

RAYMOND JAMES

July 27, 2017

Re: City of Clearwater, Florida – Water & Sewer Refunding Note, Series 2017

As required in the Request for Proposals #33-17, the proposer hereby states that it understands the City's request. The Transaction Overview below confirms this understanding.

The legal name of the financial institution and primary contact person are listed as follows:

Cord D. King
Tax-Exempt Lending Manager
Raymond James Capital Funding, Inc.
710 Carillon Parkway
St. Petersburg, FL 33716
727.567.2055
cord.king@raymondjames.com

On behalf of Raymond James Capital Funding, Inc., we are pleased to submit the following loan proposal to refund all or a portion of the City of Clearwater's outstanding Water and Sewer Revenue Refunding Bonds, Series 2011 (the "Series 2011 Bonds") pursuant to the following terms.

Transaction Overview

Borrower: City of Clearwater, Florida (the "City")

Lender: Raymond James Capital Funding, Inc. – a non-bank subsidiary of Raymond James Bank (the "Lender")

Facility: The obligation will be in the form of a direct bank loan (the "2017 Loan") to the City in an amount not to exceed the Loan Amount below. Interest on the 2017 Loan shall be tax-exempt to the holders thereof.

Purpose: The City shall use proceeds of the 2017 Loan to refund the City's callable outstanding Series 2011 Bonds maturing on and after December 1, 2022 and to pay costs associated with the closing of the 2017 Loan.

Loan Amount: Not to exceed \$30,000,000 (the "Loan Amount")

Closing Date: On or before September 14, 2017

Security: The 2017 Loan shall be payable from and secured by an irrevocable first lien upon and pledge of the Net Revenues derived and collected by the City from the operation of the City's Water and Sewer System (the "System"), on parity with outstanding senior lien debt of the System.

Term/**Maturity:**

Interest payments on the outstanding principal balance of the 2017 Loan will be calculated on a 30/360-day basis and shall be paid semiannually on June 1 and December 1 of each year, beginning December 1, 2017. The principal amount of the 2017 Loan shall be payable annually on December 1 of each year beginning December 1, 2019. The 2017 Loan shall mature no later than December 1, 2032 corresponding to the following preliminary amortization schedule:

| City of Clearwater, Florida 2017 Loan | |
|--|------------------|
| Maturity Date | Amortization |
| 12/1/2019 | 325,000 |
| 12/1/2020 | 125,000 |
| 12/1/2021 | 125,000 |
| 12/1/2022 | 2,225,000 |
| 12/1/2023 | 2,290,000 |
| 12/1/2024 | 2,355,000 |
| 12/1/2025 | 2,420,000 |
| 12/1/2026 | 2,485,000 |
| 12/1/2027 | 2,560,000 |
| 12/1/2028 | 2,635,000 |
| 12/1/2029 | 2,710,000 |
| 12/1/2030 | 2,790,000 |
| 12/1/2031 | 2,870,000 |
| 12/1/2032 | <u>2,960,000</u> |
| | 28,875,000 |

Interest Rate: The tax-exempt interest rate on the 2017 Loan shall be fixed for the term of the financing at an interest rate of **2.40%**. So long as the yield on the 10-year constant maturity US Treasury Note as reported on the United States Department of the Treasury Daily Treasury Yield Curve Table website (<https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>) is below 2.50% 30 days prior to the Closing Date (rate is 2.33% as of July 25th), the interest rate shall not change. If the yield on the 10-year constant maturity Treasury Note is at or above 2.50% 30 days prior to the Closing Date, the interest rate shall be reset as follows:

$$[(70\% \text{ 10-yr US Constant Maturity Treasury Yield}) + 0.77\%]$$

Original Issue**Discount:**

The Lender shall make the 2017 Loan at a discount of 0.25% of the par amount of the 2017 Loan treated by the Lender as an original issue discount for Federal income tax purposes.

- Lender Counsel:** The Lender shall be represented by Brian Fender of GrayRobinson, P.A. ("Lender Counsel"). Lender Counsel's responsibilities shall be limited to a review of documents with fees capped at \$12,500 to be paid from proceeds of the Series 2017 Loan.
- Prepayment:** The 2017 Loan may be prepaid at the option of the City on any Business Day in whole or in part on or after December 1, 2027, at 100% of the principal amount being prepaid plus any accrued interest upon 30 days advance written notice to the Lender. Prior to this date, prepayments shall be subject to Lender consent. Any partial prepayments shall be applied by the Lender on a pro rata basis among the remaining amortization installments.
- Conditions Precedent:** The City and its agents will deliver closing documents and make the representations customary in similar transactions and acceptable to the Lender. The City shall certify to the Lender that no parity indebtedness is subject to acceleration. While preliminary credit approval has been obtained in order to issue this term sheet, the final amount and terms shall be subject to final credit approval as a condition precedent to closing this transaction. Such approval can be expected to be completed within 10 business days of notification of award.
- Covenants:** The Lender shall require covenants consistent with those included on the Outstanding Parity Bonds including, but not limited to rate covenant and additional indebtedness. The City shall maintain a rating from at least one rating agency on parity indebtedness. If no parity debt is rated, the City shall agree to increase the Rate Covenant from 115% to 140% while no parity debt is rated. The City shall provide the Lender with annual audits within 240 days of the City's fiscal year-end and budgets within 60 days of adoption along with such other information as the Lender shall reasonably request.
- Default Rate:** Under any Event of Default, including but not limited to (i) a failure by the City to timely pay any amount due under the 2017 Loan documents on the date on which such amount is due and payable under the terms of the 2017 Loan documents, and (ii) the failure by the City to observe and perform any term or covenant, condition or agreement on its part to be observed or performed under the Bond Ordinance or Resolution, and such default shall continue and not be cured for a period of 30 days from the earlier of written notice of such default from the Lender or when the City had knowledge of such default, the interest rate on the 2017 Loan shall accrue at the Default Rate. The Default Rate shall be calculated at the greater of (a) the published Federal Reserve Bank's Prime Rate +3%, (b) the Federal Funds Rate +5%, or (c) 7%, per annum. Once the Event of Default is cured, the interest rate will revert back to the original tax-exempt rate effective as of the cure date.
- Tax Treatment:** The interest component on the Series 2017 Loan shall be excludable from gross income for federal income tax purposes. The City shall covenant to perform all actions, functions or requirements in order to maintain the tax-exempt status on the 2017 Loan. The Lender shall be provided an opinion of tax counsel satisfactory to the Lender and Lender's Counsel which concludes that the interest on the 2017 Loan

(including any original issue discount properly allocable to an owner thereof) is excludable from gross income for federal income tax purposes. Lender shall require an opinion of counsel that the loan and loan documents are exempt from registration and qualification under the Securities Act of 1933, as amended, and Trust Indenture Act of 1939, as amended.

Defaults/

Remedies:

Upon the breach of any covenant, agreement or warranty, the 2017 Loan documents will provide remedies to the Lender customary for transactions of this nature, exercise rights and remedies available under law, equity or under the terms of the Bond Ordinance or Resolution and/or other financing documents and the interest rate shall be adjusted to the Default Rate described above.

Taxability:

The interest rate shall be grossed-up for an event of taxability caused by actions or inactions of the City. Upon an event of taxability of the 2017 Loan, the interest rate shall increase to a taxable rate of 3.70% (subject to adjustment by the Lender as described in the Interest Rate section above) as of the date of taxability including a payment reflecting the difference between the tax-exempt and taxable rate from the determination of taxability plus any penalties and interest paid or payable by such Holder to the Internal Revenue Service by reason of such Determination of Taxability.

No Advisory or

Fiduciary Role:

The City acknowledges and agrees that: (i) information contained in this document regarding the 2017 Loan is for discussion purposes only in anticipation of engaging in arm's length commercial transactions with the City in which the Lender would be acting solely as a principal to make a loan to the City, and not as a municipal advisor, financial advisor or fiduciary to the City or any other person or entity regardless of whether the Lender or an affiliate has or is currently acting as such on a separate transaction; (ii) the Lender has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Lender or its affiliates have provided other services or are currently providing other services to the City on other matters); (iii) the only obligations the Lender has to the City with respect to the transaction contemplated hereby expressly are set forth in this term sheet and the financing documents; and (iv) the City has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

Disclaimer:

This term sheet includes information related to a direct purchase transaction ("Direct Purchase"). Please be advised that Direct Purchase is a product offering of the Lender or a subsidiary thereof as lender/investor. Additionally, the Lender has financial and other interests that differ from your interests. In its capacity as lender/investor, Lender's sole role would be to enter into a loan agreement to provide funds for the purpose stated above. Lender will not have any duty or liability to any person or entity in connection with the information provided herein. The information provided is not intended to be and should not be construed as "advice" within the meaning of Section 15B of the Securities Exchange Act of 1934, as amended.

Confidentiality: This term sheet is confidential and proprietary, and terms herein may not be disclosed without our prior written consent, except to your professional advisors in connection with the 2017 Bond who agree to be bound by such confidentiality requirements, or as may be required by law. Notwithstanding anything herein to the contrary, any party hereto may disclose to any and all persons, without limitation of any kind, the tax treatment or tax structure of this transaction. Furthermore, the parties to this transaction may disclose, as required by federal or state laws, any information as required to comply with such federal or state laws.

This term sheet will expire and the transaction must close on or before September 14, 2017 unless extended by Lender. Thank you for the opportunity to be of service to the City of Clearwater. Should you have any questions, please don't hesitate to contact me at the number below.

Sincerely,



Cord D. King
Tax-Exempt Lending Manager
Raymond James Capital Funding, Inc.
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St. Petersburg, FL 33716
(p) 727.567.2055
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Acceptance:

City of Clearwater, Florida

By: Brian May Ravine

Title: Finance Director

Date: 8/8/2017