; and

WHEREAS, the execution of this Escrow Deposit Agreement and full performance of the provisions hereof shall defease and discharge the Issuer from the aforestated obligations;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Issuer and the Escrow Agent agree as follows:

SECTION 1. Definitions. As used herein, the following terms mean:

- (a) "Agreement" means this Escrow Deposit Agreement.
- (b) "Annual Debt Service" means the interest, principal and redemption on the Refunded Bonds coming due in such year as shown on Schedule A attached hereto and made a part hereof.
- (c) "Bonds" means \$_____ Capital Improvement Refunding Revenue Bonds, Series 2015.
- (d) "Escrow Account" means the account hereby created and entitled Escrow Account established and held by the Escrow Agent pursuant to this Agreement, in which cash and investments will be held for payment of the principal of and accrued interest on the Refunded Bonds as they become due and payable.

(e) "Escrow Agent" means Regions Bank having a designated corporate trust office in Orlando, Florida, and its successors and assigns.

(f) "Escrow Requirement" means, as of any date of calculation, the sum of an amount in cash and principal amount of Federal Securities in the Escrow Account which together with the interest to become due on the Federal Securities will be sufficient to pay the Total Debt Service on the Refunded Bonds in accordance with Schedule A.

(g) "Federal Securities" means direct, full faith and credit, non-callable obligations of the United States of America.

(h) "Issuer" means the City of Callaway, Florida, and its successors and assigns.

(i) "Ordinance" means Ordinance No. _____ enacted on _____, 2015.

(j) "Refunded Bonds" means the Issuer's outstanding \$20,435,000 Capital Improvement Revenue Bonds, Series 2007 (Special Capital Extension Project) maturing on and after August 1, 2016.

(k) "Total Debt Service" means the sum of the principal, premium and interest remaining unpaid with respect to the Refunded Bonds in accordance with Schedule A attached hereto.

SECTION 2. Deposit of Funds. The Issuer hereby deposits \$_____ with the Escrow Agent for deposit into the Escrow Account, in immediately available funds, which funds the Escrow Agent acknowledges receipt of, to be held in irrevocable escrow by the Escrow Agent separate and apart from other funds of the Escrow Agent and applied solely as provided in this Agreement. \$_____ of such funds are being derived from proceeds of the Bonds. \$_____ of such funds are being derived from legally available funds of the Issuer. The Issuer represents that such securities and funds are at least equal to the Escrow Requirement as of the date of such deposit.

SECTION 3. Use and Investment of Funds. The Escrow Agent acknowledges receipt of the sums described in Section 2 and agrees:

(a) to hold the funds and investments purchased pursuant to this Agreement in irrevocable escrow during the term of this Agreement for the sole benefit of the Holders of the Refunded Bonds;

(b) to immediately invest \$_____ of such funds derived from the proceeds of the Bonds and other legally available funds of the Issuer in the Federal Securities set forth on Schedule C attached hereto, to hold \$_____ in cash and to hold such securities and cash in accordance with the terms of this Agreement;

(c) in the event the securities described on Schedule C cannot be purchased, substitute securities may be purchased with the consent of the Issuer but only upon receipt of verification from an independent certified public accountant that the cash and securities deposited will not be less than the Escrow Requirement and only upon receipt of an opinion of Bryant Miller Olive P.A., that such securities constitute Federal Securities for purposes of this Agreement, and such substitution shall not affect the tax exempt status of interest on the Bonds or the Refunded Bonds; and

(d) there will be no investment of funds except as set forth in this Section 3 and Section 5 hereof.

SECTION 4. Payment of Bonds and Expenses.

(a) Refunded Bonds. On the dates and in the amounts set forth on Schedule A, the Escrow Agent shall transfer to Regions Bank, Orlando, Florida, the Paying Agent for the Refunded Bonds (the "Paying Agent"), in immediately available funds solely from amounts available in the Escrow Account, a sum sufficient to pay that portion of the Annual Debt Service for the Refunded Bonds coming due on such dates, as shown on Schedule A.

(b) Expenses. On each of the due dates as shown on Schedule B, the Escrow Agent shall pay the portion of the expenses coming due on such date to the appropriate payee or payees designated on Schedule B or designated by separate certificate of the Issuer.

(c) Surplus. After making the payments from the Escrow Account described in Subsections 4(a) and (b) above, the Escrow Agent shall retain in the Escrow Account any remaining cash in the Escrow Account in excess of the Escrow Requirement until the termination of this Agreement, and shall then pay any remaining funds to the Issuer for deposit into the Debt Service Fund to pay interest on the Bonds.

(d) Priority of Payments. The Holders of the Refunded Bonds shall have an express first priority security interest in the funds and Federal Securities in the Escrow Account until such funds and Federal Securities are used and applied as provided in this Agreement.

SECTION 5. Reinvestment. (a) Except as provided in Section 3 and in this Section, the Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of or make substitutions of the Federal Securities held hereunder.

(b) At the written request of the Issuer, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer or otherwise dispose of any of the Federal Securities acquired hereunder and shall substitute other Federal Securities and reinvest any excess receipts in Federal Securities. The Issuer will not request the Escrow Agent to exercise any of the powers described in the preceding sentence in any manner which will cause interest on the Bonds to be included in the gross income of the Holders thereof for purposes of Federal income taxation. The

transactions may be effected only if (i) an independent certified public accountant selected by the Issuer shall certify or opine in writing to the Issuer and the Escrow Agent that the cash and principal amount of Federal Securities remaining on hand after the transactions are completed will be not less than the Escrow Requirement, and (ii) the Escrow Agent shall receive an opinion from a nationally recognized bond counsel acceptable to the Issuer to the effect that the transactions, in and by themselves will not cause interest on such Bonds or the Refunded Bonds to be included in the gross income of the Holders thereof for purposes of Federal income taxation and such substitution is in compliance with this Agreement.

SECTION 6. No Redemption or Acceleration of Maturity. Except as set forth in the Resolution and reflected on Schedule A hereto, the Issuer will not accelerate the maturity of, or exercise any option to redeem before maturity, any Refunded Bonds.

SECTION 7. Responsibilities of Escrow Agent. The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Account, the acceptance of the funds deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof or for any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent or non-willful act, omission or error of the Escrow Agent made in good faith in the conduct of its duties. The Escrow Agent shall, however, be responsible for its negligent or willful failure to comply with its duties required hereunder, and its negligent or willful acts, omissions or errors hereunder. The duties and obligations of the Escrow Agent may be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the Issuer, at the Issuer's expense and in reliance upon the opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer.

SECTION 8. Resignation of Escrow Agent. The Escrow Agent may resign and thereby become discharged from the duties and obligations hereby created, by notice in writing given to the Issuer, any rating agency then providing a rating on either the Refunded Bonds or the Bonds, and the Paying Agent for the Refunded Bonds not less than sixty (60) days before such resignation shall take effect. Such resignation shall not take effect until the appointment of a new Escrow Agent hereunder.

SECTION 9. Removal of Escrow Agent.

(a) The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, executed by the Holders of not less than fifty-one percentum (51%) in aggregate principal amount of the Refunded Bonds then outstanding, such instruments to be filed with the Issuer, and notice in writing given by such Holders to the original purchaser or purchasers of the Bonds and published by the Issuer once in a newspaper of general circulation in the territorial limits of the Issuer, and in a daily newspaper or financial journal of general circulation in the City of New York, New York, not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments. A photographic copy of any instrument filed with the Issuer under the provisions of this paragraph shall be delivered by the Issuer to the Escrow Agent.

(b) The Escrow Agent may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Agreement with respect to the duties and obligations of the Escrow Agent by any court of competent jurisdiction upon the application of the Issuer or the Holders of not less than five percentum (5%) in aggregate principal amount of the Bonds then outstanding, or the Holders of not less than five percentum (5%) in aggregate principal amount of the Refunded Bonds then outstanding.

(c) The Escrow Agent may not be removed until a successor Escrow Agent has been appointed in the manner set forth herein.

SECTION 10. Successor Escrow Agent.

(a) If at any time hereafter the Escrow Agent shall resign, be removed, be dissolved or otherwise become incapable of acting, or shall be taken over by any governmental official, agency, department or board, the position of Escrow Agent shall thereupon become vacant. If the position of Escrow Agent shall become vacant for any of the foregoing reasons or for any other reason, the Issuer shall appoint an Escrow Agent to fill such vacancy and, upon such appointment, all assets held hereunder shall be transferred to such successor. The Issuer shall either (i) publish notice of any such appointment made by it once in each week for four (4) successive weeks in a newspaper of general circulation published in the territorial limits of the Issuer and in a daily newspaper or financial journal of general circulation in the City of New York, New York, or (ii) mail a notice of any such appointment made by it to the Holders of the Refunded Bonds within thirty (30) days after such appointment.

(b) At any time within one year after such vacancy shall have occurred, the Holders of a majority in principal amount of the Bonds then outstanding or a majority in principal amount of the Refunded Bonds then outstanding, by an instrument or concurrent instruments in writing, executed by either group of such bondholders and filed with the governing body of the Issuer, may appoint a successor Escrow Agent, which shall supersede any Escrow Agent theretofore appointed by the Issuer. Photographic copies of each such instrument shall be delivered promptly by the Issuer, to

the predecessor Escrow Agent and to the Escrow Agent so appointed by the bondholders. In the case of conflicting appointments made by the bondholders under this paragraph, the first effective appointment made during the one year period shall govern.

(c) If no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this Section, the holder of any Refunded Bonds then outstanding, or any retiring Escrow Agent may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Escrow Agent.

(d) Any corporation or association into which the Escrow Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer the bond administration portion of its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Escrow Agent hereunder and vested with all the trust, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any parties hereto, anything herein to the contrary notwithstanding, provided such successor shall have reported total capital and surplus in excess of \$15,000,000, provided that such successor Escrow Agent assumes in writing all the trust, duties and responsibilities of the Escrow Agent hereunder.

SECTION 11. Payment to Escrow Agent. The Escrow Agent hereby acknowledges that it has agreed to accept compensation under the Agreement in the sum of \$_____, payable at closing, for services to be performed by the Escrow Agent pursuant to this Agreement, plus out-of-pocket expenses (including attorneys fees) to be reimbursed at cost from legally available funds of the Issuer. The Escrow Agent shall have no lien or claim against funds in the Escrow Account for payment of obligations due it under this Section.

SECTION 12. Term. This Agreement shall commence upon its execution and delivery and shall terminate when the Refunded Bonds have been paid and discharged in accordance with the proceedings authorizing the Refunded Bonds.

SECTION 13. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Issuer or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, notice of such event shall be sent to the municipal bond insurer(s) for the Refunded Bonds, if any, as well as Moody's Investors Service, Inc., Fitch Ratings, Inc., and Standard & Poor's Ratings Services (but only to the extent such agencies have a rating outstanding on any of the Refunded Bonds), and while such covenant or agreements herein contained shall be null and void and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 14. Amendments to this Agreement. This Agreement is made for the benefit of the Issuer and the Holders from time to time of the Refunded Bonds and the Bonds and it shall not be repealed, revoked, altered or amended in whole or in part without the written consent of all affected Holders, the Escrow Agent and the Issuer; provided, however, that the Issuer and the Escrow Agent may, without the consent of, or notice to, such Holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such Holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Escrow Agent, for the benefit of the Holders of the Bonds and the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such Holders or the Escrow Agent; and
- (c) to subject to this Agreement additional funds, securities or properties.

The Escrow Agent shall, at its option, be entitled to request at the Issuer's expense and rely exclusively upon an opinion of nationally recognized attorneys on the subject of municipal bonds acceptable to the Issuer with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the Holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section. Prior written notice of such amendments, together with proposed copies of such amendments shall be provided to Moody's Investors Service, Fitch Ratings, Inc., and Standard & Poor's Ratings Services (but only to the extent such agencies have a rating outstanding), each rating agency then providing a rating on the Refunded Bonds.

SECTION 15. Indemnity. To the extent permitted by law, the Issuer hereby assumes liability for, and hereby agrees to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against at any time, the Escrow Agent (whether or not also indemnified against the same by the Issuer or any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Agreement, the establishment of the Escrow Account established hereunder, the acceptance of the funds and securities deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof and any payment, transfer or other application of funds or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the Issuer shall not be required to indemnify the Escrow Agent against its own negligence or willful misconduct. In no event shall the Issuer be liable to any person by reason of the transactions contemplated hereby other than to the Escrow Agent as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement. The

Escrow Agent shall not be liable for any deficiencies in the amounts necessary to pay the Escrow Requirement. Furthermore, the Escrow Agent shall not be liable for the accuracy of the calculation as to the sufficiency of moneys and the principal amount of Federal Securities and the earnings thereon to pay the Escrow Requirement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Florida without regard to conflict of law principles.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and their corporate seals to be hereunto affixed and attested as of the date first above written.

CITY OF CALLAWAY, FLORIDA

(SEAL)

By: _____
Mayor

ATTEST:

By: _____
City Clerk

ESCROW DEPOSIT AGREEMENT

REGIONS BANK

(SEAL)

By: _____

Name:

Title:

ATTEST:

By: _____

Name:

Title:

SCHEDULE A

TOTAL DEBT SERVICE
FOR
REFUNDED BONDS

Debt Service

Period Ending	Interest	Principal Redeemed	Total

SCHEDULE B

EXPENSES TO BE PAID BY ESCROW AGENT

<u>Name of Payee and Payee Payment Information</u>	<u>Amount</u>
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None	
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SCHEDULE C

SCHEDULE OF FEDERAL SECURITIES
TO BE PURCHASED AT CLOSING

Purchase <u>Date</u>	Maturity <u>Date</u>	Par <u>Amount</u>	Interest <u>Rate</u>	Purchase <u>Cost</u>	<u>Type</u>
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EXHIBIT B

FORM OF BOND PURCHASE AGREEMENT

BOND PURCHASE AGREEMENT

§ _____
CITY OF CALLAWAY, FLORIDA
Capital Improvement Revenue Refunding Bonds, Series 2015
(Special Capital Extension Project)

November __, 2015

City of Callaway, Florida
6601 East Highway 22
Callaway, Florida 32404

Ladies and Gentlemen:

The undersigned, RBC Capital Markets, LLC (the “Underwriter”), offers to enter into the following agreement (this “Agreement”) with City of Callaway, Florida (the “Issuer”) which, upon the Issuer’s written acceptance of this offer, will be binding upon the Issuer and upon the November __, 2015. This offer is made subject to the Issuer’s written acceptance hereof on or before 11:59 p.m., Eastern Standard Time, on November __, 2015, and, if not so accepted, will be subject to withdrawal by the Underwriter upon written notice delivered to the Issuer by the Underwriter at any time prior to the acceptance hereof by the Issuer. Terms not otherwise defined in this Agreement shall have the same meanings set forth in the Bond Ordinance (as defined herein) or in the Official Statement (as defined herein).

1. Purchase and Sale of the Bonds. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Issuer, and the Issuer hereby agrees to sell and deliver to the Underwriter, all, but not less than all, of the Issuer’s § _____ City of Callaway, Florida Capital Improvement Revenue Refunding Bonds, Series 2015 (Special Capital Extension Project) (the “Bonds”). Inasmuch as this purchase and sale represents a negotiated transaction, the Issuer acknowledges and agrees that: (i) the transaction contemplated by this Agreement is an arm’s length commercial transaction between the Issuer and the Underwriter in which the Underwriter is acting solely as a principal and are not acting as a municipal advisor, financial advisor or fiduciary to the Issuer; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Issuer with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or are currently providing other services to the Issuer on other matters); (iii) the Underwriter is acting solely in its capacity as underwriter for its own account, (iv) the only obligations the Underwriter has to the Issuer with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (v) the Issuer has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

The principal amount of the Bonds to be issued, the dated date therefor, the maturities, interest rates per annum, prices and/or yields and sinking fund and optional redemption provisions are set forth in Schedule I hereto. The Bonds shall be as described in, and shall be issued and secured under and pursuant to Chapter 166, Part II, Florida Statutes, the Constitution of the State of Florida, and other applicable provisions of law (collectively, the "Act"), and pursuant to the provisions of Ordinance No. 2015-____, adopted by the Issuer on November __, 2015 (the "Bond Ordinance") and a Trust Indenture dated as of November __, 2015 (the "Indenture") between the Issuer and Regions Bank, as trustee (the "Trustee").

The aggregate principal amount of the Bonds is \$_____ and the purchase price for the Bonds shall be \$_____. The discount/premium of \$_____ represents an underwriting discount of \$_____ and a net original issue discount/premium of \$_____.

In accordance with Section 218.385, Florida Statutes, the Underwriter hereby discloses the information required by such Section, including a truth-in-bonding statement, as provided in Schedule II attached hereto.

The Underwriter hereby agrees and makes the following representations and warranties to the Issuer: (a) the Underwriter is entities duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) this Agreement has been duly authorized, executed and delivered by the Underwriter and, assuming the due authorization, execution and delivery by the Issuer, is the legal, valid and binding obligation of the Underwriter enforceable in accordance with its terms, except as the enforceability of this Agreement may be limited by bankruptcy or other laws affecting creditors' rights generally and except that equitable remedies lie in the discretion of the court and may not be available, (c) the Underwriter is licensed by and registered with the Financial Industry Regulatory Authority as a broker dealer and the Municipal Securities Rulemaking Board (the "MSRB") as a municipal securities dealer, (d) neither the Underwriter nor any "person" or "affiliate" thereof has been on the "convicted vendor list" during the past 36 months as all such terms are defined in Section 287.133, Florida Statutes.

2. Public Offering. The Underwriter agrees to make a bona fide public offering of all of the Bonds at prices not to exceed the respective public offering prices set forth on the inside front cover of the Official Statement (the "Offering Prices") and may subsequently change such Offering Prices without any requirement of prior notice. The Underwriter may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the Offering Prices.

Simultaneously with or prior to the delivery of the Bonds, at the request of the Issuer or Bond Counsel (defined herein), the Underwriter shall furnish to the Issuer a certificate to the effect that (a) the Underwriter made a bona fide public offering of the Bonds at the Offering Prices, and (b) to the best of the knowledge, information and belief of the Underwriter, (i) a substantial amount of the Bonds (at least 10% of the aggregate face amount of each maturity) was sold to the public (excluding bond houses, brokers and other intermediaries) at prices no higher than the Offering Prices or (ii) a substantial amount of the Bonds was sold at or below the Offering Prices subject to the reasonable approval by Bond Counsel based on facts in existence on the date of Closing relating to the tax exempt status of the Bonds. If the Underwriter is unable

to state the matters set forth in this paragraph, such certificate shall state such actual facts as to the amount of the Bonds sold to the public (excluding bond houses, brokers and other intermediaries) and the price therefor, as Bond Counsel may reasonably request. In addition, the Underwriter shall certify such other matters as Bond Counsel reasonably may request of the Underwriter in order for Bond Counsel to issue its Bond Counsel opinion. The foregoing may expressly rely on information obtained or derived from other underwriters, bond houses and brokers selling the Bonds, without independent verification thereof, and must state that the Underwriter have no reason to believe that the statements in the certificate are untrue or incorrect in any material respect.

3. The Official Statement. (a) The Preliminary Official Statement dated November __, 2015 (the "Preliminary Official Statement"), including the cover page and Appendices thereto, of the Issuer relating to the Bonds, as amended to reflect the pricing terms of the Bonds is hereinafter called the "Official Statement."

(b) The Preliminary Official Statement has been prepared by the Issuer for use by the Underwriter in connection with the public offering, sale and distribution of the Bonds. The Issuer hereby represents and warrants that the Preliminary Official Statement was "deemed final" by the Issuer as of its date, except for the omission of such information which is dependent upon the final pricing of the Bonds for completion, all as permitted to be excluded by Section (b)(1) of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(c) The Issuer represents that the governing body of the Issuer has reviewed and approved the information in the Official Statement and hereby authorizes the Official Statement to be used by the Underwriter in connection with the public offering and the sale of the Bonds. The Issuer shall use best efforts to provide, or cause to be provided, to the Underwriter as soon as practicable after the date of the Issuer's acceptance of this Agreement (but, in any event, not later than within seven business days after the Issuer's acceptance of this Agreement and in sufficient time to accompany any confirmation that requests payment from any customer) copies of the Official Statement which is complete as of the date of its delivery to the Underwriter in such quantity as the Underwriter shall reasonably request in order for the Underwriter to comply with Section (b)(4) of the Rule and the rules of the Municipal Securities Rulemaking Board (the "MSRB"). The Issuer hereby confirms that it does not object to the distribution of the Official Statement in electronic form.

(d) If, after the date of this Agreement to and including the date the Underwriter is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the MSRB, but in no case less than 25 days after the "end of the underwriting period" for the Bonds), the Issuer becomes aware of any fact or event which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or if it is necessary to amend or supplement the Official Statement to comply with law, the Issuer will notify the Underwriter (and for the purposes of this clause provide the Underwriter with such information as it may from time to time request), and if, in the reasonable opinion of the Underwriter, such fact or event requires preparation and

publication of a supplement or amendment to the Official Statement, the Issuer will forthwith prepare and furnish at the Issuer's own expense (in a form and manner approved by the Underwriter), a reasonable number of copies of either amendments or supplements to the Official Statement so that the statements in the Official Statement as so amended and supplemented will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or so that the Official Statement will comply with law. If such notification shall be subsequent to the Closing, the Issuer at its expense (unless such misstatement or omission was contained in information provided by the Underwriter, then at the Underwriter's expense) shall furnish such legal opinions, certificates, instruments and other documents as the Underwriter may deem reasonably necessary to evidence the truth and accuracy of such supplement or amendment to the Official Statement.

(e) The Underwriter hereby agrees to file the Official Statement as required by the MSRB. Unless otherwise notified in writing by the Underwriter on or prior to the date of Closing, the Issuer can assume that the "end of the underwriting period" for purposes of the Rule is the date of the Closing.

4. Representations, Warranties, and Covenants of the Issuer. The Issuer hereby represents and warrants to and covenants with the Underwriter that:

(a) The Issuer is validly existing as a municipal corporation organized under the laws of the State of Florida (the "State"), duly created, organized and existing under the Act, and has full legal right, power and authority under the Act, and at the date of the Closing will have full legal right, power and authority under the Act and the Bond Ordinance (i) to enter into, execute and deliver this Agreement, to enact the Bond Ordinance, and to enter into, execute and deliver (A) the Indenture, (b) the Escrow Deposit Agreement to be executed between Regions Bank and the Issuer (the "Escrow Agreement"), (C) the Continuing Disclosure Certificate relating to the Bonds (the "Undertaking") and (D) all other documents required hereunder and thereunder to be executed and delivered by the Issuer (this Agreement, the Bond Ordinance, the Indenture, the Escrow Agreement, the Undertaking and the other documents referred to in this clause are hereinafter referred to as the "Issuer Documents"), (ii) to sell, issue and deliver the Bonds to the Underwriter as provided herein, (iii) to carry out and consummate the transactions contemplated by the Issuer Documents and the Official Statement and (iv) to refund the Refunded Bonds (as defined in the Official Statement), and as of the date hereof, the Issuer has complied, and will at the Closing be in compliance, in all respects with the terms of the Act and the Issuer Documents as they pertain to such transactions;

(b) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (i) the enactment of the Bond Ordinance and the issuance and sale of the Bonds, (ii) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Bonds and the Issuer Documents and (iii) the consummation by it of all other transactions contemplated by the Official Statement, and the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions

contemplated herein and in the Official Statement, in each case excepting any authorization that cannot be obtained prior to or concurrently with the date of this Agreement;

(c) This Agreement constitutes legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; the Bonds, when issued, delivered and paid for, in accordance with the Bond Ordinance, the Indenture and this Agreement, and the Issuer Documents other than this Agreement will, when executed and delivered by the respective parties thereto, constitute legal, valid and binding obligations of the Issuer entitled to the benefits of the Bond Ordinance and the Indenture and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the issuance, authentication and delivery of the Bonds as aforesaid, the Bond Ordinance and the Indenture will provide, for the benefit of the holders, from time to time, of the Bonds, the legally valid and binding pledge of and lien they purports to create as set forth in the Bond Ordinance and the Indenture;

(d) The Issuer is lawfully empowered to pledge and grant a lien upon the Pledged Funds (as defined in the Indenture) for payment of the principal of, redemption premium, if any, and interest on the Bonds pursuant to the Bond Ordinance and the Indenture;

(e) The Issuer is not in breach of or default in any material respect under any applicable constitutional provision, law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or any of its property or assets are otherwise subject, and no event has occurred and is continuing which constitutes or with the passage of time or the giving of notice, or both, would constitute a default or event of default by the Issuer under any of the foregoing; and when executed by the respective parties hereto and thereto, the Issuer reasonably expects as of the date hereof that execution and delivery of the Bonds and the other Issuer Documents, the enactment of the Bond Ordinance, compliance with the provisions on the Issuer's part contained therein and the refunding of the Refunded Bonds, will not conflict with or constitute a breach of or default under any constitutional provision, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Issuer is a party or to which the Issuer is or to which any of its property or assets are otherwise subject nor will any such execution, delivery, enactment or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Issuer to be pledged to secure the Bonds or under the terms of any such law, regulation or instrument, except as provided by the Bonds, the Bond Ordinance and the Indenture;

(f) Except as expressly disclosed in the Official Statement, the Issuer has not in the prior five years failed to comply in any material respect with any prior continuing disclosure obligation arising out of the Rule;

(g) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the Issuer Documents, and the Bonds have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any jurisdiction in connection with the offering and sale of the Bonds;

(h) Except as set forth in the Official Statement, as of the date of this Agreement, there is no legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of the Issuer after due inquiry, threatened against the Issuer, affecting the existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of the Pledged Funds or the refunding of the Refunded Bonds pursuant to the Bond Ordinance and the Indenture or otherwise or in any way contesting or affecting the validity or enforceability of the Bonds or the Issuer Documents, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or the refunding of the Refunded Bonds, authority for the issuance of the Bonds, the enactment of the Bond Ordinance or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Issuer Documents, or the excludability from gross income of interest on the Bonds for federal income tax purposes;

(i) The Preliminary Official Statement (other than the information concerning the Depositing Trust Company ("DTC") or its book-entry system of registration, as to which no representation is made) did not as of its date and does not as of the date hereof contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except for "permitted omissions" as described in the Rule;

(j) At the time of the Issuer's acceptance hereof and (unless the Official Statement is amended or supplemented pursuant to paragraph (d) of Section 3 of this Agreement) at all times subsequent thereto during the period up to and including the date of Closing, the Official Statement (other than the information concerning the Depositing Trust Company ("DTC") or its book-entry system of registration, as to which no representation is made) does not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(k) If the Official Statement is supplemented or amended pursuant to paragraph (d) of Section 3 of this Agreement, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto during the period up to and including the date of Closing the Official Statement as so supplemented or amended will not contain any untrue statement of a material

fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which made, not misleading;

(l) The Issuer will apply, or cause to be applied, the proceeds from the sale of the Bonds as provided in and subject to all of the terms and provisions of the Bond Ordinance and the Indenture and not to take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds;

(m) The Issuer will furnish such information and execute such instruments and take such action in cooperation with the Underwriter as the Underwriter may reasonably request (i) to (A) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions in the United States as the Underwriter may designate and (B) determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions and (ii) to continue such qualifications in effect so long as required for the distribution of the Bonds (provided, however, that the Issuer will not be required to qualify as a foreign corporation or to file any general or special consents to service of process under the laws of any jurisdiction, or comply with any other requirements reasonably deemed by it to be unduly burdensome) and will advise the Underwriter immediately of receipt by the Issuer of any notification with respect to the suspension of the qualification of the Bonds for sale in any jurisdiction or the initiation or threat of any proceeding for that purpose;

(n) The financial statements of the Issuer and other financial information regarding the Issuer and the Pledged Funds in the Official Statement fairly present the financial position and results of the Issuer and the Pledged Funds as of the dates and for the periods therein set forth. Except as set forth in the Official Statement, the Issuer is not a party to any litigation or other proceeding pending or, to its knowledge, threatened which, if decided adversely to the Issuer, would have a materially adverse effect on the financial condition of the Issuer;

(o) Prior to the Closing, the Issuer will not offer or issue any bonds, notes or other obligations for borrowed money or incur any material liabilities, direct or contingent, payable from or secured by any of the Pledged Funds without the prior approval of the Underwriter;

(p) Any certificate, signed by any official of the Issuer authorized to do so in connection with the transactions contemplated by this Agreement, shall be deemed a representation and warranty by the Issuer to the Underwriter as to the statements made therein;

(q) Except as expressly disclosed in the Official Statement, the Issuer neither is nor has been in default any time after December 31, 1975, as to principal or interest with respect to an obligation issued or guaranteed by the Issuer;

(r) Subsequent to the respective dates as of which information is given in the Official Statement, and prior to the Closing Date, except as set forth in or contemplated by the Official Statement, (i) the Issuer will not incur and shall not have incurred any material liabilities or obligations unless consented to by the Underwriter, direct or contingent, except in the ordinary course of business, (ii) there has not been and will not have been any material adverse change in the business or financial position or results of operations of the Issuer, and (iii) no material legal

or governmental proceedings affecting the Issuer or the transactions contemplated by this Agreement have been or will have been instituted or threatened.

5. Closing. (a) At 11:00 a.m. Eastern Standard Time, on _____, 2015, or at such other time and date as shall have been mutually agreed upon by the Issuer and the Underwriter (the "Closing"), the Issuer will, subject to the terms and conditions hereof, deliver the Bonds to the Underwriter duly executed and authenticated, together with the other documents hereinafter mentioned, and the Underwriter will, subject to the terms and conditions hereof, accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Agreement by a certified or bank cashier's check or checks or wire transfer payable in immediately available funds to the order of the Issuer. Payment for the Bonds as aforesaid shall be made at the offices of Issuer, or such other place as shall have been mutually agreed upon by the Issuer and the Underwriter.

(a) Delivery of the Bonds shall be made to The Depository Trust Company, New York, New York ("DTC") through its FAST system of registration. The Bonds shall be delivered in definitive fully registered form, bearing CUSIP numbers without coupons, with one Bond for each maturity of the Bonds, registered in the name of Cede & Co., all as provided in the Bond Ordinance, and shall be made available to the Underwriter at least one business day before the Closing for purposes of inspection.

6. Closing Conditions. The Underwriter has entered into this Agreement in reliance upon the representations, warranties and agreements of the Issuer contained herein, and in reliance upon the representations, warranties and agreements to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Issuer of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter's obligations under this Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Issuer of its obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions, including the delivery by the Issuer of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Underwriter:

(a) The representations and warranties of the Issuer contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) The Issuer shall have performed and complied with all agreements and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing;

(c) At the time of the Closing, (i) the Issuer Documents and the Bonds shall be in full force and effect in the form heretofore approved by the Underwriter and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; and (ii) all actions of the Issuer required to be taken by the Issuer shall be performed in order for Bond Counsel and other counsel to deliver their respective opinions

referred to hereafter[; and (iii) the Insurance Policy shall have been duly executed, issued and delivered by the Bond Insurer];

(d) At or prior to the Closing, the Bond Ordinance shall be in full force and effect and the Indenture shall have been duly executed and delivered by the Issuer, and the Issuer shall have duly executed and delivered and the Trustee shall have duly authenticated the Bonds;

(e) At the time of the Closing, there shall not have occurred any change or any development involving a prospective change in the condition, financial or otherwise, or in the revenues or operations of the Issuer, from that set forth in the Official Statement that in the reasonable judgment of the Underwriter, is material and adverse and that makes it, in the judgment of the Underwriter, impracticable to market the Bonds on the terms and in the manner contemplated in the Official Statement;

(f) The Issuer shall not have failed to pay principal or interest when due on any of its outstanding obligations for borrowed money;

(g) All steps to be taken and all instruments and other documents to be executed, and all other legal matters in connection with the transactions contemplated by this Agreement shall be reasonably satisfactory in legal form and effect to the Underwriter;

(h) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement, and each supplement or amendment thereto, if any, executed on behalf of the Issuer by its Mayor [and City Manager], or such other official as may have been agreed to by the Underwriter, and the reports and audits referred to or appearing in the Official Statement;

(2) The Bond Ordinance with such supplements or amendments as may have been agreed to by the Underwriter and fully executed counterparts of the Issuer Documents;

(3) [The Insurance Policy and an opinion of counsel to the Bond Insurer in form and substance satisfactory to the Underwriter, together with a certificate of the Bond Insurer with respect to the accuracy of statements contained in the Official Statement regarding the Insurance Policy and Bond Insurer and the due authorization execution issuance and delivery of the Insurance Policy];

(4) The Undertaking which satisfies the requirements of section (b)(5)(i) of the Rule;

(5) A final approving opinion of Bryant Miller Olive P.A., Bond Counsel to the Issuer, with respect to the Bonds, dated the date of closing, in substantially the form attached to the Official Statement as Appendix D;

(6) A letter of Bryant Miller Olive P.A., addressed to the Underwriter and dated the date of Closing, to the effect that their final approving opinion referred to in

Section 6(h)(5) hereof may be relied upon by the Underwriter to the same extent as if such opinion were addressed to the Underwriter;

(7) A supplemental opinion of Bryant Miller Olive P.A., addressed to the Underwriter, dated the date of Closing, substantially to the effect that:

(i) the Bond Ordinance has been duly enacted and is in full force and effect and the Issuer Documents have been duly executed and delivered by the Issuer and constitute legal, valid and binding obligations of the Issuer, enforceable in accordance with their respective terms;

(ii) the information contained in the Official Statement under the following headings insofar as such information purports to be summaries or descriptions of the Resolution, the Bonds, or state or federal law, are fair and accurate statements or summaries of such information: "INTRODUCTION," "DESCRIPTION OF THE SERIES 2015 BONDS" (other than the information under the subheading "Book-Entry Only System"), "PLAN OF REFUNDING," "SECURITY FOR THE SERIES 2015 BONDS" and the information under "TAX MATTERS" and in Appendices C and D is accurate, but excluding statements contained under any other heading to which reference is made under such headings or Appendices and any financial and statistical information included therein, as to which no opinion need be expressed; and

(iii) the Refunded Bonds have been legally defeased pursuant to and in accordance with the resolutions pursuant to which they were issued.

(8) An opinion of Bryant Miller Olive P.A., as Disclosure Counsel, dated the date of the Closing and addressed to the Issuer and the Underwriter, in substantially the form attached hereto as Exhibit A.

(9) An opinion of Kevin Obos, Esq., City Attorney, addressed to the Issuer, Bond Counsel and the Underwriter and dated the date of the Closing, to the effect that:

(i) The Issuer is a duly organized and validly existing municipal corporation of duly created, organized and existing under laws of the State, and has full legal right, power and authority under the Act and the Bond Ordinance (A) to enter into, execute and deliver the Issuer Documents and all documents required hereunder and thereunder to be executed and delivered by the Issuer, (B) to sell, issue and deliver the Bonds to the Underwriter as provided herein, (C) to carry out and consummate the transactions contemplated by the Issuer Documents and the Official Statement, (D) to refund the Refunded Bonds, and the Issuer has complied, and will at the Closing be in compliance in all material respects, with the terms of the Act and the Issuer Documents as they pertain to such transactions;

(ii) By all necessary official action of the Issuer prior to or concurrently with the acceptance hereof, the Issuer has duly authorized all necessary action to be taken by it for (A) the enactment of the Bond Ordinance,

and the issuance and sale of the Bonds, (B) the approval, execution and delivery of, and the performance by the Issuer of the obligations on its part, contained in the Bonds, the Bond Ordinance and the Issuer Documents, and (C) the consummation by it of all other transactions contemplated by the Official Statement, the Bond Ordinance, the Issuer Documents and any and all such other agreements and documents as may be required to be executed, delivered and/or received by the Issuer in order to carry out, give effect to, and consummate the transactions contemplated herein and in the Official Statement;

(iii) The Bond Ordinance was duly and validly enacted by the Issuer and is in full force and effect; the Bond Ordinance and all other proceedings pertinent to the validity and enforceability of the Bonds and the levy and collection of the excise taxes from which the Pledged Funds are derived have been duly and validly adopted or undertaken in compliance with all applicable procedural requirements of the Issuer and in compliance with the Constitution and laws of the State, including the Act;

(iv) The Issuer Documents have been duly authorized, executed and delivered by the Issuer, and constitute legal, valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their respective terms, except to the extent limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws and equitable principles of general application relating to or affecting the enforcement of creditors' rights; and the Bonds, when issued, delivered and paid for, in accordance with the Bond Ordinance, the Indenture and this Agreement, will constitute legal, valid and binding obligations of the Issuer entitled to the benefits of the Bond Ordinance and the Indenture and enforceable in accordance with their terms, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws and principles of equity relating to or affecting the enforcement of creditors' rights; upon the issuance, authentication and delivery of the Bonds as aforesaid, the Bond Ordinance and the Indenture will provide, for the benefit of the holders, from time to time, of the Bonds, the legally valid and binding pledge of and lien it purports to create as set forth in the Bond Ordinance and the Indenture;

(v) The distribution of the Preliminary Official Statement and the Official Statement has been duly authorized by the Issuer;

(vi) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization of, which would constitute a condition precedent to, or the absence of which would materially adversely affect the due performance by the Issuer of its obligations under the Issuer Documents and the Bonds have been obtained;

(vii) Except as set forth in the Official Statement, there is no legislation, action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the best

knowledge of the Issuer, after due inquiry, threatened against the Issuer, affecting the corporate existence of the Issuer or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the collection of Pledged Funds or the refunding of the Refunded Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Bond Ordinance or the Issuer Documents, or contesting the exclusion from gross income of interest on the Bonds for federal income tax purposes, or contesting in any way the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto, or contesting the powers of the Issuer or any authority for the issuance of the Bonds, the enactment of the Bond Ordinance or the execution and delivery of the Issuer Documents, nor, to the best knowledge of the Issuer, is there any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds, the Bond Ordinance or the Issuer Documents;

(viii) The enactment of the Bond Ordinance and the execution and delivery of the Issuer Documents and compliance by the Issuer with the provisions hereof and thereof, under the circumstances contemplated herein and therein, will not conflict with or constitute on the part of the Issuer a material breach of or a default under any agreement or instrument to which the Issuer is a party, or violate any existing law, administrative regulation, court order, or consent decree to which the Issuer is subject; and

(ix) Based on the examination which such counsel has caused to be made and its participation at conferences at which the Preliminary Official Statement and the Official Statement were discussed, such counsel has no reason to believe that the Official Statement as of its date and as of the date hereof contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading in any material respect (except for any financial forecast, technical and statistical data included in the Official Statement and except for information regarding DTC and its book-entry system in each case as to which no view need be expressed);

(10) A certificate, dated the date of Closing, signed by the Mayor and the City Manager of the Issuer, or such other officials satisfactory to the Underwriter, and in form and substance satisfactory to the Underwriter, to the effect that, (i) the representations and warranties of the Issuer contained herein are true and correct in all material respects on and as of the date of Closing as if made on the date of Closing; (ii) except as set forth in the Official Statement, no litigation or proceeding against the Issuer is pending or, to their knowledge, threatened in any court or administrative body nor is there a basis for litigation which would (A) contest the right of the members or officials of the Issuer to hold and exercise their respective positions, (B) contest the due organization and valid existence of the Issuer, (C) contest the validity, due authorization and execution of the Bonds, the Bond Ordinance or the Issuer Documents or (D) attempt to limit, enjoin or otherwise restrict or prevent the Issuer from functioning and collecting revenues,

including the collection of the Pledged Funds and the payment on the Bonds pursuant to the Bond Ordinance and the Indenture, or the anticipated receipt of Pledged Funds pledged to pay the principal of and interest on the Bonds, or the pledge thereof; (iii) the Bond Ordinance has been duly enacted by the Issuer, is in full force and effect and has not been modified, amended or repealed, and (iv) no event affecting the Issuer has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which made, not misleading in any respect as of the time of Closing, and the information contained in the Official Statement is correct in all material respects and, as of the date of the Official Statement did not, and as of the date of the Closing does not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(11) A certificate of the Issuer in form and substance satisfactory to Bond Counsel and counsel to the Underwriter (i) setting forth the facts, estimates and circumstances in existence on the date of the Closing, which establish that it is not expected that the proceeds of the Bonds will be used in a manner that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and any applicable regulations (whether final, temporary or proposed), issued pursuant to the Code, and (ii) certifying that to the best of the knowledge and belief of the Issuer there are no other facts, estimates or circumstances that would materially change the conclusions, representations and expectations contained in such certificate;

(12) A certificate of an authorized representative of Regions Bank (the “Bank”), as Trustee, Registrar, Paying Agent and Escrow Agent to the effect that (i) the Bank is a state banking association duly organized, validly existing and in good standing under the law of the State of Alabama and is duly authorized to exercise trust powers in the State of Florida, (ii) the Bank has all requisite authority, power, licenses, permits and franchises, and has full corporate power and legal authority to execute and perform its functions under the Indenture and the Escrow Agreement, (iii) the performance by the Bank of its functions under the Indenture and the Escrow Agreement will not result in any violation of the Articles of Association or Bylaws of the Bank, any court order to which the Bank is subject or any agreement, indenture or other obligation or instrument to which the Bank is a party or by which the Bank is bound, and no approval or other action by any governmental authority or agency having supervisory authority over the Bank is required to be obtained by the Bank in order to perform its functions under the Indenture and the Escrow Agreement, (iv) the Indenture and the Escrow Agreement each constitutes a valid and binding obligation of the Bank in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally and subject, as to enforceability, to general principles of equity and (v) to the best of such authorized representative’s knowledge, there is no action, suit, proceeding or investigation at law or in equity before any court, public board or body pending or, to his or her knowledge, threatened against or affecting the Bank wherein an unfavorable decision, ruling or finding on an issue raised

by any party thereto is likely to materially and adversely affect the ability of the Bank to perform its obligations under the Indenture and the Escrow Agreement;

(13) A signed copy of the letter of representations from the Issuer to DTC;

(14) A certificate of the Mayor or his designee deeming the Preliminary Official Statement “final” as of its date for the purposes of Rule 15c2-12;

(15) A letter from the rating agency set forth in the Official Statement (the “Rating Agency”) confirming that the Bonds have ratings at least as high as the ratings set forth in the “RATINGS” section of the Official Statement and that all such ratings are in effect as of the date of Closing;

(16) A copy of a special report prepared by _____, independent certified public accountants, addressed to the Issuer, Bond Counsel and the Underwriter, verifying (i) the arithmetical computations of the adequacy of the maturing principal and interest on the Government Securities (as defined in the Escrow Agreement) and uninvested cash on hand under the Escrow Agreement to pay, when due, the principal of and interest on the Refunded Bonds, and (ii) the computation of the yield with respect to the Government Securities and the Bonds;

(17) Such opinions of counsel, certificates and reports as are required in connection with the refunding of the Refunded Bonds in accordance with the instruments under which the Refunded Bonds were issued in order to defease the lien thereof;

(18) Such additional legal opinions, certificates, instruments and other documents as the Underwriter or counsel to the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Issuer’s representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Issuer on or prior to the date of the Closing of all the respective agreements then to be performed and conditions then to be satisfied by the Issuer.

All of the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to the Underwriter.

If the Issuer shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Agreement, this Agreement shall terminate and neither the Underwriter nor the Issuer shall be under any further obligation hereunder, except that the respective obligations of the Issuer and the Underwriter set forth in Sections 4 and 8 hereof shall continue in full force and effect.

7. Termination. The Underwriter shall have the right to cancel their obligation to purchase the Bonds if, between the date of this Agreement and the Closing, the market price or

marketability of the Bonds shall be materially adversely affected, in the reasonable judgment of the Underwriter, by the occurrence of any of the following after the date of this Agreement:

(a) Legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or any member of the Congress or the Florida legislature or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State of Florida the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to impose, directly or indirectly, federal income taxation or state income taxation upon interest received on obligations of the general character of the Bonds or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences or state income tax consequences of any of the transactions contemplated herein;

(b) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the 1933 Act, or that the Bond Ordinance or the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act, or that the issuance, offering, or sale of obligations of the general character of the Bonds, including any or all underlying arrangements, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect;

(c) Any state Blue Sky or securities commission or other governmental agency or body shall have withheld registration, exemption or clearance of the offering of the Bonds as described herein, or issued a stop order or similar ruling relating thereto;

(d) A general suspension of trading in securities on the New York Stock Exchange or other national securities exchange, the establishment of minimum prices on any such exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, a general banking moratorium declared by federal, State of New York, or State officials authorized to do so;

(e) The New York Stock Exchange or other national securities exchange or any governmental authority, shall impose, as to the Bonds or as to obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, Underwriter;

(f) Any amendment to the federal or state Constitution or action by any federal or state court, legislative body, regulatory body, or other authority materially adversely affecting the tax status of the Issuer, its property, income securities (or interest thereon), or the validity or enforceability of the excise taxes from which the Pledged Funds are derived;

(g) Any event occurring, or information becoming known which, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(h) There shall have occurred since the date hereof any materially adverse change in the affairs or financial condition of the Issuer or the Pledged Funds;

(i) Between the date hereof and the Closing, the Issuer has, without the prior written consent of the Underwriter, offered or issued any bonds, notes or other obligations for borrowed money, or incurred any material liabilities, direct or contingent, other than as described in the Official Statement, in either case payable from the Pledged Funds;

(j) The United States shall have become engaged in hostilities which have resulted in a declaration of war or a national emergency or there shall have occurred any other outbreak or escalation of hostilities;

(k) There shall have occurred any national or international calamity or crisis in the financial markets or otherwise of the United States or elsewhere;

(l) Prior to Closing, the Rating Agency shall inform the Issuer or the Underwriter that the Bonds will not receive a rating of at least the rating set forth under the "RATINGS" section of the Official Statement;

(m) The purchase of and payment for the Bonds by the Underwriter, or the resale of the Bonds by the Underwriter, on the terms and conditions herein provided shall be prohibited by any applicable law, governmental authority, board, agency or commission.

8. Expenses. (a) The Underwriter shall be under no obligation to pay, and the Issuer shall pay all expenses incident to the performance of the Issuer's obligations hereunder, including, but not limited to (i) the cost of preparation and printing of the Bonds, Preliminary Official Statement, Official Statement and any amendment or supplement thereto, (ii) the fees and disbursements of Bond Counsel, City Attorney and Disclosure Counsel, (iii) the fees and disbursements of the Financial Advisor to the Issuer; (iv) the fees and disbursements of the Trustee, Escrow Agent and any accountants and other experts, consultants or advisers retained by the Issuer; and (v) all fees, premiums and expenses in connection with obtaining bond ratings including the premiums for the Insurance Policy if any. The Issuer shall also pay for any expenses (included in the expense component of the Underwriter's discount) incurred by the Underwriter which are incidental to implementing this Bond Purchase Agreement and the issuance of the Bonds, including, but not limited to, meals, transportation and lodging, if any, and any other miscellaneous closing costs, subject to approval of the Issuer.

(b) Except as provided for above, the Underwriter shall pay (i) the cost of preparation and printing of this Agreement, any Blue Sky Surveys and/or Legal Investment Memoranda; (ii) all advertising expenses in connection with the public offering of the Bonds; and (iii) all other expenses incurred by them in connection with the public offering of the Bonds, including the fees and disbursements of counsel retained by the Underwriter. In the event that either party shall have paid obligations of the other as set forth in this Section 8, adjustment shall be made at the time of the Closing.

(c) The Issuer acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

(d) If this Agreement shall be terminated by the Underwriter because of any failure or refusal on the part of the Issuer to comply with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Issuer shall be unable to perform its obligations under this Agreement, the Issuer will reimburse the Underwriter for all out-of-pocket expenses (including the fees and disbursements of counsel to the Underwriter) reasonably incurred by the Underwriter in connection with this Agreement or the offering contemplated hereunder.

(e) The Issuer acknowledges that it has had an opportunity, in consultation with such advisors as it may deem appropriate, if any, to evaluate and consider the fees and expenses being incurred as part of the issuance of the Bonds.

9. Notices. Any notice or other communication to be given to the Issuer under this Agreement may be given by delivering the same in writing to City of Callaway, Florida, 6601 East Highway 22, Callaway, Florida 32404, to the attention of City Manager, with a copy to the City Attorney and any notice or other communication to be given to the Underwriter under this Agreement may be given by delivering the same in writing to RBC Capital Markets LLC, 1650 Prudential Drive, #101, Jacksonville, Florida 32202, Attention: Mr. Mitchell Owens.

10. Parties in Interest. This Agreement as heretofore specified shall constitute the entire agreement between us and is made solely for the benefit of the Issuer and the Underwriter (including successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. This Agreement may not be assigned by the Issuer or the Underwriter. All of the Issuer's representations, warranties and agreements contained in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigations made by or on behalf of any of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Agreement; and (iii) any termination of this Agreement.

11. Effectiveness. This Agreement shall become effective upon the acceptance hereof by the Issuer and shall be valid and enforceable at the time of such acceptance.

12. Choice of Law. This Agreement shall be governed by and construed in accordance with the law of the State of Florida.

13. Severability. If any provision of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any

Constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

14. Business Day. For purposes of this Agreement, “business day” means any day on which the New York Stock Exchange is open for trading.

15. Section Headings. Section headings have been inserted in this Agreement as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Agreement and will not be used in the interpretation of any provisions of this Agreement.

16. Counterparts. This Agreement may be executed in several counterparts each of which shall be regarded as an original (with the same effect as if the signatures thereto and hereto were upon the same document) and all of which shall constitute one and the same document.

[Signature Page to this Agreement immediately follows this page]

SIGNATURE PAGE TO BOND PURCHASE AGREEMENT FOR THE PURCHASE OF THE CITY OF CALLAWAY, FLORIDA CAPITAL IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 2015 (SPECIAL CAPITAL EXTENSION PROJECT) BETWEEN CITY OF CALLAWAY, FLORIDA AND RBC CAPITAL MARKETS, LLC.

If you agree with the foregoing, please sign the Agreement and return it to the Underwriter. This Agreement shall become a binding agreement between you and the Underwriter when at least the counterpart of this letter shall have been signed by or on behalf of each of the parties hereto.

Respectfully submitted,

RBC CAPITAL MARKETS, LLC

By: _____

Mitchell Owens, Managing Director

Date: November __, 2015

ACCEPTANCE

ACCEPTED at _____ [a.m./p.m.] Eastern Standard Time this ____ day of November, 2015.

CITY OF CALLAWAY, FLORIDA

By: _____

Name: _____

Title: Mayor

SCHEDULE I
MATURITIES, AMOUNTS, INTEREST RATES, YIELDS AND PRICES

\$ _____
CITY OF CALLAWAY, FLORIDA
Capital Improvement Revenue Refunding Bonds, Series 2015
(Special Capital Extension Project)

\$ _____ Serial Bonds

Maturity (October 1)	Amount	Interest Rate	Yield	Price
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*Price and Yield calculated to First Optional Call Date

Optional Redemption

The Bonds maturing on or before _____ 1, 20__ are not subject to optional redemption prior to maturity. The Bonds maturing on and after _____ 1, 20__ are subject to redemption at the option of the Issuer from any legally available revenues in whole or in part, at any time, on or after _____ 1, 20__ in such order of maturities as may be determined by the Issuer (less than all of a single maturity to be selected by lot) at a redemption price of ___% of the principal amount to be redeemed, plus accrued interest to the date set for redemption.

Schedule II
DISCLOSURE STATEMENT AND TRUTH-IN-BONDING STATEMENT

November __, 2015

Board of Commissioners
City of Callaway, Florida
6601 East Highway 22
Callaway, Florida 32404

Re: \$ _____ City of Callaway, Florida Capital Improvement Revenue Refunding
Bonds, Series 2015 (Special Capital Extension Project)

Dear Commissioners:

In connection with the proposed issuance by the City of Callaway, Florida (the "Issuer") of the referenced bonds (the "Bonds"), RBC Capital Markets, LLC, (the "Underwriter") is underwriting a public offering of the Bonds.

The purpose of the following six paragraphs of this letter is to furnish, pursuant to the provisions of Section 218.385(6), Florida Statutes, as amended, certain information in respect of the arrangements contemplated for the purchase and sale of the Bonds, as follows:

(a) The nature and estimated amount of expenses to be incurred by the Underwriter in connection with the purchase and re-offering of the Bonds are set forth in Attachment 1 attached hereto.

(b) There are no "finders," as defined in Section 218.386, Florida Statutes, as amended, connected with the sale and purchase of the Bonds.

(c) The underwriting spread, the difference between the price at which the Bonds will be initially offered to the public by the Underwriter and the price to be paid to the Issuer for the Bonds will be \$ _____ per \$1,000 of Bonds issued.

(d) As part of the estimated underwriting spread set forth in paragraph (c) above, the Underwriter will charge a management fee of \$0 per \$1,000 of Bonds issued.

(e) No other fee, bonus or other compensation is estimated to be paid by the Underwriter in connection with the issuance of the Bonds to any person not regularly employed or retained by the Underwriter (including any "finder" as defined in Section 218.386(1)(a),

(f) The name and address of the Underwriter is:

RBC Capital Markets, LLC
1650 Prudential Drive, #101
Jacksonville, Florida 32202

The purpose of the following two paragraphs is to furnish, pursuant to the provisions of Sections 218.385(2) and (3), Florida Statutes, as amended, the truth-in-bonding statement required thereby, as follows:

(a) The Issuer is proposing to issue \$_____ of the Bonds for the principal purposes of (1) refunding and retiring certain outstanding debt, and (2) paying certain costs and expenses relating to the issuance of the Bonds. This obligation is expected to be repaid over a period of approximately __ years. At a true interest cost of approximately _____ %, total interest paid over the life of the Bonds will be \$_____.

(b) The source of repayment or security of the Bonds is the Pledged Funds, which Pledged Funds include amounts received by the Issuer from the Local Government Half Cent Sales Tax Trust Fund pursuant to the provisions of Chapter 218, Part VI, Florida Statutes, and the revenues levied and collected by the Issuer on the sale of electricity under the authority of Section 166.231, Florida Statutes, and moneys on deposit in various funds and accounts, as such terms are defined in Ordinance No. 2015-___ of the Issuer adopted on November __, 2015. Authorizing this debt will result in an average of \$_____ (average annual debt service) of such Pledged Funds not being available to finance other services of the Issuer each year for approximately __ years.

The foregoing is provided for information purposes only and shall not affect or control the actual terms and conditions of the Bonds.

Very truly yours,

RBC CAPITAL MARKETS, LLC

Title: Managing Director

Underwriter's Estimated Expenses

	<u>\$/1000</u>	<u>Amount</u>
Underwriter's Counsel		
CUSIP		
DTC		
IPREO		
Day Loan		
Out of Pocket/Travel		
Total		

EXHIBIT A

Form of Disclosure Counsel Opinion

_____, 2015

City of Callaway, Florida
Fort Pierce, Florida

RBC Capital Markets, LLC
Jacksonville, Florida

Re: \$ _____ City of Callaway, Florida Capital Improvement Revenue Refunding Bonds, Series 2015 (Special Capital Extension Project)

Ladies and Gentlemen:

We have acted as Disclosure Counsel to City of Callaway, Florida (the "Issuer") in connection with the issuance of the \$ _____ City of Callaway, Florida Capital Improvement Revenue Refunding Bonds, Series 2015 (Special Capital Extension Project) (the "Bonds") and render this letter at your request. The Series 2015 Bonds are being issued to provide funds to (i) currently refund certain outstanding debt, and (ii) [pay premium for a bond insurance policy and] costs associated with the issuance of the Series 2015 Bonds. As Disclosure Counsel, we have reviewed and relied upon the following:

A. a certified copy of Ordinance No. 2016-___ duly adopted by the Commissioners of the Issuer (the "Commission") on November __, 2015 (the "Bond Ordinance"),

B. the Official Statement of the Issuer relating to the Bonds, dated November __, 2015 (the "Official Statement");

C. the Bond Purchase Agreement dated November __, 2015 (the "Bond Purchase Agreement"), between the Issuer and RBC Capital Markets, LLC (the "Underwriter");

D. the Continuing Disclosure Certificate dated as of the date hereof of the Issuer (the "Disclosure Agreement");

E. a certificate of the Issuer dated the date hereof, pertaining, among other things, to the Official Statement;

F. such other documents and instruments, including certificates and representations of public officials and other officers and representatives of the various parties participating in this transaction, and related matters that we have deemed necessary in order to render this opinion.

All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Official Statement.

In making examinations and in rendering this letter, we have assumed the genuineness of signatures on all documents and instruments, the authenticity and completeness of all documents submitted to us as originals and the conformity to original documents of copies submitted to us.

In the course of our participation in the preparation of the Official Statement, we participated in discussions with representatives of the Issuer, Public Financial Management, Inc., Financial Advisor to the Issuer, the City Attorney and the Underwriter.

Although we do not express an opinion on, and do not assume responsibility for, the accuracy, completeness or fairness of the statements contained in the Official Statement, based upon the foregoing and the information made available to us in the course of our participation in the preparation of the Official Statement, as Disclosure Counsel to the Issuer, and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, as of the date hereof and subject to the qualifications set forth herein, nothing has come to our attention which would cause us to believe that the Official Statement as of its date contained or, as of the date hereof contains, any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. We express no opinion with respect to the information pertaining to The Depository Trust Company or its book-entry only system of registration, or information therein regarding [the Bond Insurer and its bond insurance policy] or to any financial, statistical, economic or demographic information contained in the Official Statement and the Appendices thereto. [We have not reviewed any electronic version of the Official Statement and have assumed for purposes of this letter that any such version is identical in all respects to the printed version.]

We are also of the opinion that the Undertaking satisfies the requirements of Securities and Exchange Commission Rule 15c2-12(b)(5).

The opinions set forth herein are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the United States of America. The opinions expressed herein are based upon the laws in effect on the date hereof and are subject to any change in such laws, including judicial and administrative interpretations thereof, which may occur or be reported subsequent to the date hereof. The only opinions rendered hereby shall be those expressly stated as such herein, and no opinion shall be implied or inferred as a result of anything contained herein or omitted herefrom. In rendering the opinions set forth herein, we have relied as to matters of fact, to the extent we deemed proper, upon representation, warranties and certifications of the Issuer made in the Bond Ordinance, the Bond Purchase Agreement, the Series 2015 Bonds and documents and certificates relating thereto.

This letter is furnished by us as Disclosure Counsel and is solely for your benefit and may not be relied upon by, or published or communicated to, any other person without our express written consent. We disclaim any obligation to supplement this letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur. Except with respect to the Issuer, no attorney client relationship has existed or exists between our firm and any other parties involved in the transactions by virtue of this opinion letter.

Sincerely yours,

BRYANT MILLER OLIVE P.A.



EXHIBIT C

FORM OF ESCROW DEPOSIT AGREEMENT

ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT, dated as of _____, 2015, by and between the CITY OF CALLAWAY, FLORIDA (the "Issuer"), and REGIONS BANK, a state banking corporation organized under the laws of the State of Alabama having a designated corporate trust office in Orlando, Florida, as Escrow Agent and its successors and assigns (the "Escrow Agent");

WITNESSETH:

WHEREAS, the Issuer has previously authorized and issued obligations, hereinafter defined as "Refunded Bonds", as to which the Total Debt Service (as hereinafter defined) is set forth on Schedule A; and

WHEREAS, the Issuer has determined to provide for payment of the Total Debt Service of the Refunded Bonds by depositing with the Escrow Agent an amount which together with investment earnings thereon is at least equal to such Total Debt Service; and

WHEREAS, in order to obtain the funds needed for such purpose, the Issuer has authorized and is, concurrently with the delivery of this Agreement, issuing its Bonds as defined herein; and

WHEREAS, the execution of this Escrow Deposit Agreement and full performance of the provisions hereof shall defease and discharge the Issuer from the aforestated obligations;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Issuer and the Escrow Agent agree as follows:

SECTION 1. Definitions. As used herein, the following terms mean:

- (a) "Agreement" means this Escrow Deposit Agreement.
- (b) "Annual Debt Service" means the interest, principal and redemption on the Refunded Bonds coming due in such year as shown on Schedule A attached hereto and made a part hereof.
- (c) "Bonds" means \$_____ Capital Improvement Refunding Revenue Bonds, Series 2015.
- (d) "Escrow Account" means the account hereby created and entitled Escrow Account established and held by the Escrow Agent pursuant to this Agreement, in which cash and investments will be held for payment of the principal of and accrued interest on the Refunded Bonds as they become due and payable.

(e) "Escrow Agent" means Regions Bank having a designated corporate trust office in Orlando, Florida, and its successors and assigns.

(f) "Escrow Requirement" means, as of any date of calculation, the sum of an amount in cash and principal amount of Federal Securities in the Escrow Account which together with the interest to become due on the Federal Securities will be sufficient to pay the Total Debt Service on the Refunded Bonds in accordance with Schedule A.

(g) "Federal Securities" means direct, full faith and credit, non-callable obligations of the United States of America.

(h) "Issuer" means the City of Callaway, Florida, and its successors and assigns.

(i) "Ordinance" means Ordinance No. _____ enacted on _____, 2015.

(j) "Refunded Bonds" means the Issuer's outstanding \$20,435,000 Capital Improvement Revenue Bonds, Series 2007 (Special Capital Extension Project) maturing on and after August 1, 2016.

(k) "Total Debt Service" means the sum of the principal, premium and interest remaining unpaid with respect to the Refunded Bonds in accordance with Schedule A attached hereto.

SECTION 2. Deposit of Funds. The Issuer hereby deposits \$_____ with the Escrow Agent for deposit into the Escrow Account, in immediately available funds, which funds the Escrow Agent acknowledges receipt of, to be held in irrevocable escrow by the Escrow Agent separate and apart from other funds of the Escrow Agent and applied solely as provided in this Agreement. \$_____ of such funds are being derived from proceeds of the Bonds. \$_____ of such funds are being derived from legally available funds of the Issuer. The Issuer represents that such securities and funds are at least equal to the Escrow Requirement as of the date of such deposit.

SECTION 3. Use and Investment of Funds. The Escrow Agent acknowledges receipt of the sums described in Section 2 and agrees:

(a) to hold the funds and investments purchased pursuant to this Agreement in irrevocable escrow during the term of this Agreement for the sole benefit of the Holders of the Refunded Bonds;

(b) to immediately invest \$_____ of such funds derived from the proceeds of the Bonds and other legally available funds of the Issuer in the Federal Securities set forth on Schedule C attached hereto, to hold \$_____ in cash and to hold such securities and cash in accordance with the terms of this Agreement;

(c) in the event the securities described on Schedule C cannot be purchased, substitute securities may be purchased with the consent of the Issuer but only upon receipt of verification from an independent certified public accountant that the cash and securities deposited will not be less than the Escrow Requirement and only upon receipt of an opinion of Bryant Miller Olive P.A., that such securities constitute Federal Securities for purposes of this Agreement, and such substitution shall not affect the tax exempt status of interest on the Bonds or the Refunded Bonds; and

(d) there will be no investment of funds except as set forth in this Section 3 and Section 5 hereof.

SECTION 4. Payment of Bonds and Expenses.

(a) Refunded Bonds. On the dates and in the amounts set forth on Schedule A, the Escrow Agent shall transfer to Regions Bank, Orlando, Florida, the Paying Agent for the Refunded Bonds (the "Paying Agent"), in immediately available funds solely from amounts available in the Escrow Account, a sum sufficient to pay that portion of the Annual Debt Service for the Refunded Bonds coming due on such dates, as shown on Schedule A.

(b) Expenses. On each of the due dates as shown on Schedule B, the Escrow Agent shall pay the portion of the expenses coming due on such date to the appropriate payee or payees designated on Schedule B or designated by separate certificate of the Issuer.

(c) Surplus. After making the payments from the Escrow Account described in Subsections 4(a) and (b) above, the Escrow Agent shall retain in the Escrow Account any remaining cash in the Escrow Account in excess of the Escrow Requirement until the termination of this Agreement, and shall then pay any remaining funds to the Issuer for deposit into the Debt Service Fund to pay interest on the Bonds.

(d) Priority of Payments. The Holders of the Refunded Bonds shall have an express first priority security interest in the funds and Federal Securities in the Escrow Account until such funds and Federal Securities are used and applied as provided in this Agreement.

SECTION 5. Reinvestment. (a) Except as provided in Section 3 and in this Section, the Escrow Agent shall have no power or duty to invest any funds held under this Agreement or to sell, transfer or otherwise dispose of or make substitutions of the Federal Securities held hereunder.

(b) At the written request of the Issuer, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall sell, transfer or otherwise dispose of any of the Federal Securities acquired hereunder and shall substitute other Federal Securities and reinvest any excess receipts in Federal Securities. The Issuer will not request the Escrow Agent to exercise any of the powers described in the preceding sentence in any manner which will cause interest on the Bonds to be included in the gross income of the Holders thereof for purposes of Federal income taxation. The transactions may be effected only if (i) an independent certified public accountant selected by the

Issuer shall certify or opine in writing to the Issuer and the Escrow Agent that the cash and principal amount of Federal Securities remaining on hand after the transactions are completed will be not less than the Escrow Requirement, and (ii) the Escrow Agent shall receive an opinion from a nationally recognized bond counsel acceptable to the Issuer to the effect that the transactions, in and by themselves will not cause interest on such Bonds or the Refunded Bonds to be included in the gross income of the Holders thereof for purposes of Federal income taxation and such substitution is in compliance with this Agreement.

SECTION 6. No Redemption or Acceleration of Maturity. Except as set forth in the Resolution and reflected on Schedule A hereto, the Issuer will not accelerate the maturity of, or exercise any option to redeem before maturity, any Refunded Bonds.

SECTION 7. Responsibilities of Escrow Agent. The Escrow Agent and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Account, the acceptance of the funds deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof or for any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent or non-willful act, omission or error of the Escrow Agent made in good faith in the conduct of its duties. The Escrow Agent shall, however, be responsible for its negligent or willful failure to comply with its duties required hereunder, and its negligent or willful acts, omissions or errors hereunder. The duties and obligations of the Escrow Agent may be determined by the express provisions of this Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the Issuer, at the Issuer's expense and in reliance upon the opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an authorized officer of the Issuer.

SECTION 8. Resignation of Escrow Agent. The Escrow Agent may resign and thereby become discharged from the duties and obligations hereby created, by notice in writing given to the Issuer, any rating agency then providing a rating on either the Refunded Bonds or the Bonds, and the Paying Agent for the Refunded Bonds not less than sixty (60) days before such resignation shall take effect. Such resignation shall not take effect until the appointment of a new Escrow Agent hereunder.

SECTION 9. Removal of Escrow Agent.

(a) The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, executed by the Holders of not less than fifty-one percentum (51%) in aggregate principal amount of the Refunded Bonds then outstanding, such instruments to be filed with the Issuer, and notice in writing given by such Holders to the original purchaser or purchasers of the Bonds and published by the Issuer once in a newspaper of general circulation in the territorial limits of the Issuer, and in a daily newspaper or financial journal of general circulation in the City of New York, New York, not less than sixty (60) days before such removal is to take effect as stated in said instrument or instruments. A photographic copy of any instrument filed with the Issuer under the provisions of this paragraph shall be delivered by the Issuer to the Escrow Agent.

(b) The Escrow Agent may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provisions of this Agreement with respect to the duties and obligations of the Escrow Agent by any court of competent jurisdiction upon the application of the Issuer or the Holders of not less than five percentum (5%) in aggregate principal amount of the Bonds then outstanding, or the Holders of not less than five percentum (5%) in aggregate principal amount of the Refunded Bonds then outstanding.

(c) The Escrow Agent may not be removed until a successor Escrow Agent has been appointed in the manner set forth herein.

SECTION 10. Successor Escrow Agent.

(a) If at any time hereafter the Escrow Agent shall resign, be removed, be dissolved or otherwise become incapable of acting, or shall be taken over by any governmental official, agency, department or board, the position of Escrow Agent shall thereupon become vacant. If the position of Escrow Agent shall become vacant for any of the foregoing reasons or for any other reason, the Issuer shall appoint an Escrow Agent to fill such vacancy and, upon such appointment, all assets held hereunder shall be transferred to such successor. The Issuer shall either (i) publish notice of any such appointment made by it once in each week for four (4) successive weeks in a newspaper of general circulation published in the territorial limits of the Issuer and in a daily newspaper or financial journal of general circulation in the City of New York, New York, or (ii) mail a notice of any such appointment made by it to the Holders of the Refunded Bonds within thirty (30) days after such appointment.

(b) At any time within one year after such vacancy shall have occurred, the Holders of a majority in principal amount of the Bonds then outstanding or a majority in principal amount of the Refunded Bonds then outstanding, by an instrument or concurrent instruments in writing, executed by either group of such bondholders and filed with the governing body of the Issuer, may appoint a successor Escrow Agent, which shall supersede any Escrow Agent theretofore appointed by the Issuer. Photographic copies of each such instrument shall be delivered promptly by the Issuer, to

the predecessor Escrow Agent and to the Escrow Agent so appointed by the bondholders. In the case of conflicting appointments made by the bondholders under this paragraph, the first effective appointment made during the one year period shall govern.

(c) If no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this Section, the holder of any Refunded Bonds then outstanding, or any retiring Escrow Agent may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Escrow Agent.

(d) Any corporation or association into which the Escrow Agent may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer the bond administration portion of its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, ipso facto, shall be and become successor Escrow Agent hereunder and vested with all the trust, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any parties hereto, anything herein to the contrary notwithstanding, provided such successor shall have reported total capital and surplus in excess of \$15,000,000, provided that such successor Escrow Agent assumes in writing all the trust, duties and responsibilities of the Escrow Agent hereunder.

SECTION 11. Payment to Escrow Agent. The Escrow Agent hereby acknowledges that it has agreed to accept compensation under the Agreement in the sum of \$_____, payable at closing, for services to be performed by the Escrow Agent pursuant to this Agreement, plus out-of-pocket expenses (including attorneys fees) to be reimbursed at cost from legally available funds of the Issuer. The Escrow Agent shall have no lien or claim against funds in the Escrow Account for payment of obligations due it under this Section.

SECTION 12. Term. This Agreement shall commence upon its execution and delivery and shall terminate when the Refunded Bonds have been paid and discharged in accordance with the proceedings authorizing the Refunded Bonds.

SECTION 13. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Issuer or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, notice of such event shall be sent to the municipal bond insurer(s) for the Refunded Bonds, if any, as well as Moody's Investors Service, Inc., Fitch Ratings, Inc., and Standard & Poor's Ratings Services (but only to the extent such agencies have a rating outstanding on any of the Refunded Bonds), and while such covenant or agreements herein contained shall be null and void and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 14. Amendments to this Agreement. This Agreement is made for the benefit of the Issuer and the Holders from time to time of the Refunded Bonds and the Bonds and it shall not be repealed, revoked, altered or amended in whole or in part without the written consent of all affected Holders, the Escrow Agent and the Issuer; provided, however, that the Issuer and the Escrow Agent may, without the consent of, or notice to, such Holders, enter into such agreements supplemental to this Agreement as shall not adversely affect the rights of such Holders and as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

- (a) to cure any ambiguity or formal defect or omission in this Agreement;
- (b) to grant to, or confer upon, the Escrow Agent, for the benefit of the Holders of the Bonds and the Refunded Bonds any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such Holders or the Escrow Agent; and
- (c) to subject to this Agreement additional funds, securities or properties.

The Escrow Agent shall, at its option, be entitled to request at the Issuer's expense and rely exclusively upon an opinion of nationally recognized attorneys on the subject of municipal bonds acceptable to the Issuer with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the Holders of the Refunded Bonds or that any instrument executed hereunder complies with the conditions and provisions of this Section. Prior written notice of such amendments, together with proposed copies of such amendments shall be provided to Moody's Investors Service, Fitch Ratings, Inc., and Standard & Poor's Ratings Services (but only to the extent such agencies have a rating outstanding), each rating agency then providing a rating on the Refunded Bonds.

SECTION 15. Indemnity. To the extent permitted by law, the Issuer hereby assumes liability for, and hereby agrees to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against at any time, the Escrow Agent (whether or not also indemnified against the same by the Issuer or any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Agreement, the establishment of the Escrow Account established hereunder, the acceptance of the funds and securities deposited therein, the purchase of the Federal Securities, the retention of the Federal Securities or the proceeds thereof and any payment, transfer or other application of funds or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the Issuer shall not be required to indemnify the Escrow Agent against its own negligence or willful misconduct. In no event shall the Issuer be liable to any person by reason of the transactions contemplated hereby other than to the Escrow Agent as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement. The

Escrow Agent shall not be liable for any deficiencies in the amounts necessary to pay the Escrow Requirement. Furthermore, the Escrow Agent shall not be liable for the accuracy of the calculation as to the sufficiency of moneys and the principal amount of Federal Securities and the earnings thereon to pay the Escrow Requirement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Florida without regard to conflict of law principles.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and their corporate seals to be hereunto affixed and attested as of the date first above written.

CITY OF CALLAWAY, FLORIDA

(SEAL)

By: _____
Mayor

ATTEST:

By: _____
City Clerk

ESCROW DEPOSIT AGREEMENT

REGIONS BANK

(SEAL)

By: _____

Name:

Title:

ATTEST:

By: _____

Name:

Title:

SCHEDULE A

TOTAL DEBT SERVICE
FOR
REFUNDED BONDS

Debt Service

Period Ending	Interest	Principal Redeemed	Total

SCHEDULE B

EXPENSES TO BE PAID BY ESCROW AGENT

<u>Name of Payee and Payee Payment Information</u>	<u>Amount</u>
--	---------------

None	
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SCHEDULE C

SCHEDULE OF FEDERAL SECURITIES
TO BE PURCHASED AT CLOSING

<u>Purchase</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Par</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Purchase</u> <u>Cost</u>	<u>Type</u>
--------------------------------	--------------------------------	-----------------------------	--------------------------------	--------------------------------	-------------



EXHIBIT D

PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED NOVEMBER 13, 2015

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: See "Ratings" herein.

In the opinion of Bond Counsel, assuming compliance by the City with certain covenants, under existing statutes, regulations, and judicial decisions, the interest on the Series 2015 Bonds will not be included in the gross income for federal income tax purposes of the holders thereof and will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. In addition, interest on the Series 2015 Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. See "TAX EXEMPTION" herein for a description of other tax consequences to holders of the Series 2015 Bonds.

\$ _____ *
CITY OF CALLAWAY, FLORIDA
CAPITAL IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 2015

Dated: Date of Delivery

Due: August 1 (see inside cover)

The \$ _____ * City of Callaway, Florida Capital Improvement Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds") will be issued only as fully registered bonds, without coupons, and when initially issued will be registered to Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof. Beneficial owners of the Series 2015 Bonds will not receive physical delivery of bond certificates. Interest on the Series 2015 Bonds is payable on each February 1 and August 1, commencing February 1, 2016, until maturity or earlier redemption as more fully described herein. So long as DTC or its nominee is the registered owner of the Series 2015 Bonds, payment of the principal of and interest on such Series 2015 Bonds will be made directly to DTC. Disbursements of such payments to DTC participants are the responsibility of DTC and disbursements of such payments to the beneficial owners is the responsibility of DTC participants (see "DESCRIPTION OF THE SERIES 2015 BONDS – Book-Entry-Only System" herein).

The Series 2015 Bonds are subject to redemption prior to maturity as set forth herein.

The Series 2015 Bonds are being issued pursuant to Ordinance No. _____ enacted on November 10, 2015, as amended and supplemented from time to time (the "Ordinance") and that certain Trust Indenture, dated as of December 1, 2015 (the "Indenture"), between the City of Callaway, Florida and Regions Bank, as trustee (the "Trustee") to provide funds which will be sufficient to (i) refund the City's outstanding Capital Improvement Revenue Bonds, Series 2007 (Special Capital Extension Project) (the "Refunded Bonds"), and (ii) pay related costs of issuance. The Series 2015 Bonds are secured by a pledge of the Half-Cent Sales Tax and Electric Public Service Tax received by the City.

*Preliminary, subject to change.

The scheduled payment of principal of and interest on the Series 2015 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2015 Bonds by _____.

INSERT _____ LOGO

SEE THE INSIDE COVER PAGE FOR MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, PRICES OR YIELDS AND CUSIP NUMBERS.

This cover page is not intended to be a summary of the terms or security provisions of the Series 2015 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

THE SERIES 2015 BONDS DO NOT CONSTITUTE A GENERAL INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR CHARTER PROVISION OR LIMITATION, AND NO BONDHOLDER SHALL EVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR TAXATION OF ANY REAL OR PERSONAL PROPERTY THEREIN FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2015 BONDS OR THE MAKING OF ANY RESERVE OR OTHER PAYMENTS IN CONNECTION THEREWITH.

The Series 2015 Bonds are offered when, as, and if issued and received by the Underwriter, subject to the opinion on certain legal matters relating to their issuance by Bryant Miller Olive P.A., Miami, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by its counsel, Harrison, Sale, McCloy, Jackson and Moniz, Chtd., Panama City, Florida, and by its Disclosure Counsel, Nabors, Giblin & Nickerson, P.A., Tampa, Florida. Public Financial Management, Inc., Orlando, Florida serves as Financial Advisor to the City. It is expected that the Series 2015 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about December __, 2015.

RBC CAPITAL MARKETS

Dated: November __, 2015

*Preliminary, subject to change.

§ _____*

CITY OF CALLAWAY, FLORIDA
CAPITAL IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 2015

MATURITIES, AMOUNTS, INTEREST RATES, PRICES
AND INITIAL CUSIP NUMBERS

* Preliminary, subject to change.

†The City is not responsible for the use of the CUSIP Numbers referenced herein nor is any representation made by the City as to their correctness. The CUSIP Numbers provided herein are included solely for the convenience of the readers of this Official Statement.

CITY OF CALLAWAY, FLORIDA

ELECTED CITY OFFICIALS

Thomas W. Abbott, Mayor
Melba Covey, Commissioner
Pamn Henderson, Commissioner
Robert Pelletier, Commissioner
Ralph L. Hollister, Commissioner

APPOINTED CITY OFFICIALS

Michael Fuller, City Manager
Janice Peters, City Clerk

CITY ATTORNEY

Harrison, Sale, McCloy, Jackson & Moniz, Chartered
Panama City, Florida

CERTIFIED PUBLIC ACCOUNTANTS

Warren Averitt, LLC
Destin, Florida

FINANCIAL ADVISOR

Public Financial Management, Inc.
Orlando, Florida

BOND COUNSEL

Bryant Miller Olive P.A.
Miami, Florida

DISCLOSURE COUNSEL

Nabors, Giblin & Nickerson, P.A.
Tampa, Florida

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No broker, dealer, salesman or other person has been authorized by the City or the Underwriter to give any information or to make any representation with respect to the Series 2015 Bonds, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall be no sale of the Series 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been obtained from the City and other sources which are believed to be reliable, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof or the earliest date as of which such information is given.

THE SERIES 2015 BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2015 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2015 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CONNECTION WITH OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2015 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATIONS TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE SECURITY FOR THE SERIES 2015 BONDS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2015 BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2015 BONDS OFFERED HEREBY AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

_____ ("____") MAKES NO REPRESENTATION REGARDING THE SERIES 2015 BONDS OR THE ADVISABILITY OF INVESTING IN THE SERIES 2015 BONDS. IN ADDITION, _____ HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING _____ SUPPLIED BY _____ AND PRESENTED UNDER THE HEADING "BOND INSURANCE" AND APPENDIX F – SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

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- APPENDIX F -- SPECIMEN MUNICIPAL BOND INSURANCE POLICY

OFFICIAL STATEMENT

\$ _____ *

CITY OF CALLAWAY, FLORIDA

CAPITAL IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 2015

INTRODUCTION

The purpose of this Official Statement, including the cover page and all appendices, is to set forth certain information in connection with the sale by the City of Callaway, Florida (the "City") of its \$ _____ * aggregate principal amount of Capital Improvement Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds").

The Series 2015 Bonds are being issued pursuant to the Constitution and Laws of the State of Florida, including Chapter 166, Part II, Florida Statutes, the City Charter of the City, Ordinance No. _____ of the City, enacted November 10, 2015, and other applicable provisions of law (the "Act"), and pursuant and subject to the terms and conditions of that certain Trust Indenture, dated as of December 1, 2015 (the "Indenture") by and between the City and Regions Bank, as trustee (the "Trustee").

Payment of the principal of and interest on the Series 2015 Bonds, when due, will be insured by a municipal bond insurance policy to be issued by _____ ("_____"). _____ will insure payments only on stated interest payment dates, stated maturity dates, and scheduled mandatory amortization redemption dates and will not insure accelerated payments on the Series 2015 Bonds as a result of optional redemption or advancement of maturity. See "BOND INSURANCE" herein.

Capitalized terms used but not defined herein have the same meaning as when used in the Indenture unless the context clearly indicates otherwise. Complete descriptions of the terms and conditions of the Series 2015 Bonds are set forth in the Indenture, the form of which is attached to this Official Statement as Appendix C. The description of the Series 2015 Bonds, the documents authorizing and securing the same, and the information from various reports and statements contained herein are not intended to be comprehensive or definitive. All references herein to such documents, reports and statements are qualified by the entire, actual content of such documents, reports and statements. Copies of such documents, reports and statements referred to herein that are not included in their entirety in this Official Statement may be obtained from the City Manager, 6601 E. Highway 22, Callaway, Florida 32404, telephone number (850) 871-6000.

The assumptions, estimates, projections and matters of opinion contained in this Official Statement, whether or not so expressly stated, are set forth as such and not as matters of fact, and no representation is made that any of the assumptions or matters of opinion herein are valid or that any projections or estimates contained herein will be realized. Neither this Official Statement nor any other statement which may have been made verbally or in writing in

connection with the Series 2015 Bonds, other than the Indenture, is to be construed as a contract with the Owners of the Series 2015 Bonds.

PURPOSE OF THE SERIES 2015 BONDS

The Series 2015 Bonds are being issued to provide funds which will be sufficient to (i) refund the City's outstanding Capital Improvement Revenue Refunding Bonds, Series 2007 (Special Capital Extension Project), [(ii) fund a required deposit to the Reserve Fund through purchase of a Reserve Fund insurance policy,] and (iii) pay related costs of issuance.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of the proceeds to be received from the sale of the Series 2015 Bonds:

SOURCES:

Principal Amount of Series 2015 Bonds	\$
Original Issue Premium	
TOTAL SOURCES	\$

USES:

Deposit to Escrow Fund	\$
Underwriter's Discount	
Cost of Issuance ⁽¹⁾	
TOTAL USES	\$

⁽¹⁾ Includes costs incurred by the City and other costs relating to the issuance of the Series 2015 Bonds, including municipal bond insurance premium [and Reserve Fund insurance premium].

THE SERIES 2015 BONDS

General

The Series 2015 Bonds are being issued in fully registered form in the denomination of \$5,000 or any integral multiple thereof. The Series 2015 Bonds are dated their date of delivery and shall bear interest from that date as set forth on the inside cover page of this Official Statement. The Series 2015 Bonds will bear interest at the rates and mature on the dates set forth on the inside cover page hereof.

The Series 2015 Bonds will be in book entry-only form and registered, on the date of issuance and delivery, in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Series 2015 Bonds.

The principal of and premium, if any, on the Series 2015 Bonds are payable, while in book entry-only form, in accordance with the provisions of DTC, when due, and the interest on the Series 2015 Bonds, will be payable on each February 1 and August 1, commencing February 1, 2016, and thereafter until maturity.

Book-Entry Only System

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

Unless the book-entry system described herein is terminated, DTC will act as securities depository for the Series 2015 Bonds. The Series 2015 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One or more fully-registered bond certificates will be issued for the Series 2015 Bonds, and will be deposited with the Trustee on behalf of DTC. Individual purchases of beneficial interests in the Series 2015 Bonds will be made in increments of \$5,000 or integral multiples thereof.

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

Standard & Poor's Rating of AA+. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The contents of such website do not constitute a part of this Official Statement.

Purchases. Purchases of the Series 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

Transfers. To facilitate subsequent transfers, all Series 2015 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2015 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2015 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2015 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Notices. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Series 2015 Bonds may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2015 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2015 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2015 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

NEITHER THE CITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2015 BONDS. THE CITY CANNOT PROVIDE ANY ASSURANCE THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2015 BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Payments. Payments on the Series 2015 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Trustee on the relevant payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuance of Book-Entry-Only System. DTC may discontinue providing its services as depository with respect to the Series 2015 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificated Series 2015 Bonds are required to be printed and delivered to the holders of record.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository) with respect to the Series 2015 Bonds. Under current industry practices, however, DTC would notify its Direct or Indirect Participants of the City's decision but will only withdraw beneficial interests from a Series 2015 Bond at the request

of any Direct or Indirect Participant. In that event, certificates for the Series 2015 Bonds will be printed and delivered.

No Assurance Regarding DTC Practices

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

So long as Cede & Co. is the registered owner of the Series 2015 Bonds as nominee of DTC, references herein to the holders or registered owners of the Series 2015 Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Series 2015 Bonds.

None of the City, the Trustee or the Underwriter will have any responsibility or obligation to the Participants, DTC or the persons for whom they act with respect to (i) the accuracy of any records maintained by DTC or by any Direct or Indirect Participant of DTC, (ii) payments or the providing of notice to the Direct Participants, the Indirect Participants or the Beneficial Owners, (iii) the selection by DTC or by any Direct or Indirect Participant of any Beneficial Owner to receive payment in the event of a partial redemption of the Series 2015 Bonds or (iv) any other action taken by DTC or its partnership nominee as owner of the Series 2015 Bonds.

Redemption

The Series 2015 Bonds are subject to redemption prior to maturity as follows:

Optional Redemption.

The Series 2015 Bonds maturing on and before _____, are not redeemable prior to their stated dates of maturity. The Series 2015 Bonds or portions thereof maturing on _____, and thereafter, are redeemable prior to their stated dates of maturity, at the option of the City, in whole or in part on _____, and on any date thereafter, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption.

Mandatory Redemption.

The Term Series 2015 Bonds maturing on _____ 1, _____ are to be retired from amounts credited monthly to the Payment Account as mandatory Amortization Installments, which amounts are required to be sufficient to retire by _____ 1 of each year the principal amount of such Series 2015 Bonds set forth in the table below:

_____ **Term Bonds**

Year

Principal Amount

SCHEDULED DEBT SERVICE FOR THE SERIES 2015 BONDS

Year Ending <u>August 1</u>	Series 2015 <u>Bonds</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			

SECURITY FOR THE BONDS

General

The principal of, premium, if any, and interest on the Series 2015 Bonds will be payable from and will be secured solely by a lien upon and a pledge of (i) the Sales Tax Revenues, (ii) the Electric Public Service Tax, and (iii) until applied in accordance with the provisions of the Indenture, the proceeds of the Series 2015 Bonds, and (iv) all moneys, including investments thereof, in the funds and accounts established under the Indenture, other than the Rebate Fund (collectively, the "Pledged Funds"). The Series 2015 Bonds and any Additional Parity Obligations issued pursuant to the Indenture are collectively referred to herein as the "Bonds".

Limited Obligations

THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2015 BONDS WILL NOT BE OR CONSTITUTE A GENERAL INDEBTEDNESS OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION, AND THE CITY IS NOT OBLIGATED TO LEVY ANY AD VALOREM

TAXES FOR THE PAYMENT THEREOF. NEITHER THE FULL FAITH AND CREDIT NOR THE AD VALOREM TAXING POWER OF THE CITY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF IS PLEDGED TO SUCH PAYMENT, AND NO OWNER OF ANY SERIES 2015 BOND SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR TAXATION IN ANY FORM ON ANY REAL OR PERSONAL PROPERTY TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON SUCH SERIES 2015 BOND, OR BE ENTITLED TO PAYMENT THEREOF FROM ANY MONEYS OF THE CITY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER AND TO THE EXTENT PROVIDED IN THE INDENTURE. THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2015 BONDS DO NOT CONSTITUTE A LIEN UPON ANY PROPERTY OF OR IN THE CITY, OTHER THAN THE PLEDGED FUNDS, IN THE MANNER PROVIDED IN THE INDENTURE.

Establishment of Funds and Accounts

The Indenture establishes several funds and accounts, including a Revenue Fund, a Debt Service Fund, including an Interest Account and Principal Account therein, a Reserve Fund, and a Rebate Fund. Moneys in these funds and accounts, other than the Rebate Fund, until applied in accordance with the provisions of the Indenture, will be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders, all as provided in the Indenture.

The moneys required to be accounted for in each of the funds and accounts established under the Indenture may be deposited in a single bank account, and funds allocated to such funds and accounts may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds and accounts.

The designation and establishment of the various funds and accounts by the Indenture does not require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

Application of Pledged Funds

Debt Service Fund. The Indenture requires the City to send to the Trustee for deposit into the Revenue Fund an amount of Sales Tax Revenues and Electric Public Service Taxes sufficient to satisfy all payment obligations under the Indenture. On or before the last day of each month, the City shall deposit to the Principal and Interest Accounts in the Debt Service Fund such sums as are necessary to pay unpaid interest on all Outstanding Bonds and the principal coming due on the Bonds in the current calendar month if such interest and principal amounts were deemed to accrue monthly (assuming that a year consists of twelve (12) equivalent calendar months having

thirty (30) days each) in equal amounts from the next preceding principal payment due date, or, if there is no such preceding principal payment due date, from a date one year preceding the due date of such principal amount. Moneys in the Interest Account shall be applied to pay interest on the Bonds as and when the same shall become due, whether by redemption or otherwise, and for no other purpose. Moneys in the Principal Account shall be used to pay the principal of the Bonds as and when the same shall mature and any Amortization Installments due, and for no other purpose.

Reserve Fund. There shall be deposited to the Reserve Fund such sum, if any, as will be necessary to immediately restore any funds on deposit in each such subaccount to an amount equal to the Reserve Fund Requirement applicable thereto, including the reinstatement of any Reserve Fund Insurance Policy or Reserve Fund Letter of Credit on deposit therein. On or prior to each principal and interest payment date for the Bonds, moneys in the Reserve Fund shall be applied by the City to the payment of the principal of, or redemption price, if applicable, and interest on related series of Bonds to the extent moneys in the Debt Service Fund and the Revenue Fund are insufficient therefor.

Notwithstanding the foregoing provisions, in lieu of the required deposits into a subaccount of the Reserve Fund, the City may, at any time, cause to be deposited into the Reserve Fund a surety bond, irrevocable letter of credit, guaranty or insurance policy for the benefit of the Bondholders in an amount equal to the difference between the Reserve Fund Requirement applicable thereto and the sums then on deposit in such subaccount, if any.

Surplus Funds. The balance of any moneys remaining in the Revenue Fund after the payments and deposits required as set forth above may be used for any lawful purpose.

Rebate Fund. The City has established a separate fund to be designated the "Rebate Fund" under the Indenture. The City will cause to be deposited into the Rebate Fund, each year, the cumulative amounts required to be deposited therein in order to make rebate payments to the United States of America pursuant to the provisions of the Internal Revenue Code of 1986, as amended, in accordance with the provisions of the Indenture. Amounts deposited into the Rebate Fund are not pledged to secure the Series 2015 Bonds.

Issuance of Additional Parity Obligations

The City has agreed in the Indenture to not issue any other obligations, payable from Pledged Funds or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance of other charge having priority to or being on parity with the lien thereon in favor of the Series 2015 Bonds and the interest thereon; provided however, the City may issue Additional Parity Obligations under the conditions and in the manner provided below.

(1) The City's Finance Director shall certify at the time of the issuance of the Additional Parity Obligations that the City is not in default of any of the provisions, covenants and agreements of the Indenture.

(2) The City's Finance Director shall also certify at the time of the issuance of the Additional Parity Obligations that the average annual aggregate amount of Sales Tax Revenues and Electric Public Service Tax for the two most recently completed Fiscal Years immediately preceding the proposed date of issuance of such Additional Parity Obligations shall equal not less than 1.35 times the Maximum Debt Service Requirement on the outstanding Bonds and the proposed Additional Parity Obligations during any Fiscal Year.

The City may issue subordinate debt payable from Sales Tax Revenues and Electric Public Service Tax. Any subordinate debt issued by the City which is payable from the Pledged Funds shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to lien on and source and security for payment from such Pledged Funds.

Investment of Moneys

The Trustee shall, as directed by the City in writing, invest moneys held in the Debt Service Fund and Reserve Fund in Authorized Investments. The Trustee may conclusively presume that any investment direction made by the City is for an Authorized Investment. All deposits in time accounts shall be subject to withdrawal without penalty and all investments shall mature or be subject to redemption by the holder without penalty, not later than the date when the amounts will foreseeably be needed for purposes set forth in the Indenture. All securities securing investments under the Indenture shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee, as authorized by law with respect to trust funds in the State, or with a bank or trust company having a combined net capital and surplus of not less than \$50,000,000. The interest and income received upon such investments and any interest paid by the Trustee or any other depository of any Fund or Account and any profit or loss resulting from the sale of securities shall be added or charged to the Fund or Account for which such investments are made; provided, however, that if the amount in any Fund or Account equals or exceeds the amount required to be on deposit therein, any interest and other income so received shall be deposited in the Revenue Fund.

Moneys in any of the Funds and Accounts established pursuant to the Indenture, when held by the Trustee, shall be immediately invested by the Trustee as set forth herein and, thereafter, shall be continuously invested and reinvested and deposited and redeposited by the Trustee subject to all written directions from the City, as aforesaid. The Trustee shall not be liable or responsible for any loss or entitled to any gain resulting from any investment or sale upon the investment instructions of the City or otherwise, including that set forth in the first sentence of this paragraph.

Sources of Payment

General. The Series 2015 Bonds are payable solely from and secured by a pledge of and lien upon (1) all amounts received by the City from the Local Government Half-Cent Sales Tax Trust Fund pursuant to the provisions of Chapter 218, Part VI, Florida Statutes (the "Sales Tax Revenues"), (2) the revenues levied and collected by the City on the sale of electricity under the authority of Section 166.231, Florida Statutes, and Ordinance No. 120 duly enacted by the City Commission of the City on May 28, 1973, as amended (3) until applied in accordance with the provisions of the Indenture, the proceeds of the Bonds, and (4) all moneys, including investments thereof, in the funds and accounts established in the Indenture, other than the Rebate Fund (collectively, hereinafter called the "Pledged Funds").

THE SERIES 2015 BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT BE OR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY (OR "BONDS" WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF FLORIDA), BUT SHALL BE PAYABLE FROM AND SECURED SOLELY BY A LIEN UPON AND A PLEDGE OF THE PLEDGED FUNDS AS PROVIDED IN THE INDENTURE. NO REGISTERED OWNER OR OWNERS OF ANY SERIES 2015 BONDS SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR TAXATION IN ANY FORM ON ANY PROPERTY WITHIN OR WITHOUT THE CITY TO PAY THE SERIES 2015 BONDS, THE PREMIUM, IF ANY, OR THE INTEREST THEREON OR BE ENTITLED TO PAYMENT OF SUCH PRINCIPAL, PREMIUM, IF ANY, AND INTEREST FROM ANY OTHER FUNDS OF THE CITY EXCEPT FROM THE PLEDGED FUNDS IN THE MANNER PROVIDED IN THE INDENTURE. THE SERIES 2015 BONDS, THE PREMIUM, IF ANY, AND THE INTEREST THEREON SHALL NOT HAVE OR BE A LIEN UPON ANY PROPERTY OF OR IN THE CITY, OTHER THAN THE PLEDGED FUNDS IN THE MANNER PROVIDED IN THE INDENTURE.

Local Government Half-Cent Sales Tax. The Local Government Half-Cent Sales Tax is remitted to the City pursuant to Chapter 218, Part VI, Florida Statutes, as amended (the "Half-Sales Tax Act"). The Florida Revenue Act of 1949, Chapter 212, Part I, Florida Statutes, as amended (the "Sales Tax Act") authorizes the levy and collection by the State of Florida of a sales tax upon, among other things, the sales price of each item or article of tangible personal property sold at retail in the State of Florida, subject to certain exceptions and dealer allowances as set forth in the Sales Tax Act. The sales tax in Florida is currently six percent.

The sales tax is collected on behalf of the State of Florida by businesses at the time of sale at retail, use, consumption, or storage for use or consumption, of taxable property and remitted to the State on a monthly basis. The Sales Tax Act provides for penalties and fines, including criminal prosecution, for non-compliance with the provisions thereof.

All funds received and collected by the State of Florida are required to be deposited in the General Revenue Fund of the State and then distributed to various funds as enumerated in the Sales Tax Act. After various enumerated distributions, 8.97% of the amount remitted by a sales tax dealer within a participating City is required to be transferred into the Local Government Half-Cent Sales Tax Clearing Trust Fund (the "Trust Fund") and earmarked for distribution to the governing body of that participating City and of each participating municipality within that City pursuant to formulas set forth in the Sales Tax Act. The sales tax does not include any sales tax revenues which may be distributed to the City from the Discretionary Sales Tax Clearing Trust Fund pursuant to Sections 212.054 and 212.055, Florida Statutes.

As of October 1, 2001, the Trust Fund began receiving a portion of certain taxes imposed by the State on the sales of communication services (the "CST Revenues") pursuant to Chapter 202, Florida Statutes (the "CST Law"). Pursuant to the CST Law, the State is authorized to levy and collect a sales tax on every person who engages in the business of selling communications services at retail in the State, subject to certain exceptions and dealer allowances as set forth in Chapter 202, Florida Statutes. Accordingly, moneys distributed from the Trust Fund now consist of funds derived from both Sales Tax Proceeds and CST Revenues required to be deposited into the Trust Fund. For the period October 2014 through August 2015, 13.49% of the distribution to the City from the Trust Fund was derived from CST Revenues. The amount of CST Revenues deposited into the Trust Fund is subject to change based on changes to the CST Law and changes in population.

All moneys distributed to the City from the Trust Fund (whether derived from the Sales Tax or from CST Revenues) constitute Sales Tax Revenues for purposes of the Indenture and are a part of the funds pledged to the payment of the Series 2015 Bonds. Moneys received by the City pursuant to the CST Law that are not deposited in the Sales Tax Trust Fund are not pledged to the payment of the Series 2015 Bonds.

On June 11, 2015, the First District Court of Appeal held, in *DIRECTV, Inc. v. State, Dept. of Revenue*, Section 202.12(1), Florida Statutes, unconstitutional as a violation of the dormant commerce clause for charging different communications services tax rates to cable and satellite television providers. On July 7, 2015, the State filed an appeal of this decision to the Florida Supreme Court. Some of the moneys distributed from the Trust Fund include CST Revenues that encompass the cable and satellite television provider charges described above. If the First District Court of Appeal's decision is upheld, it is possible the amount of revenues received by the City from the Trust Fund will be reduced. The City cannot predict whether such decision will be upheld, however if upheld, the City does not believe that it would have a material adverse impact on the City's receipt of revenues from the Trust Fund.

On June 16, 2015, Governor Scott signed into law House Bill 33A ("HB 33A"), relating to taxation. Among the several provisions contained in HB 33A are expanded sales tax exemptions and a reduction in the CST Revenues. Some of the moneys distributed from the Sales Tax Trust Fund include CST Revenues. The City cannot determine at this time what the fiscal impact will be to the City's Sales Tax Revenues, but it does not believe that it would have a material adverse impact on the City's receipt of Sales Tax Revenues.

During the Florida Legislature's 2016 Regular Session, Senate Bill 256 ("SB 256") was introduced. SB 256 proposes to further expand the reduction in the State's CST Revenues by an additional 2%, to a rate of 2.92% for cable television services and 7.07% for satellite television services. If enacted, the SB 256 will take effect on July 1, 2016 and expire on July 1, 2019. As described above, some of the moneys distributed from the Sales Tax Trust Fund include CST Revenues. The City cannot determine at this time what the fiscal impact will be to the City's Sales Tax Revenues if SB 256 were enacted.

The Sales Tax collected within a City and distributed to local government units is distributed among the City and the municipalities therein in accordance with the following formula:

City Share

$$\begin{array}{l} \text{(percentage of total Half-Cent} \\ \text{Sales Tax receipts)} \end{array} = \begin{array}{l} \text{unincorporated} \\ \text{area population} \end{array} + \begin{array}{l} \text{2/3 incorporated} \\ \text{area population} \end{array}$$

$$\begin{array}{l} \text{total City} \\ \text{population} \end{array} + \begin{array}{l} \text{2/3 incorporated} \\ \text{area population} \end{array}$$

Municipality Share

$$\begin{array}{l} \text{(percentage of total Half-Cent} \\ \text{Sales Tax receipts)} \end{array} = \begin{array}{l} \text{municipality population} \end{array}$$

$$\begin{array}{l} \text{total City} \\ \text{population} \end{array} + \begin{array}{l} \text{2/3 incorporated} \\ \text{area population} \end{array}$$

For purposes of the foregoing formula, "population" is based upon the latest official State estimate of population certified prior to the beginning of the local government fiscal year. Should the incorporated area of the City increase, the share of the sales tax received by the City would be increased.

The sales tax is distributed from the Trust Fund on a monthly basis to participating units of local government. The Sales Tax Act permits the City to pledge its share of the sales tax for the payment of principal of and interest on any capital project.

To be eligible to participate in the sales tax, the counties and municipalities must comply with certain requirements set forth in the Sales Tax Act. These requirements include those

concerning the reporting and auditing of its finances, the levying of ad valorem taxes or receipt of other revenue sources, and certifying certain requirements pertaining to the employment and compensation of law enforcement officers, the employment of fire fighters, the auditing of certain dependent special districts, and the method of fixing millage rates for the levying of ad valorem taxes.

Although the Sales Tax Act does not impose any limitation upon the number of years during which the City can receive distribution of the sales tax from the Trust Fund, there may be future amendments to the Sales Tax Act. To be eligible to participate in the Trust Fund in future years, the City must comply with certain eligibility and reporting requirements of the Sales Tax Act; otherwise, the City will not be entitled to any Trust Fund distributions for twelve (12) months following a "determination of noncompliance" by the State Department of Revenue.

The City has complied with all of the requirements set forth in Chapter 218, Part VI, including the filing of a certificate of compliance with the Florida Department of Revenue, which is necessary in order for the City to receive its portion of Half-Cent Sales Tax Proceeds from the Sales Tax Trust Fund during the Fiscal Year ended September 30, 2015, and expects to take all action in order for the City to receive its portion of Half-Cent Sales Tax Proceeds from the Sales Tax Trust Fund during the Fiscal year ended September 30, 2016 and thereafter.

Historical Sales Tax Revenues. The following table sets forth the historical Sales Tax Revenues collected by the City for the fiscal years ended September 30, 2010 through 2014 (audited).

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$963,896	\$1,028,148	\$1,049,275	\$1,111,476	\$1,162,321

⁽¹⁾ For the Fiscal Year ending September 30, 2015, the City's unaudited calculation Sales Tax Revenues is \$1,253,645, a 7.9% increase over 2014.

Source: City of Callaway.

Distribution of Sales Tax Revenues. The City's percentage of the County-wide total distributions of the Sales Tax in each of the State Fiscal Years Ended June 30, 2010 through 2014, inclusive, has been 16%. The municipalities, including Callaway, Panama City, Panama City Beach, Parker and Callaway, in the aggregate have received 35% of the County-wide total, according to the Florida Legislature's Office of Economic and Demographic Research.

Pledge of Electric Public Services Taxes.

General. The Electric Public Services Taxes pledged as security for the Bonds are levied and collected by the City pursuant to Section 166.231, Florida Statutes, and City Ordinance No. 120, as amended. The taxes are levied on every purchase of electricity within the corporate limits of the City in the amount of 10% of the payments received by the seller of such utility

services from the purchaser thereof for the purchase of such utility services. **Said Ordinance also imposes a tax on purchase of metered and bottled gas, fuel oil and kerosene, and is the authorization for receipts from the communications services tax by the City, but such amounts are not pledged to secure the Series 2015 Bonds.** The City's financial statements included in Appendix C hereto show an aggregate amount of public service taxes on all such items, not just electric service.

The Electric Public Service Tax applies to the monthly utility bill, but does not apply to any fuel adjustment charge (as defined in Section 166.231, Florida Statutes). The taxes are paid by the purchaser using the utility service as required by City Code Section 16-41, and the seller is required to remit such amount charged to the City each month. The seller is required to pay the amount of the tax to the City notwithstanding the failure of the seller to collect the tax from the purchaser of the seller's utility service.

The table set forth below shows the historical receipts of Electric Public Services Taxes of the City for fiscal years 2010-2014:

Historical Electric Public Service Tax Receipts

<u>Fiscal Year</u>	<u>Public Service Taxes Received</u>
2010	\$842,364
2011	828,559
2012	801,159
2013	818,125
2014	954,362

Source: Audited financial statements of the City. The City's unaudited records for Fiscal Year 2015 show \$1,038,003 in Electric Public Service Taxes received, an 8.8% increase over Fiscal Year 2014.

Factors Affecting Electric Public Services Taxes. The amount of Electric Public Services Taxes collected by the City may fluctuate as the price of electricity fluctuates. Historically, the City has experienced decreases in collections of taxes associated with the sale of electricity as electric costs increase. A sustained increase in the cost of electricity may have a materially adverse effect on the amount of Electric Public Services Taxes collected.

The amount of Electric Public Services Taxes collected by the City may also be affected by changes in the electric utility industry. The electric utility industry in general has been, or in the future may be, affected by a number of factors which could have a materially adverse impact upon the financial condition of an electric utility. Such factors include, among others: (i) effects of inflation on the operating and maintenance costs of an electric utility and its facilities, (ii) changes from projected future load requirements, (iii) increases in costs and uncertain availability of capital, (iv) shifts in the availability and relative costs of different fuels,

(v) effects of compliance with rapidly changing environmental, safety, licensing and regulatory requirements, (vi) changes resulting from conservation and demand side management programs on the timing and use of electric energy, (vii) changes that might result from a national energy policy and (viii) effects of open retail competition from other suppliers of electricity through de-regulation. Any of these factors could have a material adverse effect on the financial condition of any electric utility and likely would affect individual utilities in different ways. In turn these factors could reduce the amount of Electric Public Services Taxes collected based upon a reduction in the use of electric energy and/or a reduction in electric energy charges.

Debt Service Coverage from Sales Tax Revenues and Electric Public Service Tax

The estimated Sales Tax Revenues and Electric Public Service Tax coverage of maximum annual debt service on the Refunded Bonds are set forth below:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Sales Tax Revenues	\$963,896	1,028,148	\$1,049,275	\$1,111,476	\$1,162,321
Electric Public Service Tax	\$842,364	\$828,559	\$801,159	\$818,125	\$954,362
Maximum Annual Debt Service on the Refunded Bonds	\$1,442,012	\$1,442,012	\$1,442,012	\$1,442,012	\$1,442,012
Coverage of Debt Service on the Refunded Bonds	1.25x	1.29x	1.28x	1.34x	1.47x

Source: City of Callaway.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2015 Bonds, _____ ("_____") will issue its Municipal Bond Insurance Policy for the Series 2015 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2015 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

[to come]

MUNICIPAL BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Series 2015 Bonds when all or some becomes due, any owner of the Series 2015 Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Series 2015 Bonds by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may direct and must consent to any remedies and the Insurer's consent may be required in connection with amendments to the Indenture.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Series 2015 Bonds are payable solely from the moneys received pursuant to the Indenture. In the event the Insurer becomes obligated to make payments with respect to the Series 2015 Bonds, no assurance is given that such event will not adversely affect the market price of the Series 2015 Bonds or the marketability (liquidity) for the Series 2015 Bonds.

The long-term ratings on the Series 2015 Bonds are dependent in part on the financial strength of the Insurer and its claim paying ability. The Series 2015's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Series 2015 Bonds will not be subject to downgrade and such event could adversely affect the market price of the Series 2015 Bonds or the marketability (liquidity) for the Series 2015 Bonds. See "RATINGS" herein.

The obligations of the Insurer are contractual obligations and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the City nor Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Series 2015 Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

THE CITY

The City of Callaway is an urban community located in Bay County, Florida, east of Panama City. The City shares a northern border with the City of Springfield and western boundary with the City of Parker. The northern shores of East Bay (which comprises a portion of Florida's Intracoastal Waterway) serve as the City's south boundary. The City has an estimated 2014 population of 15,006. See "APPENDIX A -- General Information Concerning the City of Callaway and Bay County, Florida," herein.

LEGAL MATTERS

Legal matters incident to the validity of the Series 2015 Bonds and the issuance thereof by the City are subject to the approval of Bryant Miller Olive P.A., Miami, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by Harrison, Sale, McCloy, Jackson and Moniz, Chtd., Panama City, Florida, Counsel to the City, and by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Disclosure Counsel.

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery of the Bonds in order that interest on the Bonds be and remain excluded from gross income for purposes of Federal income taxation. Noncompliance may cause interest on the Bonds to be included in Federal gross income retroactive to the date of issuance of the Bonds, regardless of the date on which such noncompliance occurs or is ascertained. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and the other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The City has covenanted in the Indenture to comply with such requirements in order to maintain the exclusion from Federal gross income of the interest on the Bonds.

In the opinion of Bond Counsel, assuming compliance with the aforementioned covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Bonds is excluded from gross income for purposes of Federal income taxation. Interest on the Bonds is not an item of tax preference for purposes of the Federal alternative minimum tax imposed on

individuals or corporations; however, interest on the Bonds may be subject to the alternative minimum tax when any Bond is held by a corporation. The alternative minimum taxable income of a corporation must be increased by seventy-five percent (75%) of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Bonds.

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

As to questions of fact material to the opinion of Bond Counsel, Bond Counsel will rely upon representations and covenants made on behalf of the City, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Bonds and of the property financed thereby), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Information Reporting and Backup Withholding

Interest paid on tax-exempt bonds such as the Bonds is subject to information reporting to the Internal Revenue Service in a manner similar to interest paid on taxable obligations. This reporting requirement does not affect the excludability of interest on the Bonds from gross income for federal income tax purposes. However, in conjunction with that information reporting requirement, the Code subjects certain non-corporate owners of Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Bonds and proceeds from the sale of Bonds. Any amount so withheld would be

refunded or allowed as a credit against the federal income tax of such owner of the Bonds. This withholding generally applies if the owner of Bonds (i) fails to furnish the payor such owner's social security number or other taxpayer identification number ("TIN"), (ii) furnished the payor an incorrect TIN, (iii) fails to properly report interest, dividends, or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide the payor or such owner's securities broker with a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such owner is not subject to backup withholding. Prospective purchasers of the Bonds may also wish to consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

Other Tax Matters

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

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

Tax Treatment of Original Issue Discount

Under the Code, the difference between the maturity amounts of the Bonds maturing on _____ 1 in the years _____ through _____ and _____ (collectively, the "Discount Bonds") and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of Underwriters or wholesalers) at which price a substantial amount of such Discount Bonds of the same maturity were sold is "original issue discount." Original issue discount will accrue over the term of such Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires such Discount Bonds in the initial public offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes

equal to the original issue discount accruing during the period he or she holds such Discount Bonds, and will increase his or her adjusted basis in such Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or disposition of such Discount Bonds. The federal income tax consequences of the purchase, ownership, sale or other disposition of such Discount Bonds which are not purchased at the initial offering price may be determined according to rules which differ from those above. Owners of such Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale or other disposition of Discount Bonds and with respect to the state and local tax consequences of owning and disposing of Discount Bonds.

Tax Treatment of Bond Premium

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

UNDERWRITING

The Series 2015 Bonds are being purchased through negotiation by RBC Capital Markets, LLC (the "Underwriter"). The Underwriter has agreed to purchase the Series 2015 Bonds at an aggregate purchase price of \$_____ (which purchase price represents the \$_____ original principal amount of the Series 2015 Bonds, plus original issue premium of \$_____, less an Underwriter's discount of \$_____). The Underwriter's obligations to purchase the Series 2015 Bonds is subject to certain terms and conditions set forth in the purchase contract for the Series 2015 Bonds, the approval of certain legal matters by counsel and certain other conditions. The Underwriter is obligated to purchase all of the Series 2015 Bonds if any are purchased.

The Underwriter may offer and sell the Series 2015 Bonds to certain dealers, banks and others at prices lower than the public offering prices set forth on the inside cover page hereof. The offering prices of the Series 2015 Bonds may be changed from time to time by the

Underwriter.

The Underwriter and its respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriter and its respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriter and its respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the City. The Underwriter and its respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the City.

LITIGATION

The City will certify that there is no controversy or litigation now pending or, to the best of the City's knowledge, threatened, which seeks to restrain or enjoin the execution, issuance, sale or delivery of the Series 2015 Bonds or that in any way contests the validity of the Series 2015 Bonds or any proceedings of the City taken with respect to the authorization, sale or issuance of the Series 2015 Bonds, or the pledge or application of any moneys provided for the payment of or security for the Series 2015 Bonds.

RATINGS

Standard & Poor's Ratings Group ("S&P") is expected to assign a rating of "___" (stable outlook) to the Series 2015 Bonds, conditional upon the issuance of the bond insurance policy by _____ at the time of delivery of the Bonds. In addition, S&P has assigned an underlying rating of "___" (_____ outlook) to the Series 2015 Bonds. Such rating reflects only the view of such organization at the time such rating was issued and an explanation of the significance of such rating may be obtained from the rating agency. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating can be expected to have an adverse effect on the market price of the Series 2015 Bonds. An explanation of the significance of the rating can be received from the rating agency, at the following address: Moody's Investor Service, 99 Church Street, New York, New York 10007.

FINANCIAL STATEMENTS

The general purpose financial statements appearing in Appendix B have been audited by Warren Averitt, LLC, Independent Public Accountants, the City's independent certified public accountants. The City did not seek the consent of Warren Averitt, LLC and they did not

participate in the offering of the Series 2015 Bonds. The general purpose financial statements are included as a public document.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY LAW

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the City except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Office of Financial Regulation within the Florida Financial Services Commissioner (the "FFSC"). Pursuant to administrative rulemaking, the FFSC has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a Trustee or receiver has been appointed over the assets of the City, and certain additional financial information, unless the City believes in good faith that such information would not be considered material by a reasonable investor. The City is not and has not been in default on any bond issued since December 31, 1975 that would be considered material by a reasonable investor.

The City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the Series 2015 Bonds because the City would not have been obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued, and no funds of the City would have been pledged or used to pay such securities or the interest thereon.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Series 2015 Bondholders to provide certain financial information and operating data relating to the City and the Series 2015 Bonds in each year, and to provide notices of the occurrence of certain enumerated material events. The City has agreed to file annual financial information and operating data and the audited financial statements with each entity authorized and approved by the SEC to act as a repository (each a "Repository") for purposes of complying with Rule 15c2-12 adopted by the SEC (the "Rule"). Effective July 1, 2009, the sole Repository is the Municipal Securities Rulemaking Board. The City has agreed to file notices of certain enumerated material events, when and if they occur, with the Repository.

The specific nature of the financial information, and of the type of events which trigger a disclosure obligation, and other details of the undertaking are described in "APPENDIX E -- Form of Continuing Disclosure Certificate" attached hereto. The Continuing Disclosure Certificate shall be executed by the City upon the issuance of the Series 2015 Bonds. These covenants have been made in order to assist the Underwriter in complying with the continuing disclosure requirements of the Rule.

With respect to the Series 2015 Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule.

The City has not made any of the required continuing disclosure filings with respect to the Refunded Bonds. Prior to the finalization of this Preliminary Official Statement, the City made filings with the MSRB's EMMA system supplying the missing disclosure for fiscal years 2010-2014. The City has engaged a third-party dissemination agent to assist it in making the required disclosures with respect to the Series 2015 Bonds.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2015 Bonds upon an event of default under the Indenture and any policy of insurance referred to herein are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the federal bankruptcy code, the Indenture, the Series 2015 Bonds and any policy of insurance referred to herein may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2015 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Series 2015 Bonds, the security for payment of the Series 2015 Bonds and the rights and obligations of the owners thereof. Copies of such documents may be obtained from the City at the office of the City Manager/Clerk, 6601 E. Highway 22, Callaway, Florida 32404, phone number (850) 871-6000.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and is believed to be correct as of this date, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the Underwriter.

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any

implication that there has been no change in the affairs of the City since the date hereof.

CERTIFICATE CONCERNING THE OFFICIAL STATEMENT

Concurrently with the delivery of the Series 2015 Bonds, the City will furnish its certificate, executed by the Mayor and the City Manager, to the effect that, to the best of their knowledge this Official Statement as of its date and as of the date of the delivery of the Series 2015 Bonds does not contain an untrue statement of a material fact and does not omit any material fact which should be included therein for the purpose for which the Official Statement is to be used, or which is necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

EXECUTION

The execution and delivery of this Official Statement by the Mayor and City Manager/Clerk of the City has been duly authorized by the City Commission.

CITY OF CALLAWAY, FLORIDA

By: _____
Mayor

By: _____
City Manager

APPENDIX A

GENERAL INFORMATION CONCERNING THE CITY OF CALLAWAY AND BAY COUNTY

THE FOLLOWING INFORMATION CONCERNING THE CITY OF CALLAWAY, FLORIDA AND BAY COUNTY, FLORIDA, IS INCLUDED ONLY FOR THE PURPOSE OF PROVIDING GENERAL BACKGROUND INFORMATION. THE COMPILATION OF SUCH INFORMATION ON BEHALF OF THE CITY INVOLVED ORAL AND WRITTEN COMMUNICATION WITH THE VARIOUS SOURCES INDICATED. THE UNDERWRITER HAS MADE NO INVESTIGATION INTO THE ACCURACY OF SUCH INFORMATION AND THE INFORMATION IS SUBJECT TO CHANGE, ALTHOUGH EFFORTS HAVE BEEN MADE TO UPDATE THE INFORMATION WHERE PRACTICABLE.

THE BONDS ARE NOT A GENERAL OBLIGATION OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, INCLUDING THE CITY OF CALLAWAY, FLORIDA.

General Description and Location

The City of Callaway is an urban community in Bay County, Florida, east of Panama City, in the Panhandle region of Northwest Florida. Being situated on the northern shores of East Bay, this community is separated from the Gulf of Mexico by East Bay and a peninsula occupied by Tyndall Air Force Base. Two other communities to the west of Callaway, Springfield and Parker, separate it from Panama City. The City is comprised of an area of approximately twelve square miles, and is served by two major roadways: U.S. 98 on its western boundary and S.R. 22 located in the northern portion of the City.

Bay County is located on the Gulf of Mexico in the panhandle region of northwest Florida. Panama City, the county seat and principal city of Bay County, is located approximately 100 miles southwest of Tallahassee, 80 miles south of Dothan, Alabama, 105 miles east of Pensacola and approximately 300 miles from Atlanta, Jacksonville and New Orleans. The County's 764 square miles of land are home to an estimated 170,781 residents (2014), a significant increase from the 1990 census of 126,994. Continued rapid growth is anticipated, with a year 2020 projected population of 181,200.

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Population

Population trends for the City and County are reflected in the following table:

Population Trends 1970-2010 City of Callaway, Florida and Bay County, Florida

<u>Year</u>	<u>City of Callaway</u>	<u>Average Annual Percentage Increase</u>	<u>Bay County</u>	<u>Average Annual Percentage Increase</u>
1990	12,253	---	126,994	---
1993	N/A	N/A	134,059	1.90
1994	N/A	N/A	136,289	1.66
1995	N/A	N/A	139,173	2.12
2000	14,488	1.18	148,217	2.00
2010	14,405	(1.40)%	168,852	3.43

Source: U.S. Department of Commerce, Bureau of the Census, 1990, 2000 and 2010.

Government

The City has a Commissioner/City Manager form of government with a mayor elected every four years and commissioners elected for four-year overlapping terms. At the first regular meeting following an election, the City Commission appoints one of its members as Mayor Pro-Tem. Listed below are the current mayor and City Commission members and their term expiration date.

<u>Elected Officials</u>	<u>Date Term Expires</u>
Thomas W. Abbott, Mayor	2016
Melba Covey, Commissioner	2018
Pamn Henderson, Commissioner	2018
Robert Pelletier, Commissioner	2016
Ralph L. Hollister, Commissioner	2016

The City provides a full range of services, including public safety (law enforcement and fire), physical environment, highways and streets, general administrative services, culture and recreation. In addition, the City operates three enterprise activities: water, sewer and solid waste services. There are currently 68 employees of the City, including a 12-member fire department. Police protection is provided by contract with the Bay County Sheriff's Department.

Employee Relations

Under the State of Florida Public Employees Relations Act, Chapter 447, Florida Statutes, the employees of the City have certain rights, including the right to bargain collectively through

representatives of their choosing on questions of wages, hours and other terms of employment. The Public Employees Relations Act and the Florida State Constitution prohibit strikes by municipal employees.

Florida is a right-to-work state and while employees may be designated by the State of Florida Public Employees Relations Commission as being within a bargaining unit, the employees have a statutory right to join or to refrain from joining a union, as they see fit. At the present time, the employees of the City are not represented by a union.

Source: City of Callaway, Florida, Office of the City Manager.

Budget Preparation

The City is required by law to formulate a budget annually with respect to all departments of the City and to hold public hearings thereon. The timetable for budget preparation is as follows:

May 1 to July 1. After preparing estimates of available revenues, department heads submit detailed expenditure budget requests to the City Manager for evaluation. The City Manager evaluates department requests in relationship to available revenues and presents her recommended balanced budget to the City Commission.

August 1 to September 30 (fiscal year ending date). The City Commission reviews the City Manager's recommendations along with department budget requests at public budget hearings, making adjustments to the City Manager's recommendations as they deem appropriate.

Prior to October 1. The budget is adopted by ordinance in accordance with the City Charter.

Cash Management

Residual cash held during the City's most recent fiscal year was invested in non-negotiable certificates of deposit, the State Pooled Investment Fund – State Board of Administration and savings accounts for the majority of the fiscal year. The City Charter provides that any City funds or deposits not currently needed for public purposes may be invested in short-term United States Bonds, Treasury Notes or Bills, or other instruments authorized by law.

Risk Management

Risk Management programs within the City consist of the following programs: Workers Compensation coverage by Florida Municipal Insurance Trust, property and liability insurance, as well as public officials insurance; self-insured dental services for employees; and City-paid disability and term life insurance for all full time employees, as well as subsidies of health

insurance. Settled claims have not exceeded Commercial Coverage in any of the past five fiscal years.

Pension Plan

Plan Description

The City participates in the Florida Retirement System (FRS), a cost-sharing multiple-employer retirement plan administered by the State of Florida Division of Retirement, Department of Administration. The FRS provides retirement, disability, or death benefits to Plan members or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Chapter 121 assigns the authority to establish and amend benefits provisions to the Florida Retirement System. However, Article X, Section 14 of the State of Florida Constitution and Part VII, Chapter 112, Florida Statutes require that any increase in requirement benefits must be funded concurrently on an actuarially sound basis. The Florida Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the State of Florida Division of Retirement, 1317 Winewood Boulevard, Building 8, Tallahassee, Florida 32399-65701, by calling 850-414-6346, or via the web at <http://dms.myflorida.com>.

Beginning in 2002, a defined contribution plan alternative to the existing defined benefit plan known as the Public Employee Optional Retirement Program or the FRS Investment Plan became available to FRS members. Under this plan, the employer makes contributions to an account set up in the participant's name, and the participant controls where the contributions are invested among the plan's investment funds. New employees are by default enrolled in the defined benefit plan; however, they will have five months after the month of hire to elect to participate in the FRS Investment Plan. The FRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on the State of Florida Department of Management Services website at www.dms.myflorida.com.

FRS Plan Changes

Effective July 1, 2011, the Florida Legislature passed Senate Bill 2100 that made substantive changes to the Florida Retirement System (FRS). The law requires all FRS Investment and Pension Plan members (except those in DROP) to pay a 3% employee contribution, on a pretax basis, beginning on or after July 1, 2011. Cost of living adjustments (COLA) on or after July 1, 2011 are not automatic at 3% but based on total years of service earned prior to July 1, 2011 to total years of service at retirement, multiplied by 3%.

New members enrolling into FRS for the first time after July 1, 2011 will be subject to additional changes including (1) an increased vesting period from 6 years to 8 years, and (2) a change calculation of benefits using Average Final Compensation (AFC) on the highest eight years of compensation as compared to highest five years. In addition, the normal retirement date for Regular, Senior Management Service, Elected Officers' and Special Risk Administrative Support Classes was modified to be age 65, with 8 years of service or 33 years of service

regardless of age. Normal retirement for Special Risk Class members is now at age 60, with 8 years of service, or 30 years of special risk class service OR age 57, with 30 years of combined special risk class service and military service. For those members participating in the DROP program, the Legislature reduced the annual interest rate used for benefits from 6.5% to 1.3%. The funding policy relative to the FRS plan is disclosed below.

Funding Policy

Contribution requirements of the plan are established in Chapter 121, Florida Statutes, and may only be amended by legislative action. The FRS funding policy now provides for monthly employer and employee contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age actuarial funding method. If an unfunded actuarial liability re-emerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

The actuarially determined employer contribution rates (including Health Insurance Subsidy (HIS) of 1.20%) for each class of employee expressed as a percentage of covered for Fiscal Years 2016 and 2015 are listed below.

Class:	Contribution Rates	Contribution Rates
	<u>FY 2016</u>	<u>FY 2015</u>
Regular	7.26%	7.37%
Fire	22.04%	19.82%
DROP	12.88%	12.28%
Executive	21.43%	21.14%

The City's contributions for years ended September 30, 2013, 2012, and 2011 totaled \$212,802, \$187,404, and \$323,117, respectively and are equal to the required contributions for the year. The covered payroll for the years ended September 30, 2013, 2012, and 2011 was \$2,682,017, \$2,746,578 and \$2,856,420, respectively.

Other Postemployment Benefit Plans/Pension Plans

In accordance with Section 112.0801, Florida Statutes, because the City provides medical plans to employees of the City and their eligible dependents, the City is also required to provide retirees the opportunity to participate in the group employee health plan at their expense without any City financial participation. This post-retirement benefit plan provides medical coverage including prescription drug benefits to retired employees of the City and their eligible dependents (the "Benefit Plan"). During the year ended September 30, 2010 (date of last valuation), the City implemented Governmental Accounting Standards Board Statement (GASB) No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions (OPEB)*, for certain postemployment health care benefits provided by the City. Similar to most other

jurisdictions, the City has historically accounted for the annual premiums associated with its Benefit Plan as part of its annual budget, on a pay as you go basis. GASB 45 applies accounting methodology similar to that used for pension liabilities (GASB 27) to other postemployment benefits ("OPEB") and attempts to fully reveal the costs of employment by requiring governmental units to include future OPEB costs in their financial statements. While GASB 45 requires recognition and disclosure of the unfunded OPEB liability, there is no requirement that the liability of such plan be funded.

Major Employers in Bay County, Florida

<u>Firm</u>	<u>Type of Business</u>	<u>Employees</u>
Tyndall Air Force Base	Military	6,471
Bay District Schools	Government	4,411
Naval Support Activity	Military	3,152
General Dynamics	Technology	2,300
Bay Medical Center	Health Care	2,000
Wal-Mart & Sam's Club	Retailer	1,500
Eastern Shipbuilding Group	Manufacturing	1,500
Bay County Constitutional Officers	Governmental	1,214
Gulf Coast Medical Center	Health Care	631
Trane	Manufacturing	575

Source: Bay County, Florida Economic Development Alliance.

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Bay County, Florida
Property Value and Construction
Last Ten Fiscal Years

<u>Year</u>	<u>Property Value</u>	<u>Number of New Units</u>	<u>Construction(1)(2) Building Permit Value</u>
2005	\$11,486,987	5,538	\$802,152
2006	13,940,699	3,007	370,952
2007	18,045,585	1,036	98,254
2008	17,856,683	916	91,745
2009	16,100,957	352	48,472
2010	15,070,375	309	39,713
2011	14,237,124	301	38,181
2012	13,720,932	392	56,414
2013	13,944,111	589	89,921
2014	14,190,043	571	120,467

Sources: Bay County Property Appraiser
Bay County Building Department

Notes: (1) Amounts in thousands of dollars
(2) Permits issued by Bay County only
N/A – Not Available

Economic Base

Total employment in Bay County in September 2014 reached approximately 85,745. Leading economic sectors based on relative employment levels include: government, retail and wholesale trade, services and manufacturing.

Tyndall Air Force Base (TAFB) is located on a 29,000 acre reservation in southeastern Bay County, and is one of the largest Air Education and Training Command bases and the home of air dominance training. TAFB houses the 325th Fighter Wing which provides training for the F-22 Raptor fighter pilots, maintenance personnel, air battle managers, intelligence officers, crew chiefs and air traffic controllers. Also at the base is the 53rd Weapons Evaluation Group which conducts the Air Force's air-to-air and air-to-ground Weapon System Evaluation Programs. The military and civilian labor force at TAFB is 6,471, and the number of retirees from TAFB that live in Bay County is 9,250. The annual economic impact of TAFB to the Bay County area is estimated at \$614,200,000.

Naval Support Activity, Panama City (NSA PC), encompasses 234 buildings and is located on 648 acres of waterfront property along St. Andrews Bay and the Gulf of Mexico in Panama City Beach. NSA PC provides research and development and in-service support for expeditionary, amphibious warfare, diving maritime special operations and mine warfare. NSA PC is the National Center of Expertise for all military diving through the operation of the Navy Experimental Diving Unit, the Naval Diving and Salvage Training Center and the Center for

Navy Ordnance Disposal and Diving. The largest tenant of the NSA PC is the Naval Surface Warfare Center Panama City Division (NSWC PCD). It is one of the major research, development, test and evaluation laboratories of the Navy, boasting a wide base of expertise in engineering and scientific disciplines in the mission areas of mine warfare, expeditionary warfare, special warfare and diving and life support. The military and civilian labor force at NSA PC is 2,872 (including 840 scientists and engineers). The economic impact of NSA PC to the Bay County area is estimated at \$498,000,000.

Education

Bay District Schools

Bay County School District is coterminous with Bay County. The school district is the 26th largest in Florida with an enrollment of approximately 28,000 students in 42 schools.

The Bay County School Board employs more than 3,000 full time employees to operate the school district, including 2,000 certified teachers and administrators.

All Bay County public schools are fully accredited by the Florida Department of Education and the Southern Association of Colleges and Schools. Annual percent of high school graduates continuing their education is approximately 70.8%.

Statistical Data

The following table presents student enrollment in the Bay County School District for the past six school years.

**Table 3 - Bay County School District
Enrollment - Full-Time Equivalent Students**

	2007- 2008	2008- 2009	2009- 2010	2010- 2011	2011- 2012	2012- 2013
Grades PreK-5	12,639	12,676	12,789	12,895	13,174	13,417
Grades 6-8	5,977	5,812	5,842	5,860	5,888	5,984
Grades 9-12	<u>7,618</u>	<u>7,468</u>	<u>7,262</u>	<u>7,188</u>	<u>7,283</u>	<u>7,233</u>
Total	26,234	25,956	25,893	25,943	26,345	26,634

Source: State of Florida Department of Education, District Membership Reports.

Secondary Education

Higher education opportunities are available for Bay County’s students and area citizens. Through community involvement, planning and cooperation, a partnership of sharing among the school district, Gulf Coast State College and Florida State University/Panama City Campus has evolved. This sharing arrangement provides area residents an affordable means to pursue professional and technical training through advanced degree programs while living at home.

Gulf Coast State College

Gulf Coast State College (GCSC) has served Northwest Florida since 1957. GCSC offers degree, university transfer and continuing education programs to more than 23,000 students. Students may earn one of 76 Associate of Arts or one of 24 Associate of Science or one of three Associate in Applied Science degrees. Several certificate programs are also offered. GCSC recently established its first-ever bachelor's degrees in Applied Science and Technology Management. In October 2013, the college opened a state-of-the art Advanced Technology Center which provides training to the current workforce needs of the technology, engineering and alternative energy industries. Educational opportunities are offered in fields such as renewable energies, alternative energies, sustainable building design, architecture and engineering, information science, computer integrated manufacturing, e-Learning and culinary arts. Credit and non-credit continuing workforce education programs are also available through the Office of Lifelong Learning. Presently, for credit enrollment, GCSC has more than 7,000 students enrolled.

Florida State University

FSU Panama City is the regional campus of a nationally recognized Tier 1 Research Institution. The Panama City Campus of Florida State University currently offers 17 undergraduate degree programs. Masters degrees are available in 21 fields including Business, Education, Engineering, Nursing, Psychology and a specialist program in Education. Present enrollment at the FSU-PC campus is approximately 1,000 students.

Two Plus Two

GCSC and Florida State University - Panama City Campus, cooperate in a "Two Plus Two" program. GCSC provides the first two years of classes towards a Baccalaureate degree and FSU-PC Campus provides the last two.

Troy University

The Troy University Panama City/Tyndall Air Force Base site is one of Troy's 60 teaching sites across the United States and around the world. Troy offers several in-class and online undergraduate and graduate courses to Bay County area residents in Business Administration, Computer Science and Resources and Technology Management.

Embry-Riddle Aeronautical University

Embry-Riddle Aeronautical University offers undergraduate and graduate degree programs at its Worldwide Campus at Tyndall Air Force Base in Bay County, Florida. Courses of study include Aeronautical Science, Management, Professional Aeronautics and Technical Management. Embry-Riddle Worldwide also offers undergraduate and graduate certificate programs in 12 aviation-related specialties.

Haney Technical Center

Haney Technical Center offers curriculums in various programs including Architecture and Construction, Business Technology, Manufacturing, and Transportation, Distribution and Logistics. Haney Technical Center also offers a Federal Aviation Administration certified Aviation Maintenance Technology Training Program.

Housing in Bay County

Housing opportunities in Bay County include traditional and modern homes, condominiums and apartments in both new subdivisions and older established neighborhoods. The median sales price of a home in Bay County for 2014 was \$169,900*.

* Source: Florida Association of Realtors.

Medical Facilities

Bay Medical Center Sacred Heart Health System

Bay Medical, a 323-bed regional medical center, provides hospital care and outpatient services to patients from a seven-county region in Northwest Florida. There are approximately 300 physicians on staff representing a variety of medical specialty, and a support staff of more than 1,700 employees.

Serving the community for 66 years, Bay Medical provides for a wide range of medical-surgical services, including inpatient and outpatient surgery, open heart surgery program, a widespread reputation for excellence in critical care with state-of-the-art intensive care units, gastroenterology, a sleep disorders center, a dedicated pediatric unit, obstetrics and gynecology, radiation/oncology services and 24 hour emergency services staffed with board certified emergency physicians. The medical center has many support services including the childhood communications disorders clinic, rehabilitation facilities and respiratory therapy.

Bay Medical's Outpatient Center has diagnostic services including open and closed magnetic resonance imaging systems, CT scanner, ultrasound, mammography equipment and diagnostic X-ray equipment. The outpatient center affords patients the convenience of having their outpatient diagnostic tests completed in one location. Bay Medical at the Beach and Bay Medical Gulf County also provide a selection of diagnostic services for patients living outside of Panama City.

Gulf Coast Regional Medical Center

Gulf Coast Regional Medical Center is a 218-bed acute-care hospital with a 460-member medical staff and more than 1,000 employees. Their efforts have resulted in national accreditations for Chest Pain Center, Peripheral Vascular Disease, Stroke and Wound Care. The medical center is also an affiliate of the University of Alabama at Birmingham Cancer Care Network. A 24-hour emergency room is staffed by full-time physicians.

In October 2013, Gulf Coast Regional Medical Center opened a 42-bed critical care wing, which includes a 20-bed adult level Intensive Care Unit and the region's only four-bed Pediatric Intensive Care Unit and an 18-bed Neonatal Intensive Care Unit.

HealthSouth Emerald Coast Rehabilitation Hospital

HealthSouth Emerald Coast is 75-bed inpatient rehabilitation hospital that offers comprehensive inpatient rehabilitation services to return patients to leading active and independent lives.

In addition to caring for patients with general rehabilitation diagnoses such as trauma, head injury, spinal cord injury, amputation and pulmonary diseases. HealthSouth Emerald Coast also has a specialized inpatient program for stroke rehabilitation. It also provides outpatient services to patients with hip fractures, hip replacements, wound care, bowel and bladder management and Parkinson's Disease.

Ambulance Service

Bay County Emergency Medical Services (BCEMS) was created in 2013. BCEMS operates several Advanced Life Support Paramedic Mobile Intensive Care units from locations throughout Bay County including Callaway, Lynn Haven, Panama City, Panama City Beach and other locations. BCEMS responds to approximately 28,000 calls for assistance per year. BCEMS is assisted and works closely on many calls by both Fire and Law Enforcement agencies who respond as First Responders.

Recreation and Tourism

Bay County attracts well over 12,000,000 overnight visitors annually. With a workforce of approximately 13,267 in 2014, the tourism industry employs more people than any other local industry. In addition to these benefits, revenue generated through tourist taxes assist local government in paying for costly improvements and services such as beach preservation and renourishment, turtle watch, visitor services and visitor information and many more that would otherwise be the responsibility of local residents.

The Gulf of Mexico and its beaches, Deer Point Lake and other waterways, and a mild year-round climate combine to make Bay County an attractive recreational area. Both salt and fresh water fishing and golf also attract tourists.

The area municipalities maintain ball fields, recreational areas with playground equipment, basketball courts, tennis courts, shuffleboard courts, volleyball courts, nature parks and picnic areas. There are also six community centers for club meetings or programs. Bay County Leisure Services Department maintains 88 parks and boat launch facilities. At present, the county has a total of 291 acres dedicated to the recreation of its citizens. Spectator sports include auto racing, high school athletic events and intercollegiate sport events.

Source: Panama City Beach Convention & Visitors Bureau.

Industrial Parks

Bay County Industrial Park, Phase 1 consists of 300 acres, fronting U. S. Highway 231, 8 miles northeast of Panama City.

Bay County Industrial Park, Phase 2 consists of 1,511 acres located adjacent to Bay County Industrial Park Phase 1 on U. S. Highway 231, 8 miles north of Panama City and 38 miles south of Interstate 10.

Hugh Nelson Industrial Park consists of 193 acres and is located 4 miles north of Panama City on North Bay off State Road 390.

Lynn Haven Industrial Park consists of 105 acres and is located one block east of the intersection of State Roads 390 and 389, one mile west of U. S. Highway 231 within the city limits of Lynn Haven.

VentureCrossings Enterprise Centre consists of 1,000 acres and is located in West Bay, surrounding the Northwest Florida Beaches International Airport.

Transportation

Airport

Northwest Florida Beaches International Airport (airport code: ECP) is the first international airport to be built in the U.S. in more than a decade. Opened on May 23, 2010, the airport is located in West Bay, near Panama City and Panama City Beach, and provides air service in Northwest Florida by Delta Air Lines, Silver Airways Southwest Airlines and United Airlines which together provide daily flights to numerous U.S. destinations, including presently Atlanta, Baltimore-Washington, Dallas, Houston, Nashville, Orlando, St. Louis and Tampa.

The airport was built on 4,000 acres donated by The St. Joe Company, with room to meet projected demands over the next 50 years. The new airport replaced the Panama City-Bay County International Airport (PFN) which was located in the City of Panama City. From May 2010, when the airport opened, to 2012, ECP has drawn nearly three times more passengers (815,160) than the old airport.

Northwest Florida Beaches International Airport Yearly Passenger Activity

<u>YEAR</u>	<u>ENPLANEMENTS</u>	<u>DEPLANEMENTS</u>	<u>TOTAL</u>
2014	406,351	408,809	815,160
2013	408,037	408,441	816,478
2012	439,183	444,409	883,592
2011	433,081	436,308	869,389

Source: Northwest Florida Beaches International Airport Activity Reports, Panama City-Bay County Airport and Industrial District.

Port

Port Panama City is a growing deep-water port and international gateway, handling a wide variety of cargo. In recent years, the Port has invested over \$50,000,000 in new facilities and equipment. Over the next five years, the Port plans to increase its cargo tonnage to an annual level of approximately 2.1 to 2.4 million tons, and has committed to another \$35,000,000 in improvements. On-site rail is provided by the Bay Line Railroad, which connects to the Port's Intermodal Distribution Center, a 240-acre pad-ready inland industrial park featuring a brand new 150,000 square foot distribution warehouse. The Gulf Intracoastal Waterway, a 1,050-mile inland navigable waterway from Carrabelle, FL to Brownsville, TX is located adjacent to the Port providing access to the Mississippi River and numerous southeastern ports.

Source: Bay County Economic Development Alliance

Rail

The Bay Line Railroad, operated by Genesee & Wyoming, is a 103-mile short line freight railroad that interchanges with CSX transportation and Norfolk Southern. Service connects to CSX's 21,000-mile network in Cottondale, FL and Dothan, AL serving major population centers in 23 states east of the Mississippi River and parts of Canada. Norfolk Southern's network connects in Dothan, AL serving 22 states and every major container port in the eastern U.S.

Roads

Highways connect Bay County to destinations throughout the United States, including the southern-most Interstate Highway, Interstate-10. I-10 is approximately 10 miles north of the Bay County line and 45 miles from Port Panama City. I-10 links Florida to California, stretching from I-95 in Jacksonville, FL to the Pacific Ocean in Santa Monica, CA. I-10 intersects with 9 of the 10 north-south Interstate highways.

**City of Callaway, Florida
Direct Debt
As of September 30, 2014**

<u>General Obligation</u>	<u>Non-Self Supporting</u>	<u>Self Supporting</u>
\$0	\$21,116,186	\$12,686,336

The City historically did not levy an ad valorem tax. However, beginning in 2004, the City imposed an ad valorem levy of 2.0 mills.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

APPENDIX C
FORM OF THE INDENTURE

APPENDIX D
FORM OF BOND COUNSEL OPINION

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Callaway, Florida (the "Issuer") in connection with the issuance of \$ _____ Capital Improvement Revenue Refunding Bonds, Series 2015 (the "Bonds"). The Bonds are being issued pursuant to Ordinance No. _____, enacted by the Issuer on _____, 2015 (the "Ordinance") and the Trust Indenture, dated as of _____, 2015 (the "Indenture") by and between the Issuer and Regions Bank, as trustee (the "Trustee"). The Issuer covenants and agrees as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE CERTIFICATE. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12 promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Indenture which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer, and which has filed with the Issuer a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean the MSRB and each State Repository.

"Rule" shall mean the continuing disclosure requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State" shall mean the State of Florida.

"State Repository" shall mean any public or private repository or entity designated by the State as a state information depository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Certificate, there is no State Repository.

SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than 240 days after the end of the Issuer's fiscal year (presently ending September 30), commencing with the report for the Fiscal Year 2014/15, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the Repositories an Annual Report (other than the audited financial statements described in subsection (a) above) by the date required in subsection (a), the Issuer shall send, or cause to be sent, a notice to (i) the MSRB, and (ii) the State Repository, if any, in substantially the form attached hereto as Exhibit A.

(c) If the Dissemination Agent is other than the Issuer, the Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to EMMA.

SECTION 4. CONTENT OF ANNUAL REPORTS. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official

Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) The following financial information and operating data in tabular form from the Official Statement under the following titles:

- (i) Historical Sales Tax Revenues;
- (ii) Historical Electric Public Service Tax Receipt; and
- (iii) Debt Service Coverage from Sales Tax Revenues and Electric Public Service Tax.

The information provided under Section 4(b) may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, to each Repository in a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each, a "Listed Event") with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on the debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. modifications to rights of the Holders of the Bonds;
8. Bond calls, if material, and tender offers;

9. defeasances;
10. release, substitution, or sale of property securing repayment of the Bonds, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or similar event of the Issuer (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer);
13. the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. the appointment of a successor or additional trustee or the change of name of the trustee, if material.

SECTION 6. SUBMISSION OF INFORMATION TO THE MSRB. The information required to be disclosed pursuant to Sections 2 and 3 of this Disclosure Certificate shall be submitted to the MSRB through its Electronic Municipal Market Access system ("EMMA"). Subject to future changes in submission rules and regulations, such submissions shall be provided to the MSRB, through EMMA, in portable document format ("PDF") files configured to permit documents to be saved, viewed, printed and retransmitted by electronic means. Such PDF files shall be word-searchable (allowing the user to search for specific terms used within the document through a search or find function available in a software package).

Subject to future changes in submission rules and regulations, at the time that such information is submitted through EMMA, the Issuer, or any Dissemination Agent engaged by the Issuer pursuant to Section 8 hereof, shall also provide to the MSRB information necessary to accurately identify:

- (a) the category of information being provided;
- (b) the period covered by the financial statements and any additional financial information and operating data being provided;

(c) the issues or specific securities to which such submission is related or otherwise material (including CUSIP number, issuer name, state, issue description/securities name, dated date, maturity date, and/or coupon rate);

(d) the name of any obligated person other than the Issuer;

(e) the name and date of the document being submitted; and

(f) contact information for the submitter.

SECTION 7. TERMINATION OF REPORTING OBLIGATION. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 8. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate. The initial Dissemination Agent shall be _____.

SECTION 9. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or

operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 10. ADDITIONAL INFORMATION. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 11. DEFAULT. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate; provided, however, the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with the provisions of this Disclosure Certificate shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture.

SECTION 12. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees, to the extent permitted by law and solely from the Pledged Funds, as defined in the Indenture, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 13. BENEFICIARIES. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: _____, 2015

CITY OF CALLAWAY, FLORIDA

(SEAL)

By: _____
Mayor

ATTEST:

Clerk

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Callaway, Florida

Name of Bond Issue: Capital Improvement Revenue Refunding Bonds, Series 2015 (the "Bonds")

Date of Issuance: _____, 2015

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Sections 3 and 4 of the Continuing Disclosure Certificate dated _____, 2015. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

CITY OF CALLAWAY, FLORIDA

By: _____

Name:

Title:

APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



EXHIBIT E

FORM OF CONTINUING DISCLOSURE AGREEMENT

**CITY OF CALLAWAY
BOARD OF COMMISSIONERS
AGENDA ITEM SUMMARY**

DATE: NOVEMBER 10, 2015

ITEM: LOCKBOX – REVIEW OF INFORMATION

1. PLACED ON AGENDA BY:

J. MICHAEL FULLER, CITY MANAGER

2. AGENDA:

PRESENTATION
 PUBLIC HEARING
 CONSENT
 OLD BUSINESS
 REGULAR

3. IS THIS ITEM BUDGETED (IF APPLICABLE)?: YES NO

4. BACKGROUND: (WHY, WHAT, WHO, WHERE, WHEN, HOW, & IDENTIFY ALL ATTACHMENTS)

Per Commission's request, staff has compiled the attached supporting documents referencing costs of the Lockbox since inception, as well as costs relating to a part-time person.

ATTACHMENTS:

- LETTER FROM CREDIT BUSINESS SERVICES, INC.
- SUMMARY

5. REQUESTED MOTION/ACTION:

Staff recommends that the City Commission approve continuing with the Lockbox service provided by Credit Business Services.



October 8, 2015

Michael Fuller, City Manager
City of Callaway
6601 E. Highway 22
Callaway, FL 32404

Dear Mr. Fuller,

In October of 2014, discussions began with the City on how my company could help improve their utility billing payment processing workflow. As a trusted vendor of accounts receivable management solutions to 19 different municipalities, I welcomed the challenge. After much discussion, due diligence and consultation with you and your staff, I proposed a lockbox solution: this solution is recognized as a best practice among municipal utility departments and is recommended by the Government Finance Officers Association.

To confirm your concerns with the Utility Billing Department's payment processing workflow, the Warren Averett audit findings revealed changes that needed to be made. As a direct result of the schedule of finding and responses for audit report year ending September 30, 2014, you asked me to provide you with a cost benefit analysis for my proposed lockbox solution. After I presented you with a cost benefit analysis of hiring staff versus outsourcing payment processing, you and your staff agreed that the lockbox outsourcing model was the best fit for the City.

The City of Callaway contracted our lockbox services in April of this year. Since that time, we have processed 6,884 items. The cost, to the City, for processing these items with us has been \$4,474.60.

Assuming that a part time or full time employee at a rate of \$12/hour (includes taxes and benefits) could process an item for the City at a rate of 4 minutes per item*, the following would have been the cost to the City for the same 6,884 items:

- Labor cost \$5,507.20 (6884 X 4 = 27536 minutes divided by 60 = 458.93 hour x \$12/hr = \$5507.20)
- Bank charges per item would have been \$1032.60 (6884 x \$.15)
- TOTAL COST CHECK PAYMENT PROCESSING COST = \$6,539.80

The net result of outsourcing your check acceptance and processing with my company is a documented 31.57% savings for the City or \$2,065.20. These are accurate and true numbers, which completely validates your decision to outsource versus trying to reinvent the wheel in-house.



Additional benefits the City receives from outsourcing are:

- Personnel changes do not affect the process, hence reducing training and labor cost
- Technology changes do not require investment from the City
- Variable per item pricing versus fixed cost of in-house IT and labor
- Check remittance image and ACH laws changes do not affect the City's staff or process
- Exceptions are easily tracked and stored
- Reduce cost of operating and maintaining RP systems and technology
- Utilize new technologies as they become available (e.g., Check 21 ICLs, ARC, Image Archiving, etc.)
- Transfer challenges with staffing, systems conversion, and training issues to a specialist
- Minimize risk of increased per item costs as volume decreases
- Provides business recovery and contingencies for facility service interruptions

Finally, I would ask the City to keep focus on the big picture. Organizations often fail to look at the big picture when making the decision between processing remittance in-house and outsourcing. Most look at it from a narrow financial perspective, but there are many factors that should influence the decision, including staffing, customer service, and security. When an organizations takes a holistic approach to payment remittance in the context of the entire business process, as you have, an organization will make an informed decision. I believe the cost and savings data provided, the ability for the utility billing staff to focus on quality control and customer service, and the overall stability the process adds to the core functions of the utility billing department speaks for itself. You and the City Council can rest assured it has made an informed and correct decision when outsourcing its' check acceptance process. We appreciate your business and respect our fiduciary responsibility to and for the City.

Sincerely,

A handwritten signature in black ink that reads 'Tommy Cooley'.

Tommy Cooley Jr
President

*My four minutes per item average is an assumption of generally accepted best business practices for payment processing. This includes tasks for each item that include opening the items, scanning, additional data entry, batch review and individual account posting of the item to proper account.

City of Callaway
Lockbox Cost Comparisons

Shown below is a summary of expense comparisons related to implementation of our lockbox. Expense detail is also provided.

Expense Comparison Summary

	April		May		June		July		August		September		Totals	
	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Amount
FY 2014														
Bank Charges Related to deposits	4,615	\$ 731	4,833	\$ 820	5,328	\$ 915	5,226	\$ 882	5,207	\$ 879	4,591	\$ 781	29,800	\$ 5,009
Customer Service Overtime	13	240	25	437	25	435	70	1,427	32	587	38	735	201	3,861
FY 2014 Totals	4,628	971	4,858	1,257	5,353	1,351	5,296	2,310	5,239	1,466	4,629	1,516		8,870
FY 2015														
Bank Charges Related to deposits	4,102	\$ 633	3,948	\$ 602	4,051	\$ 634	3,341	\$ 537	3,330	\$ 543	3,573	559	22,345	\$ 3,507
Customer Service Overtime	6	112	7	134	10	197	19	377	6	130	24	487	71	1,438
Lockbox (Including monthly maintenance fees)	698	504	762	545	977	685	1,648	1,121	1,695	1,152	1,104	768	6,884	4,775
Fed Ex						9		14		16		6		44
FY 2015 Totals	4,108	745	3,955	736	4,061	831	3,360	914	3,336	673	3,597	1,046		9,764
Increase / (Decrease) in Costs	\$ (520)	\$ (226)	\$ (903)	\$ (521)	\$ (1,292)	\$ (519)	\$ (1,936)	\$ (1,396)	\$ (1,903)	\$ (793)	\$ (1,032)	\$ (471)		\$ 894

City of Callaway
Lockbox Cost Comparisons

Expense Detail

Detail of Bank Charges Related to Deposits

	April	May	June	July	August	September	Totals
FY 2014							
Electronic Credits	60	57	54	57	55	61	344
Deposits - Credits	190	194	222	196	196	195	1,193
Items Deposited on US	57	64	96	78	80	63	438
Quick Deposit on US	259	259	265	275	281	283	1,622
Quick Deposit Local	29	20	20	18	14	19	120
Quick Deposit Regional	2,304	2,345	2,298	2,273	2,272	2,301	13,793
Quick Deposit Other Fed	505	550	514	525	537	551	3,182
Branch Dep per \$100	1,065	1,200	1,719	1,599	1,635	983	8,201
ACH Credit Transact	145	143	139	204	136	134	901
Quick Deposit maintenance fee	1	1	1	1	1	1	6
Totals	4,615	4,833	5,328	5,226	5,207	4,591	29,800
FY 2015							
Electronic Credits	114	112	134	113	120	112	705
Deposits - Credits	147	133	145	107	124	135	791
Items Deposited on US	302	280	280	202	223	303	1,590
Items Deposited US							-
Items Deposited Local	14	10	120	70	82	133	429
Items Deposited Regional	1,669	1,645	1,438	921	953	1,358	7,984
Items Deposited Other Fed	426	411	319	231	225	306	1,918
Branch Dep per \$100	1,270	1,198	1,458	1,457	1,435	1,223	8,041
ACH Credit Transact	160	159	157	240	168	3	887
Amt. due to bank fee increase	(63)	(62)	(56)	(37)	(38)	(54)	(310)
Totals	4,102	3,948	4,051	3,341	3,330	3,573	22,345
Total Bank Fee Savings 2015 - 2014	(513)	(885)	(1,277)	(1,885)	(1,877)	(1,018)	(7,455)

¹ Adjustment for Comparison due to increase in Bank fees

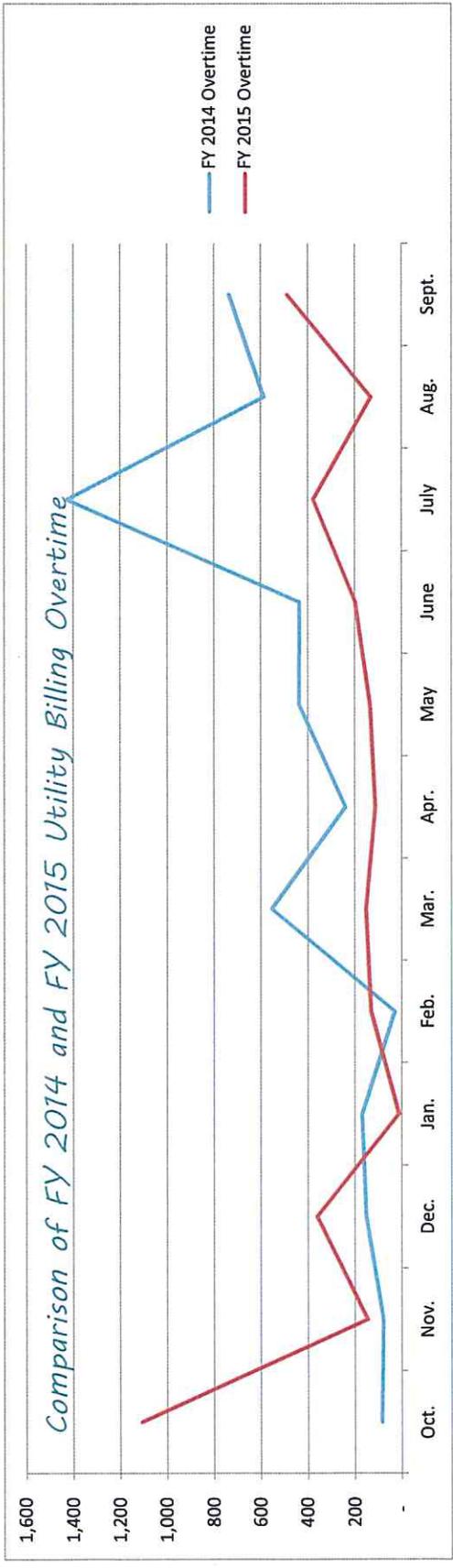
City of Callaway
 Lockbox Cost Comparisons
Expense Detail

Detail of Utility Billing Overtime

	Apr.	May	Jun.	Jul.	Aug.	Sept.	Total Hrs.	Total Amt.
FY 2014								
Hay Concheta A	-	12.75	17.00	5.50	16.50	9.50	61.25	1,010.65
Rodriguez Micah A	10.00	12.00	6.25	59.75	14.25	24.25	126.50	2,569.24
Williams Winnie B	2.50	-	1.25	5.00	1.00	3.75	13.50	281.48
2014 Total	12.50	24.75	24.50	70.25	31.75	37.50	201.25	3,861.37
FY 2015								
Hay Concheta A	1.25	2.25	3.75	6.50	-	5.25	19.00	313.53
Rodriguez Micah A	4.25	2.25	-	5.50	-	10.00	22.00	478.87
Williams Winnie B	-	2.25	6.25	7.00	6.00	8.25	29.75	645.29
2015 Total	5.50	6.75	10.00	19.00	6.00	23.50	70.75	1,437.69

Increase / (Decrease) (7.00) (127.85) (18.00) (302.60) (14.50) (238.02) (51.25) (1,050.29) (25.75) (456.87) (14.00) (248.05) (130.50) (2,423.68)

Overtime cannot be completely eliminated for the customer service representatives due to: setting up cash drawers before opening, completion of drawer reconciliations and daily deposits at closing and weekly inhouse training. The chart below illustrates the smoothing of workflow peaks in FY 2015.



	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	FY Totals
FY 2014 Overtime	86	80	151	169	30	553	240	437	435	1,427	587	735	4,930
FY 2015 Overtime	1,109	146	361	11	130	151	112	134	197	377	130	487	3,345
Increase / (Decrease)	1,023	66	209	(158)	100	(401)	(128)	(303)	(238)	(1,050)	(457)	(248)	(1,585)

City of Callaway
Lockbox Cost Comparisons

Additional Information Requested

In order to resolve any outstanding issues and maximize the efficiency of our process, follow-up meetings were held after our initial implementation. Solutions to improve our processes and to improve customer service include:

- ➔ Sending delinquent and cutoff lists to the lockbox provider to test for any posting discrepancies.
- ➔ Notifying customers using a pre-recorded message of account delinquencies and cut off dates which has significantly reduced our cut off list.
- ➔ Adding the option for delinquent customers to pay our provider immediately, over the phone when answering notification calls.
- ➔ NSF check collection at no cost to the City.
- ➔ Processing of drop box payments to smooth peak workload days and to ensure timely posting and collection deposits.

Drop Box Payments sent to Lockbox Provider

Date Sent	Fed Ex Charge	Number of Checks	Amount Deposited
6/15/2015	9.20	237	\$ 23,104
7/13/2015	5.79	346	40,885
7/16/2015		441	64,966
7/17/2015	7.82	394	41,549
8/13/2015	9.20	133	31,580
8/17/2015	6.88	530	63,335
9/14/2015		227	23,200
9/17/2015	5.59	317	42,788
Totals	44.48	2,625	\$ 331,407

Personnel Costs for a Part-time employee

Annual Cost (Part-time 25hrs weekly)
 10.25 x 1,300 = 13,325.00
 FICA = 826.15
 Medicare = 193.21
 FRS = 967.40
 WC = 34.65
 Total Annual Cost = \$15,346.41