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October 27, 2014

Matthew Sansbury, Managing Director
Stifel, Nicolaus & Company, Incorporated
111 N. Magnolia Avenue, Suite 1175
Orlando, FL 32801

RE: City of Clearwater, Florida
RFP #38-14

Dear Mr. Sansbury:

You have provided us with certain information and have discussed with us the current and future needs for the financing of the City of Clearwater, Florida (the "Company"). In connection therewith, we are pleased to submit our proposal to provide the credit accommodations (the "Credit Accommodations") described on the attached preliminary term sheet(s) for your consideration.

The structure of the proposed Credit Accommodation(s) is outlined in the attached term sheet(s) which provides a statement of suggested terms, but under no circumstance shall such statement be construed as a complete summarization of terms necessary for consummation of the proposed Credit Accommodation. PLEASE NOTE THIS PROPOSAL IS SUBJECT TO FORMAL CREDIT REVIEW AND UNDERWRITING IN ACCORDANCE WITH THE BANK'S INTERNAL POLICY AND NOTHING HEREIN SHALL CONSTITUTE A BINDING COMMITMENT TO LEND. Further, we expressly advise you that TD Bank, N.A. (the "Bank") has not approved the Credit Accommodations. The Bank shall not be liable to the Company or any other person for any losses, damages or consequential damages which may result from the Company's reliance upon this proposal letter or the proposed Credit Accommodations, the proposed term sheet(s) or any transaction contemplated hereby.

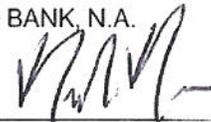
This letter, along with the proposed terms and conditions, are delivered to the Company for its confidential use and evaluation, and shall not be disclosed by the Company except (i) as may be required to be disclosed in any legal proceeding or as may otherwise be required by law and (ii) on a confidential and "need to know" basis, to your directors, officers, employees, advisors and agents.

If this proposal meets your approval and you would like the Bank to proceed with its formal credit investigation, underwriting and approval process, please return a copy of this letter countersigned by you. We appreciate the opportunity to provide this proposal and look forward to working with you on successfully completing this transaction.



Very truly yours,

TD BANK, N.A.

By: 

Kyle P. Keith
Senior Lender

ACCEPTED on this 17th day of November, 2014:

City of Clearwater, Florida

By: Brian Clay Rawlin, Finance Director

Signer's name, Title

TD BANK, N.A. ("BANK")

TERMS AND CONDITIONS OF CREDIT ACCOMMODATION DATED
OCTOBER 27, 2014 ("LOAN")

THIS IS A STATEMENT OF TERMS AND CONDITIONS AND NOT A COMMITMENT TO LEND. ALL
CREDIT ACCOMMODATIONS ARE SUBJECT TO FORMAL CREDIT UNDERWRITING AND
APPROVAL.

1. Loan.

- (a) Borrower(s): City of Clearwater, FL ("Borrower")
- (b) Facility Amount: Not to exceed \$27,520,000 ("Water and Sewer Loan")
- (c) Facility Type: Non-Bank Qualified Tax-Exempt Loan
- (d) Purpose: Proceeds shall be used to advance refund the City's outstanding Water and Sewer Revenue Bonds, Series 2006.
- (e) Maturity: 12/1/2032
- (f) Repayment Terms: Semi-annual interest payments beginning June 1, 2015 through the proposed maturity date (using a 30/360 day count). Annual principal payments beginning December 1, 2015, as per the attached Exhibit A.
- (g) Interest Rate: (A) Indicative Non-Bank Qualified Tax-Exempt Fixed Rate of 2.91% as of 10/22/2014. The actual interest rate shall be set three (3) days prior to closing based upon the following formula:

70% of 10-year Fed Reserve H.15 Interest Swap Rate + 126bps = 2.91% as of 10/22/2014.

The Bank will also make available the option to lock-in the above quoted loan rates for the Borrower for a period of 30 or 45 days, which is subject to the Borrower executing the Bank's Rate Lock Agreement.

A premium of 2 basis points will be added to the quoted rate in order to hold the stated rate for 30 days.

A premium of 3 basis points will be added to the quoted rate in order to hold the stated rate for 45 days.

- (h) Prepayment Privilege: **Option A – "Closed":**
Standard Bank Pre-Payment Language as per below:

At the time of any full or partial prepayment, a fee equal to the greater of (i) 1.00% of the principal balance being prepaid multiplied by the "Remaining Term", as hereinafter defined, in years or (ii) a "Yield Maintenance Fee" in an amount computed as follows:

The current cost of funds, specifically the bond equivalent yield for United States Treasury securities (bills on a discounted basis shall be

converted to a bond equivalent yield) with a maturity date closest to the "Remaining Term", shall be subtracted from the Note rate, or default rate if applicable. If the result is zero or a negative number, there shall be no Yield Maintenance Fee due and payable. If the result is a positive number, then the resulting percentage shall be multiplied by the scheduled outstanding principal balance for each remaining monthly period of the "Remaining Term". Each resulting amount shall be divided by 360 and multiplied by the number of days in the monthly period. Said amounts shall be reduced to present values calculated by using the above reference current costs of funds divided by 12. The resulting sum of present values shall be the Yield Maintenance Fee due to the Bank upon prepayment of the principal of the loan plus any accrued interest due as of the prepayment date.

"Remaining Term" as used herein shall mean the shorter of (i) the remaining term of this Note, or (ii) the remaining term of the then current fixed interest rate period.

Option B – "Open":

The Borrower can elect to have a "no prepayment penalty" provision after the 5th anniversary of the Term Loan by adding a premium of 19bps to the proposed fixed rate.

- (i) Expected Closing: On or before December 13, 2014
- (j) Default Rate of Interest: The "default rate of interest" shall be six (6) percentage points in excess of the prime rate of interest upon the occurrence of the event of default.

2. Fees and Expenses.

Bank Fee – waived.

The Borrowers shall be responsible for Bank Counsel Fees for the review of the loan documentation which will be prepared by Borrowers' Counsel. Bank Counsel fees shall not exceed \$6,000.

3. Security.

The Facility and other parity obligations shall be secured by a by an irrevocable first lien upon and pledge of the net revenues from the City's Water and Sewer System. Net revenues shall be defined by the Ordinance to include all income or earnings, including any income from the investment of funds, derived by the City from the operation of the Water and Sewer System after deduction of current expenses, either paid or accrued, for the operation, maintenance and repair of the Water and Sewer System, but not including reserves for renewals and replacements, for extraordinary repairs or any allowance for depreciation.

4. Legal Opinions.

Prior to closing, there shall be delivered to the Bank an opinion of Bond Counsel acceptable to the Bank covering matters customary for a transaction of this type and nature and which shall, without limitation, opine that: (1) the Borrower is duly formed; (2) all loan documents have been validly authorized and executed by and on behalf of the the Borrower, if any; (3) Facility is Non-Bank Qualified and tax-exempt; and (4) all loan documents are valid, binding, enforceable in accordance

with their terms and do not violate any legal requirements, including without limitation, organizational documents, laws and material agreements.

5. **Financial Reporting.**

The Borrower shall furnish the following financial reports:

<u>Type of Report(s)</u>	<u>Frequency</u>	<u>Due Date</u>
Financial Statements – Audited	Annually	210 days after end of Fiscal Year
Approved Budget	Annually	60 days after completion and approval

The Bank reserves the right to request additional financial information to supplement or verify certain financial assumptions or verify the creditworthiness of the Borrower.

6. **Financial Covenants.**

Rate Covenant: The Borrower will fix, establish and maintain such rates and collect such fees, rentals and other charges for the services and facilities of the System and revise the same from time to time whenever necessary, as will always provide Gross Revenues in each Fiscal Year sufficient to pay the cost of operation and maintenance of the System in each Fiscal Year, one hundred fifteen per centum (115%) of the Bond Service Requirement becoming due in such Fiscal Year on the outstanding parity bonds, on the outstanding bonds and on all outstanding additional bonds, plus one hundred per centum (100%) of all reserve and other payments required to be made pursuant to the Ordinance.

Ad Bond Test: Additional Bonds, payable on a parity from the Net Revenues with the proposed Water and Sewer Loan and other parity bonds, may be issued for the purposes of refunding all or a portion of the outstanding Bonds or financing the cost of extensions, additions and improvements to the System and for the acquisition and construction of, and extensions, additions and improvements to, sewer and/or water or reclaimed water systems which are to be consolidated with the System and operated as a single combined utility. Additional Bonds, other than for refunding purposes, will be issued only upon compliance with all of the conditions set forth in the Ordinance, including:

- (i) There shall have been obtained and filed with the Clerk a certificate of the Finance Director stating: (a) that the books and records of the City relative to the System have been audited by a qualified and recognized firm of independent certified public accountants; (b) based on such audited financial statement, that the amount of the adjusted Net Revenues derived for the Fiscal Year preceding the date of issuance of the proposed Additional Bonds or for any twelve (12) consecutive months during the eighteen (18) months immediately preceding the date of issuance of the Additional Bonds with respect to which certificate is made, adjusted as provided below; and (c) based on such audited financial statement, that the aggregate amount of such Net Revenues, as adjusted, for the period for which such Net Revenues are being certified is equal to not less than 120% of the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter on (i) all parity bonds and the bonds issued under the Ordinance, if any, then outstanding and (ii) on the Additional Bonds with respect to which such certificate is made.

- (ii) The Net Revenues may be adjusted by including (a) 100% of the additional Net Revenues which would have been derived by the City from rate increases adopted before the Additional Bonds are issued, if such rate increases had been implemented before the commencement of the period for which such Net Revenues are being certified, and (b) 100% of the additional Net Revenues estimated to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, improved or added to with the proceeds of the Additional Bonds with respect to which such certificate is made. The adjustments described in (b) of this paragraph may only be made if the Net Revenues as adjusted under (a) of this paragraph for the period for which such Net Revenues are being certified equals at least 1.00 times the Maximum Bond Service Requirement becoming due in any Fiscal Year thereafter on all bonds then outstanding and on the Additional Bonds to which the certificate is made.

7. **Other Conditions.**

- a. The implementation of certain terms, conditions, covenants or other non-material changes to the proposed Credit Accommodation required as part of the Bank's formal credit approval shall be deemed an approval in substantially the form outlined in this proposed Credit Accommodation.
- b. All legal matters and documentation to be executed in connection with the contemplated proposed Credit Accommodation shall be satisfactory in form and substance to the Bank and counsel to the Bank.
- c. The Bank shall not be required to enter into the proposed Credit Accommodation until the completion of all due diligence inquiries, receipt of approvals from all requisite parties and the execution and receipt of all necessary documentation reasonably acceptable to the Bank and its counsel. The Bank complies with the US Patriot Act of 2001 (the "Act"), including, but not limited to; those sections relating to customer identification, monitoring and reporting of suspicious activities, and the prevention of money laundering. This Act mandates that we verify certain information about the borrower and any guarantor while processing the Credit Accommodation request. Furthermore, certain assumptions are made for this proposal which, if altered, could affect the overall credit approval and or the terms of the proposed Credit Accommodation.
- d. No material adverse change in the Borrower's financial condition prior to closing.
- e. The Facility shall be on parity and cross defaulted with other existing Borrower debt that is backed by the Pledged Revenues (as applicable).
- f. Loan documents shall include standard provisions with regards to tax status (limited to at-fault events of the Borrower).
- g. Borrower shall maintain a minimum Public Debt Rating of A- / A3 on parity debt through the life of the loan or provide Rate Ordinance coverage of 140%.
- h. The Borrowers obligations under the Master Trust Indenture, as well as certain Lender's rights agreed upon by the parties, shall apply to this transaction.

THIS PROPOSAL IS NOT AND SHOULD NOT BE CONSTRUED AS A COMMITMENT BY THE BANK OR ANY AFFILIATE TO ENTER INTO ANY CREDIT ACCOMMODATION.

**EXHIBIT A
AMORTIZATION SCHEDULE**

Date	Amount
12/1/2105	\$170,000
12/1/2016	\$150,000
12/1/2017	\$155,000
12/1/2018	\$160,000
12/1/2019	\$1,575,000
12/1/2020	\$1,610,000
12/1/2021	\$1,665,000
12/1/2022	\$1,720,000
12/1/2023	\$1,770,000
12/1/2024	\$1,825,000
12/1/2025	\$1,880,000
12/1/2026	\$1,940,000
12/1/2027	\$1,995,000
12/1/2028	\$2,055,000
12/1/2029	\$2,120,000
12/1/2030	\$2,180,000
12/1/2031	\$2,245,000
12/1/2032	\$2,305,000