

Agenda Item #:

**PALM BEACH COUNTY
BOARD OF COUNTY COMMISSIONERS
AGENDA ITEM SUMMARY**

Meeting Date: October 16, 2012 ☐ Consent ☒ Regular
 ☐ Ordinance ☐ Public Hearing

Department: Office of Financial Management & Budget

I. Executive Brief

Motion and Title: Staff recommends motion to adopt a Resolution (I) supplementing Resolution No. R-84-1206 of the County, as amended and supplemented, (II) authorizing the issuance of the County's Water and Sewer Revenue Refunding Bonds Series 2012 in an aggregate principal amount of not exceeding \$75,000,000 as additional parity obligations under Resolution No. R-84-1206; (III) providing a method for determining the actual principal amounts, interest rates, maturity schedule and redemption provisions for such Series 2012 bonds; (IV) providing a method for awarding the sale of Series 2012 bonds to the underwriters and making certain findings in connection therewith; (V) delegating to the Chair and County Administrator the authority to award the sale of the Series 2012 Bonds to the underwriters (VI) appointing an escrow agent, paying agent and registrar for the Series 2012 bonds; (VII) authorizing the preparation and use of a preliminary official statement and authorizing the execution and delivery of a final official statement, bond purchase agreement, escrow deposit agreement and paying agent and registrar agreement; (VIII) providing for compliance with certain continuing disclosure requirements; (IX) providing certain other details with respect thereto; and providing an effective date for this resolution.

Summary: The County has received a proposal to do a partial refunding for the Water & Sewer Revenue Bonds, Series 2006A. On August 23, 2012, the County Financing Committee (CFC) met to discuss the financing alternatives and recommended that, due to the current period of low interest rates, the County should proceed with the refunding for potential savings. Upon the recommendation of the County's Financial Advisor and the CFC, the refunding is being done through a competitive-negotiated sale.

Background and Justification: In a competitive-negotiated sale, the County will offer a Request for Proposal (RFP) amongst its current team of underwriters (selected through a competitive process). The CFC and Financial Advisor will review the RFPs and make a recommendation of a Senior Manager and team of Co-Managers to the County Administrator. The County will have the opportunity to negotiate with the Senior Manager to structure a financing that will maximize savings and opportunities to sell the bonds. The County will reserve the right to cancel the sale, if market conditions should deteriorate. The County expects to close the Bonds by the end of January.

Attachments:

- ## 1. Bond Resolution

Recommended by:

Department Director

Date _____

Approved By:

County Administrator

Date _____

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital Expenditures	_____	_____	_____	_____	_____
Operating Costs	_____	_____	_____	_____	_____
Debt Service Costs	* _____	* _____	* _____	* _____	* _____
External Revenues	_____	_____	_____	_____	_____
Program Income (County)	_____	_____	_____	_____	_____
In-Kind Match (County)	_____	_____	_____	_____	_____
 NET FISCAL IMPACT	_____	_____	_____	_____	_____
No. ADDITIONAL FTE	_____	_____	_____	_____	_____
POSITIONS (Cumulative)	_____	_____	_____	_____	_____

Is Item Included In Current Budget? Yes _____ No _____
Budget Account No.: Fund _____ Department _____ Unit _____
Object _____ Reporting Category _____

B. Recommended Sources of Funds/Summary of Fiscal Impact:

The Resolution authorizes the sale of Bonds. The debt service payments are secured by a pledge of Water & Sewer revenues (self-supporting debt).

*Debt service payments will decrease in future years; however, the amounts are not known until the bonds are sold.

C. Departmental Fiscal Review: _____

III. REVIEW COMMENTS

A. OFMB Fiscal and/or Contract Dev. and Control Comments:

10/9/12 10/9/12 N/A
OFMB Contract Dev. and Control
10/9/12

B. Legal Sufficiency:

Paul E. [Signature] 10/9/12
Assistant County Attorney

C. Other Department Review:

Department Director

RESOLUTION NO. _____

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA, SUPPLEMENTING RESOLUTION NO. R-84-1206 OF THE COUNTY, AS AMENDED AND SUPPLEMENTED, AUTHORIZING THE ISSUANCE OF THE COUNTY'S WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2012 IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING \$75,000,000 AS ADDITIONAL PARITY OBLIGATIONS UNDER RESOLUTION NO. R-84-1206; PROVIDING A METHOD FOR DETERMINING THE ACTUAL PRINCIPAL AMOUNTS, INTEREST RATES, MATURITY SCHEDULE AND REDEMPTION PROVISIONS FOR SUCH SERIES 2012 BONDS; PROVIDING A METHOD FOR AWARDED THE SALE OF SERIES 2012 BONDS TO THE UNDERWRITERS AND MAKING CERTAIN FINDINGS IN CONNECTION THEREWITH; DELEGATING TO THE CHAIR AND THE COUNTY ADMINISTRATOR THE AUTHORITY TO AWARD THE SALE OF THE SERIES 2012 BONDS TO THE UNDERWRITERS; APPOINTING AN ESCROW AGENT, PAYING AGENT AND REGISTRAR FOR THE SERIES 2012 BONDS; AUTHORIZING THE PREPARATION AND USE OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT, BOND PURCHASE AGREEMENT, ESCROW DEPOSIT AGREEMENT AND PAYING AGENT AND REGISTRAR AGREEMENT; PROVIDING FOR COMPLIANCE WITH CERTAIN CONTINUING DISCLOSURE REQUIREMENTS; PROVIDING CERTAIN OTHER DETAILS WITH RESPECT THERETO; AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the Board of County Commissioners (the "Board") of Palm Beach County, Florida (the "County") previously adopted Resolution No. R-84-1206 on August 23, 1984, as supplemented by Resolution No. R-85-901 adopted by the Board on June 4, 1985, Resolution No. R-86-1774 adopted by the Board on November 18, 1986, Resolution No. R-89-636 adopted by the Board on April 4, 1989, Resolution No. R-89-1339 adopted by the Board on July 11, 1989, Resolution No. R-93-466 adopted by the Board on April 6, 1993, Resolution No. R-93-994 adopted by the Board on August 17, 1993, Resolution No. R-95-1453 adopted by the Board on October 17, 1995, Resolution No. 95-1463 adopted by the Board on October 24, 1995, Resolution No. R-98-803 adopted by the Board on June 2, 1998, Resolution No. R-98-854 adopted by the Board on June 16, 1998, Resolution No. R-2003-0736 adopted by the Board on May 20, 2003, Resolution No. R-2003-0833 adopted by the Board on June 17, 2003, Resolution No. R-2004-0636 adopted by the Board on April 13, 2004, Resolution No. R-2006-0531 adopted by the Board on April 14, 2006 and Resolution No. R-2009-0800 adopted by the Board on May 5, 2009 (collectively, together with this Resolution, the "Bond Resolution"), pursuant to which the County has issued its Water and Sewer Revenue Bonds, Series 1984, its Water and Sewer

Revenue Bonds, Series 1985, its Water and Sewer Refunding Revenue Bonds, Series 1986, its Water and Sewer Revenue Bonds, Series 1989, its Water and Sewer Revenue Bonds, Series 1993A, its Water and Sewer Revenue Refunding Bonds, Series 1993B, its Water and Sewer Revenue Bonds, Series 1995, its Water and Wastewater Revenue Bonds, Series 1998, its Water and Sewer Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds"), its Water and Sewer Revenue Refunding Bonds, Series 2004, its Water and Sewer Revenue Bonds, Series 2006A (the "Series 2006A Bonds"), its Water and Sewer Revenue Refunding Bonds, Series 2006B (the "Series 2006B Bonds") and its Water and Sewer Revenue Bonds, Series 2009 ("Series 2009 Bonds"); and

WHEREAS, the Bond Resolution authorizes the issuance of additional parity bonds for the purpose of refunding bonds previously issued thereunder; and

WHEREAS, the County desires to refund all or a portion of the Series 2006A Bonds (the "Refunded Bonds"); and

WHEREAS, the County desires to issue its Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds") as additional parity bonds under the Bond Resolution in order to refund the Refunded Bonds; and

WHEREAS, the County expects to receive a Bond Purchase Agreement (the "Bond Purchase Agreement") from one or more underwriters, as selected by the Chair or the County Administrator pursuant to Section 7. E. herein (collectively, the "Underwriters"); and

WHEREAS, the County desires to authorize the sale of the Series 2012 Bonds to the Underwriters pursuant to the terms, and provisions of the Bond Purchase Agreement (as approved and executed pursuant to the authority hereinafter granted); and

WHEREAS, it is necessary and desirable to authorize the preparation and utilization of a Preliminary Official Statement (the "Preliminary Official Statement") and to authorize the preparation, execution and delivery of an Official Statement (the "Official Statement," and, together with the Preliminary Official Statement, the "Disclosure Documents") in connection with the issuance of the Series 2012 Bonds; and

WHEREAS, it is necessary and desirable to appoint The Bank of New York Mellon Trust Company, N.A. as paying agent and registrar for the Series 2012 Bonds, and to authorize the execution of a Paying Agent and Registrar Agreement (the "Paying Agent and Registrar Agreement"); and

WHEREAS, it is necessary and desirable to provide for the payment of the Refunded Bonds pursuant to an Escrow Deposit Agreement (the "Escrow Deposit Agreement," and, together with the Bond Purchase Agreement and the Paying Agent and Registrar Agreement, the "Basic Agreements") between the County and The Bank of New York Trust Mellon

Company, N.A., as escrow agent, and to authorize the execution of such Escrow Deposit Agreement and to provide for the defeasance and optional redemption of the Refunded Bonds; and

WHEREAS, it is necessary and desirable to delegate to certain officials of the County the authority to specify the amount, the date, the interest rates, maturity dates and redemption provisions for the Series 2012 Bonds and the authority to approve the terms of and to execute on behalf of the County the Basic Agreements and the Disclosure Documents; and

WHEREAS, the issuance of the Series 2012 Bonds and their sale to the Underwriters will serve a public purpose and in all respects conform to the provisions and requirements of the Act.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF PALM BEACH COUNTY, FLORIDA, that:

SECTION 1. Authority. This Resolution is adopted pursuant to Article VIII, Section I, Constitution of the State of Florida, Chapter 125, Florida Statutes, applicable portions of Chapter 153, Florida Statutes, not inconsistent therewith or herewith, including, without limitation, Section 153.14, the Charter of Palm Beach County, Florida, and the Bond Resolution (collectively, the "Act").

SECTION 2. Definitions. All terms used herein in capitalized form, unless otherwise defined herein, shall have the same meaning as ascribed thereto in the Bond Resolution, unless the context otherwise requires.

In addition, the following terms shall have the meanings described below:

"Bond Purchase Agreement" shall mean the Bond Purchase Agreement between the County and the Underwriters in connection with the Series 2012 Bonds.

"Chair" shall mean the Chair or the Vice Chairman of the Board of County Commissioners of the County, or such other person as may be duly authorized by the Board of County Commissioners to act on his or her behalf.

"Clerk" shall mean the Clerk of the Circuit Court in and for Palm Beach County, Florida, ex-officio Clerk of the Board, or any duly authorized deputy thereof.

"County Administrator" shall mean the County Administrator of the County.

"Parity Bonds" shall mean the Series 2003 Bonds, the unrefunded Series 2006A Bonds, if any, Series 2006B Bonds and the Series 2009 Bonds.

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

SECTION 3. Findings. The findings and declarations of the County contained in the Bond Resolution are hereby expressly approved, reaffirmed and ratified to the extent not inconsistent herewith.

A. The County deems it necessary, desirable and in the best interests of the health and welfare of the County and its inhabitants that the Refunded Bonds be refinanced through the issuance of the Series 2012 Bonds.

B. The County is not in default in performing any of the covenants and obligations assumed by it under the Bond Resolution and all payments required thereunder to have been made into the accounts and funds established therein have been made to the full extent required.

C. The revenues pledged to the Series 2012 Bonds are not now pledged or encumbered in any manner except for the payment of the principal and interest on the Parity Bonds.

D. The principal of and interest and redemption premium, if any, on the Series 2012 Bonds and all required reserve or other payments shall be payable solely from the revenues pledged to the Series 2012 Bonds. The County shall never be required to levy ad valorem taxes on any real or personal property therein to pay the principal of and interest on the Series 2012 Bonds herein authorized or to make any other payments provided for herein. The Series 2012 Bonds shall not constitute a lien upon any properties owned by or located within the boundaries of the County.

E. The amount of estimated revenues pledged to the Series 2012 Bonds will be sufficient to pay all principal of and interest and redemption premium, if any, on the Series 2012 Bonds as the same become due, and to make all required reserve or other payments required by this Resolution.

F. The County desires to sell its Series 2012 Bonds pursuant to a Bond Purchase Agreement subject to certain conditions herein.

G. Due to the present instability in the market for revenue obligations the interest on which is excluded from federal gross income, the critical importance of the timing of the sale of the Series 2012 Bonds, the timing of refunding for savings and due to the willingness of the Underwriters to purchase the Series 2012 Bonds, it is hereby determined that it is in the best interest of the public and the Issuer to sell the Series 2012 Bonds at a negotiated sale.

SECTION 4. Instrument to Constitute, Contract; Covenants in Bond Resolution Applicable. In consideration of the acceptance of the Series 2012 Bonds authorized to be issued hereunder by those who shall hold the same from time to time, the Bond Resolution, as supplemented by this Resolution, shall be deemed to be and shall constitute a contract between the County and the registered owners of the Series 2012 Bonds. The covenants and agreements set forth herein and in the Bond Resolution to be performed by the County shall be for the equal benefit, protection and security of the registered owners of the Series 2012 Bonds, and the Series 2012 Bonds shall be of equal rank with all other Series 2012 Bonds and with all other Bonds outstanding under the Bond Resolution, without preference, priority or distinction over any other thereof. All applicable covenants contained in the Bond Resolution shall be fully applicable to the Series 2012 Bonds as if originally issued thereunder, except as otherwise specifically provided herein.

SECTION 5. Authorization of Series 2012 Bonds Terms and Form of Series 2012 Bonds. The County hereby authorizes the defeasance and refunding of the Refunded Bonds. Pursuant and subject to the provisions of the Bond Resolution, for the purpose of providing funds to advance refund the Refunded Bonds, the Series 2012 Bonds are hereby authorized to be issued in the original aggregate principal amount not exceeding Seventy-Five Million Dollars (\$75,000,000) and shall be designated "Palm Beach County, Florida Water and Sewer Revenue Refunding Bonds, Series 2012". If the Series 2012 Bonds are not issued in the year 2012, the Series 2012 Bonds shall bear the series designation of the year issued and all references to Series 2012 Bonds herein shall mean "Series ____ Bonds" as designated by the year of such issuance. Notwithstanding anything herein to the contrary, however, the Series 2012 Bonds shall not be issued and delivered unless and until the conditions specified in Article III, Section 4.G of the Bond Resolution have been met.

The Series 2012 Bonds shall be issued as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof.

The Series 2012 Bonds shall be numbered from one upward preceded by the letter "R" prefixed to the number. Principal of and premium, if any, on the Series 2012 Bonds shall be payable upon presentation and surrender at the principal corporate trust office of the Registrar.

Interest on the Series 2012 Bonds will be paid by check or draft mailed to the registered owners thereof as their addresses may appear on the registration books of the County at the close of business on the fifteenth day, whether or not a business day, of the month next preceding the interest payment date (the "Record Date") irrespective of any transfer or exchange of a Series 2012 Bond subsequent to such Record Date and prior to such interest payment date, unless the County shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the persons in whose names the Series 2012 Bonds are registered at the close of business on a special record date for the payment of such defaulted interest as established by notice mailed to the registered owners of the Series 2012 Bonds not less than fifteen (15) days preceding such

special record date. Such notice shall be mailed to the persons in whose names the Series 2012 Bonds are registered at the close of business on the fifth day, whether or not a business day, preceding the date of mailing. The registration of any Series 2012 Bond may be transferred upon the registration books upon delivery thereof to the principal office of the Registrar accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Registrar, duly executed by the Bondholder or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of such Series 2012 Bond, along with the social security number or federal employer identification number of such transferee. In all cases of a transfer of a Series 2012 Bond, the Registrar shall at the earliest practical time in accordance with the terms hereof enter the transfer of ownership in the registration books and shall deliver in the name of the new transferee or transferees a new fully registered Series 2012 Bond or Bonds of the same maturity and of authorized denomination or denominations, for the same aggregate principal amount and payable from the same source of funds.

If the date for the payment of principal of, premium, if any, or interest on any Series 2012 Bonds shall be a Saturday, Sunday, legal holiday or day on which banking institutions in the city where the corporate trust office of the registrar for the Series 2012 Bonds is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day on which such banking institutions are authorized to close, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

Notice of redemption shall be given by the County by deposit in the U.S. mails of a copy of a redemption notice, postage prepaid, at least thirty and not more than sixty days before the redemption date to all registered owners of the Series 2012 Bonds or portions of the Series 2012 Bonds to be redeemed at their addresses as they appear fifteen days prior to the date such notice is mailed on the registration books to be maintained in accordance with the provisions hereof. Failure to mail any such notice to a registered owner of a Series 2012 Bond to be redeemed or any defect therein shall not affect the validity of the proceedings for redemption of any Series 2012 Bond or portion thereof with respect to which no failure or defect occurred.

Such notice shall set forth the date fixed for redemption, the rate of interest borne by each Series 2012 Bond to be redeemed, the redemption price of each Series 2012 Bond to be paid, the date of the notice of redemption, the name and address of the Registrar and, if less than all of the Series 2012 Bonds then outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP numbers, if any, of such Series 2012 Bonds to be redeemed and, in the case of Series 2012 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2012 Bond is to be redeemed in part only, the notice of redemption which relates to such Series 2012 Bond shall also state that on or after the redemption date, upon surrender of such Series 2012 Bond, a new Series 2012 Bond or Series 2012 Bonds in a principal amount equal to the unredeemed portion of such Series 2012 Bond will be issued.

Any notice mailed as provided in this section shall be conclusively presumed to have been duly given, whether or not the owner of such Series 2012 Bond receives such notice.

The Registrar shall not be required to transfer or exchange any Series 2012 Bond called for redemption after the mailing of a notice of redemption of such Series 2012 Bond nor as to any Series 2012 Bond during the period of fifteen days next preceding publication and mailing of a notice of redemption.

Notice having been given in the manner and under the conditions hereinabove provided, the Series 2012 Bonds or portions of Series 2012 Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption for such Series 2012 Bonds or portions of Series 2012 Bonds on such date. On the date so designated for redemption, moneys for payment of redemption price being held in separate accounts by the paying agent in trust for the registered owners of the Series 2012 Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest on the Series 2012 Bonds or portions of Series 2012 Bonds so called for redemption shall cease to accrue, such Series 2012 Bonds and portions of Series 2012 Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and the registered owners of such Series 2012 Bonds or portions of Series 2012 Bonds shall have no right in respect thereof except to receive payment of the redemption price thereof and, to the extent provided in the next subparagraph, to receive Series 2012 Bonds for any unredeemed portions of the Series 2012 Bonds.

In case part but not all of an outstanding fully registered Series 2012 Bond shall be selected for redemption, the registered owners thereof shall present and surrender such Series 2012 Bond to the County or its designated paying agent for payment of the principal amount thereof so called for redemption, and the County shall execute and deliver to or upon the order of such registered owner, without charge therefor, for the unredeemed balance of the principal amount of the Series 2012 Bonds so surrendered, a Series 2012 Bond or Series 2012 Bonds fully registered as to principal and interest.

Series 2012 Bonds or portions of Series 2012 Bonds that have been duly called for redemption under the provisions hereof, and with respect to which amounts sufficient to pay the principal of, premium, if any, and interest to the date fixed for redemption shall be delivered to and held in separate accounts by an escrow agent or any Paying Agent in trust for the registered owners thereof, as provided in the Bond Resolution, shall not be deemed to be outstanding under the provisions of this Resolution or the Bond Resolution and shall cease to be entitled to any lien, benefit or security under this Resolution or the Bond Resolution, except to receive the payment of the redemption price on or after the designated date of redemption from moneys deposited with or held by an escrow agent or the Paying Agent, as the case may be, for such redemption of the Series 2012 Bonds and, to the extent provided in the

preceding subsection, to receive Series 2012 Bonds for any unredeemed portion of the Series 2012 Bonds.

Notwithstanding the foregoing or any other provision hereof, notice of optional redemption pursuant to this Section 5 may be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission by the County if expressly set forth in such notice.

The text of the Series 2012 Bonds and the form of the assignment for such Series 2012 Bonds shall be substantially in the following form, with such omissions, insertions and variations as may be necessary or desirable and authorized by this Resolution or by any subsequent resolution adopted prior to the issuance thereof, including, without limitation, such changes as may be required for the issuance of uncertificated public obligations and for execution of the Series 2012 Bonds by an authenticating agent:

[Remainder of page intentionally left black]

[Form of Series 2012 Bond]

No. R-____

\$_____

UNITED STATES OF AMERICA
STATE OF FLORIDA
PALM BEACH COUNTY
WATER AND SEWER REVENUE REFUNDING BOND,
SERIES 2012

Interest Rate

Maturity Date

Date of Issue

CUSIP

%

_____, 2012

REGISTERED OWNER:

PRINCIPAL AMOUNT: DOLLARS

Palm Beach County, Florida (hereinafter called the "County"), for value received, hereby promises to pay to the Registered Owner identified above, or to registered assigns or legal representatives, but solely from the revenues hereinafter mentioned, on the Maturity Date identified above (or earlier as hereinafter provided), the Principal Amount identified above, upon presentation and surrender hereof at the principal office of _____, or its successors, as Registrar and Paying Agent (the "Registrar"), and to pay, solely from such special revenues, interest on the principal sum from the date hereof, or from the most recent interest payment date to which interest has been paid, at the Interest Rate per annum identified above, until payment of the principal sum, or until provision for the payment thereof has been duly provided for, such interest being payable semiannually on the first day of _____ and the first day of _____ of each year, commencing on _____ 1, 20____. Interest will be paid by check or draft mailed to the Registered Owner hereof at his address as it appears on the registration books of the County maintained by the Registrar at the close of business on the 15th day (whether or not a business day) of the month next preceding the interest payment date (the "Record Date"), irrespective of any transfer or exchange of such Bond subsequent to such Record Date and prior to such interest payment date, unless the County shall be in default in payment of interest due on such interest payment date. In the event of any such default, such defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date for the payment of such defaulted interest, as established by notice sent via the U. S. mails, postage prepaid, by the County to the Registered Owners of Bonds not less than fifteen (15) days preceding such special record date. Such notice shall be mailed to the persons in whose names the Bonds are registered at the close of business on the fifth (5th) day (whether or not a business day) preceding the date of mailing.

This Bond and the interest hereon is payable solely from and secured by a first lien upon and pledge of the Net Revenues derived by the County from the operation of the Water and Sewer System, together with Connection Charges, and certain other funds and investment earnings thereon, all as defined in and in the manner and to the extent provided in Resolution No. R-84-1206, adopted by the Board of County Commissioners on August 23, 1984, as supplemented and amended by resolutions adopted on June 4, 1985, November 18, 1986, April 4, 1989, July 11, 1989, April 6, 1993, August 17, 1993, October 17, 1995, October 24, 1995, June 2, 1998, June 16, 1998, May 20, 2003, June 17, 2003, April 13, 2004, April 14, 2006 and as further supplemented by a resolution adopted on _____, 2012 (collectively, the "Resolution") and as more particularly described below. Reference is hereby made to the Resolution for the provisions, among others, relating to the terms, lien and security of the Bonds, the custody and application of the proceeds of the Bonds, the rights and remedies of the Registered Owners of the Bonds, the extent of and limitations on the County's rights, duties and obligations, and the provisions permitting the issuance of additional parity indebtedness, to all of which provisions the Registered Owner hereof for himself and his successors in interest assents by acceptance of this Bond. All terms used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$ _____, of like date, tenor and effect, except as to number, maturity and interest rate, issued on a parity with the County's Outstanding Water and Sewer Revenue Refunding Bonds, Series 2003, the unrefunded Water and Sewer Revenue Bonds, Series 2006A, the Water and Sewer Revenue Refunding Bonds, Series 2006B and Water and Sewer Revenue Bonds, Series 2009. The Bonds of this series were issued to refund [all of][a portion of] the County's Water and Sewer Revenue Bonds, Series 2006A pursuant to the authority of and in full compliance with the Constitution and laws of the State of Florida, including particularly the Resolution, Article VIII, Section 1, Constitution of the State of Florida, Chapter 125, Florida Statutes, applicable portions of Chapter 153, Florida Statutes, including, without limitation, Section 153.14, and the Charter of Palm Beach County, Florida.

The Bonds of this series maturing on or before _____ 1, 20____ are not subject to redemption prior to maturity at the option of the County. The Bonds of this series maturing on or after _____ 1, 20____ are subject to redemption prior to maturity, at the option of the County from any funds legally available for such purpose, on or after _____ 1, 20____, in whole or in part on any date, and if in part in any order of maturity selected by the County, and by lot within a maturity if less than an entire maturity is to be redeemed, at the redemption prices (expressed as percentages of the principal amount to be redeemed) as shown below, together with accrued interest to the date fixed for redemption:

Redemption Period
(both dates inclusive)

Redemption Price

The Bonds of this series maturing on _____ 1, 20__ are subject to mandatory redemption in part, on _____ 1, 20__ and each _____ 1 thereafter, except for the final installment due at maturity which shall not be a redemption, at a price of par plus accrued interest to the date of redemption, as follows:

Amount

Year

Notice of such redemption shall be given in the manner required by the Resolution.

The ownership of this Bond may be transferred in the manner provided in and subject to the conditions of the Resolution.

If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a Saturday, Sunday, legal holiday or a day on which banking institutions in the city where the corporate trust office of the Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which such banking institutions are authorized to close, and payment on such day shall have the same force and effect as if made on the nominal date of payment.

This Bond shall not be deemed to constitute a general debt or a pledge of the faith and credit of the County, the State of Florida or any political subdivision thereof within the meaning of any constitutional, legislative or charter provision or limitation, and it is expressly agreed by the Registered Owner of this Bond that such Registered Owner shall never have the right, directly or indirectly, to require or compel the exercise of the ad valorem taxing power of the County or any other political subdivision of the State of Florida or taxation in any form on any real or personal property for the payment of the principal of and interest on this Bond or for the payment of any other amounts provided for in the Resolution.

It is further agreed between the County and the Registered Owner of this Bond that this Bond and the indebtedness evidenced hereby shall not constitute a lien upon any property of or in the County, except that this Bond is secured by a lien upon and pledge of certain revenues and certain funds and investment earnings thereon, all in the manner and to the extent

provided in the Resolution. Neither the members of the governing body of the County nor any person executing the Bonds shall be liable personally on the Bonds by reason of their issuance. This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication endorsed hereon shall have been signed by the Registrar.

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 hereto, and that the issuance of the Bonds of this series does not violate any constitutional or statutory limitation or provision.

IN WITNESS WHEREOF, Palm Beach County, Florida, has issued this Bond and has caused the same to be signed by the Chair of its Board of County Commissioners and attested to and countersigned by the Deputy Clerk of the Circuit Court and ex-officio Clerk of its Board of County Commissioners, with their manual signatures, and its seal or a facsimile thereof to be reproduced hereon, all as of the _____ day of _____ 2012.

PALM BEACH COUNTY, FLORIDA

(SEAL)

By: _____
Chair, Board of County Commissioners
of Palm Beach County, Florida

ATTEST:

Sharon R. Bock, Clerk of the Circuit
Court in and for Palm Beach County
and ex-officio Clerk to the Board of
County Commissioners of Palm Beach
County, Florida

By: _____
Deputy Clerk

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds designated in and executed under the provisions of the within mentioned Resolution.

By: _____
Authorized Officer

Date of Authentication: _____, 2012.

ASSIGNMENT

FOR VALUE RECEIVED the undersigned (the "Transferor") sells, assigns and transfers unto _____ (the "Transferee"), _____ (please insert Social Security or other identifying number of the Transferee) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ as attorney to register the transfer of the within Bond on the books kept for registration of transfer thereof, with full power of substitution in the premises.

Date: _____

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.

Please insert social security or other identifying number of Assignee.

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.

[End of Series 2012 Bond Form]

SECTION 6. Covenants of the County.

A. Connection Charges. For all purposes of the Bond Resolution (including but not limited to, all covenants thereof concerning rates and pari passu additional bonds), the County covenants that it will use, apply and take into account Connection Charges only to the extent and in a manner that is then legally permissible.

B. Compliance with Tax Requirements. It is the intention of the County and all parties under its contract that the interest on the Series 2012 Bonds issued hereunder be and remain excluded from gross income for federal income tax purposes, and to that end, in addition to any other requirements contained in the Bond Resolution, the County hereby covenants and agrees, for the benefit of the holders from time to time of the Series 2012 Bonds, to comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Chapter 1 of the Internal Revenue Code of 1986, as amended, and temporary, proposed or permanent regulations promulgated or applicable thereunder (the "Code") to the extent necessary to preserve the exclusion of interest on the Series 2012 Bonds from gross income for federal income tax purposes. Specifically, without intending to limit in any way the generality of the foregoing, the County covenants and agrees:

(1) to make or cause to be made all necessary determinations and calculations of the Rebate Amount (as hereinafter defined) and required payments of the Rebate Amount;

(2) to set aside sufficient moneys from the Net Revenues or other legally available funds of the County, to timely pay the Rebate Amount to the United States of America;

(3) to pay the Rebate Amount to the United States of America from the Net Revenues available after all payments required by subsections 1 through 5 of Article III, Section 4.D of the Bond Resolution, from the Connection Charges available after all payments required by subsections 8(a) and 8(b) of Article III, Section 4.D of the Bond Resolution, or from any other legally available funds, at the times and to the extent required pursuant to Section 148(f) of the Code;

(4) to maintain and retain all records pertaining to the Rebate Amount with respect to the Series 2012 Bonds issued hereunder and required payments of the Rebate Amount with respect to the Series 2012 Bonds for at least six years after the final maturity of the Series 2012 Bonds or such other period as shall be necessary to comply with the Code;

(5) to refrain from using proceeds of the Series 2012 Bonds issued hereunder in a manner that might cause the Series 2012 Bonds thereof to be classified as private activity bonds under Section 141(a) of the Code; and

(6) to refrain from taking any action that would cause the Series 2012 Bonds issued hereunder to become arbitrage bonds under Section 148 of the Code.

The County understands that the foregoing covenants impose continuing obligations on the County that will exist as long as the requirements of Section 103 and Part IV of Subchapter B of Chapter 1 of the Code are applicable to the Series 2012 Bonds.

Notwithstanding any other provision of the Bond Resolution, including, in particular Section 4.S thereof, the obligation of the County to pay the Rebate Amount to the United States of America and to comply with the other requirements of this Section shall survive the defeasance or payment in full of the Series 2012 Bonds.

As used herein, the term "Rebate Amount" means with respect to the Series 2012 Bonds, the excess of the amount earned on all non-purpose investments (as defined in Section 148(f)(6) of the Code) allocable to the Series 2012 Bonds over the amount which would have been earned if such non-purpose investments were invested at a rate equal to the yield on the Series 2012 Bonds, plus any income attributable to such excess.

SECTION 7. Authority to Award the Series 2012 Bonds. A. Provided that the refunding of the Refunded Bonds results in a present value savings of at least four percent (4%) as confirmed by the County's Financial Advisor, the Chair (or in her absence, the Vice Chairman) and the County Administrator are hereby authorized and directed to award the sale of the Series 2012 Bonds to the Underwriters and to approve the terms thereof including, without limitation, the principal amount, the maturity dates and the principal amounts per maturity, the dated date, the delivery date, the first interest payment date with respect thereto, the interest rate or rates with respect thereto, the purchase price thereof, the redemption terms with respect thereto; provided, however, that in no event shall (i) the principal amount of the Series 2012 Bonds exceed \$75,000,000, (ii) the purchase price be less than 98% of the original principal amount of the Series 2012 Bonds (excluding original issue discount and/or premium), (iii) the true interest costs rate (the "TIC") exceed 6.0%, or (iv) the final maturity date be later than the latest date of maturity of the Refunded Bonds.

B. Subject to the parameters set forth in paragraph A above, the Series 2012 Bonds shall purchase prices and/or yields, shall be dated their date of delivery or such other date as set forth in the Bond Purchase Agreement and approved by the Chair and the County Administrator, shall bear interest from such date, payable semiannually on the first day of April and the first day of October each year, commencing April 1, 2013 or such other date as set forth in the Bond Purchase Agreement and approved by the Chair and the County Administrator, shall have such interest rates and shall mature, all as set forth in the Bond Purchase Agreement and approved by the Chair and the County Administrator. The interest rate on the Series 2012 Bonds shall not under any circumstances exceed the maximum rate of interest allowed by law. The execution, attestation, seal and delivery of the Bond Purchase Agreement by the Chair and the County Administrator shall be conclusive evidence of the County's approval of the final details and prices of the Series 2012 Bonds.

C. The Series 2012 Bonds may be subject to such optional, extraordinary optional and mandatory redemption provisions as provided in the Bond Purchase Agreement. The Chair and the County Administrator, upon the advice of the County's Financial Advisor, are authorized to determine the terms of redemption, if any, to provide the best market acceptance of the Series 2012 Bonds. The execution, attestation, seal and delivery of the Bond Purchase Agreement by the Chair and the County Administrator shall be conclusive evidence of the County's approval of the redemption provisions of the Series 2012 Bonds.

D. Upon compliance by the Underwriters with the requirements of Section 218.385(2) and (3), Florida Statutes, and Section 218.385(6), Florida Statutes, by filing the "truth-in-bonding statement" and the "disclosure statement" required by said statutory provisions the Chair and the County Administrator are hereby authorized to execute and deliver a Bond Purchase Agreement, substantially in the form customarily entered by the County in connection with the negotiated sale of bonds, with such changes, omissions, additions and filling in of the blanks as may be approved by the County Administrator, with the advice of Bond Counsel, but subject to the provisions hereof. Execution and delivery by the Chair and the County Administrator of the Bond Purchase Agreement shall be conclusive evidence of approval by the County of such changes, omissions, additions and filling in of blanks and the award of the Series 2012 Bonds to the Underwriters.

E. The Board hereby authorizes the Chair or County Administrator to select the Underwriters for the Series 2012 Bonds from the pre-qualified pool of underwriters selected by the County Financing Committee, which selection will be made in accordance with the County's Competitive Selection of Bond Underwriters Policy for Negotiated Sales upon recommendation of the County Financing Committee and the County's Financial Advisor.

SECTION 8. Official Statement. The County hereby authorizes the County Administrator or any Assistant County Administrator, jointly and severally, to approve the final form of a Preliminary Official Statement for the Series 2012 Bonds, in substantially form attached hereto as Exhibit "C", and to "deem final" the Preliminary Official Statement for purposes of Securities and Exchange Commission Rule 15c212, and upon such deeming, authorizes the utilization of the Preliminary Official Statement in connection with the offering of the Series 2012 Bonds. The County hereby authorizes the preparation of a final Official Statement relating to the Series 2012 Bonds, which shall be in the form of the Preliminary Official Statement with such changes, alterations and corrections therein as may be approved by the officials of the County executing the same, such approval to be conclusively established by such execution, and the Chair and the County Administrator are hereby authorized and directed for and in the name of the County to execute and deliver the Official Statement, as hereby approved.

SECTION 9. Redemption of Refunded Bonds. A. The Chair is authorized and directed for and in the name of the County to execute and deliver the Escrow Deposit Agreement.

B. The County hereby irrevocably elects, effective upon and only upon the issuance of the Series 2012 Bonds, that the Refunded Bonds shall be defeased and called for redemption in accordance with the Refunding Plan in the Preliminary Official Statement.

C. The paying agent for the Refunded Bonds is hereby authorized to provide written notice of such redemption to the registered owners of such Refunded Bonds and to any bondholder whose name and address are on file with the paying agent. The Escrow Agent is hereby authorized and directed to publish a notice of redemption, if required.

D. The County Administrator, Bond Counsel and/or Escrow Agent are authorized to subscribe for United States Treasury Obligations — State and Local Government Series or to arrange for the purchase, from funds available for such purpose pursuant to the terms hereof, of other United States Treasury obligations or obligations fully guaranteed by the United States of America to the extent necessary to accomplish the defeasance and refunding of the Refunded Bonds.

E. Simultaneously with the delivery of the Series 2012 Bonds, all amounts in the Principal Account, the Interest Account and the Bond Redemption Account in the Sinking Fund allocable to the Refunded Bonds, shall be transferred to the Escrow Account for deposit in accordance with the provisions of the Escrow Deposit Agreement.

SECTION 10. Paying Agent and Registrar. The Bank of New Mellon Trust Company N.A. is hereby appointed as Paying Agent and Registrar for the Series 2012 Bonds. The Chair is authorized and directed for and in the name of the County to execute and deliver a Paying Agent and Registrar Agreement between the County and The Bank of New York Mellon Trust Company, N.A., as paying agent and registrar, in such form as shall be approved by the Chair consistent with this Resolution and the terms of the Act, such execution to constitute conclusive evidence of such approval.

SECTION 11. Escrow Agent. The Bank of New York Mellon Trust Company N.A. is hereby appointed to serve as Escrow Agent (the "Escrow Agent") under the Escrow Deposit Agreement which is attached hereto as Exhibit "A", and which the County hereby approves. The Chair is hereby authorized to execute and deliver the Escrow Deposit Agreement. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Escrow Deposit Agreement by the County, including any changes to the form being approved, and shall be deemed to be a part of this instrument as fully and to the same extent as if incorporated verbatim herein.

SECTION 12. Verification Agent. Causey, Demgen and Moore is hereby appointed to serve as verification agent with respect to the defeasance and refunding of the Refunded Bonds.

SECTION 13. Application of Series 2012 Bond Proceeds. The proceeds, including accrued interest and premium, if any, received from the sale of any or all of the Series 2012 Bonds shall be applied by the County simultaneously with the delivery of such Series 2012 Bonds to the purchaser thereof, as follows:

A. A sum as specified in the Escrow Deposit Agreement shall be deposited pursuant to the Escrow Deposit Agreement or such sum as specified by written certificate of the Debt Manager shall be applied simultaneously with the delivery of the Series 2012 Bonds to pay the Refunded Bonds.

B. A sum, if any, which together with other funds of the County and funds then on deposit in the Debt Service Reserve Account in the Sinking Fund created under the Bond Resolution, and/or together with any Reserve Account Insurance Policy, is equal to the Maximum Annual Debt Service, shall be deposited in the Debt Service Reserve Account.

C. To the extent not paid by the original purchaser of the Series 2012 Bonds, the County shall pay all costs and expenses in connection with the issuance, sale and delivery of the Series 2012 Bonds.

SECTION 14. Continuing Disclosure. The County hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Such Continuing Disclosure Certificate shall be in the form attached hereto as Exhibit "B". Notwithstanding any other provision of this Resolution, failure of the County to comply with the Continuing Disclosure Certificate will not be considered an event of default; however, any Holder 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 Section. Holders of Series 2012 Bonds shall not be entitled to any damages for failure of the Issuer to comply with the terms of the Continuing Disclosure Certificate.

SECTION 15. Authorizations. The Chair and the other County Commissioners, the Clerk and Deputy Clerks, the County Administrator and the County Attorney and Assistant County Attorney, are hereby jointly and severally authorized to do all acts and things required of them by this Resolution, the Bond Resolution and the Basic Agreements, or desirable or consistent with the requirements hereof or thereof, for the full, punctual and complete performance of all terms, covenants and agreements contained in the Series 2012 Bonds, the Bond Resolution, this resolution and the Basic Agreements. Any and all of the foregoing are hereby authorized to execute, publish, file and record such other documents, instruments, notices, and records and to take such other actions as shall be necessary or desirable to accomplish the purposes of this Resolution and the Bond Resolution.

SECTION 16. Effective Date. This Resolution shall become effective immediately upon its adoption.

The foregoing Resolution was offered by Commissioner _____, who moved its adoption. The motion was seconded by Commissioner _____, and upon being put to a vote, the vote was as follows:

Commissioner Shelley Vana, Chair - _____
Commissioner Steven L. Abrams, Vice-Chairman _____
Commissioner Karen T. Marcus - _____
Commissioner Paulette Burdick- _____
Commissioner Burt Aaronson - _____
Commissioner Jess R. Santamaria - _____
Commissioner Priscilla A. Taylor - _____

The Chair thereupon declared the Resolution duly passed and adopted this ____ day of _____, 2012.

PALM BEACH COUNTY, FLORIDA
BY ITS BOARD OF COUNTY
COMMISSIONERS

SHARON R. BOCK, CLERK &
COMPTROLLER

By: _____
Deputy Clerk

Approved as to form
and legal sufficiency

By: Paul F. J.
Assistant County Attorney

EXHIBIT A
ESCROW DEPOSIT AGREEMENT

ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT, dated as of October __, 2012, by and between the PALM BEACH COUNTY, FLORIDA (the "Issuer"), a political subdivision of the State of Florida, and The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida, a national banking association organized under the laws of the United States, as Escrow Agent, and its successors and assigns (the "Escrow Agent");

WITNESSETH:

WHEREAS, the Issuer has previously authorized and issued its Refunded Bonds as hereinafter described, and has determined to refund the Refunded Bonds as to which the Total Debt Service for the Refunded Bonds is set forth on Schedule A; and

WHEREAS, the Issuer has determined to provide for payment of the Total Debt Service for 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 for the Refunded Bonds; and

WHEREAS, in order to obtain certain of the funds needed for such purpose, the Issuer has authorized and is, concurrently with the delivery of this Agreement, issuing its Water and Sewer Revenue Refunding Bonds, Series 2012; and

WHEREAS, the execution of this Escrow Deposit Agreement and full performance of the provisions hereof shall defease and discharge the Issuer's obligations relating to the Refunded Bonds;

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 principal, interest and redemption premium, if applicable, on the Refunded Bonds coming due in a particular year as shown on Schedule A attached hereto and made a part hereof.
- (c) "Bonds" means the \$_____ Palm Beach County, Florida, Water and Sewer Revenue Refunding Bonds, Series 2012, issued under the Resolution.
- (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, interest and redemption premium, if applicable, on the Refunded Bonds as they come due.

(e) "Escrow Agent" means The Bank of New York Mellon Trust Company, N.A., having its designated corporate trust office in Jacksonville, Florida and its successors and assigns organized and existing under the laws of the United States of America, as escrow agent hereunder.

(f) "Federal Securities" means moneys invested in direct obligations of the United States of America or obligations fully guaranteed by the United States of America.

(g) "Issuer" means the Palm Beach County, Florida.

(h) "Refunded Bonds" means the Palm Beach County, Florida Water and Sewer Revenue Bonds, Series 2006A maturing in the years ____.

(i) "Resolution" means Resolution No. R-84-1206 adopted on August 23 1984, as amended and supplemented, specifically by Resolution No. R-2012-____ adopted on October 16, 2012.

(j) "Total Debt Service for the Refunded Bonds" means, as of any date, the sum of the Annual Debt Service remaining unpaid with respect to the Refunded Bonds in accordance with Schedule A attached hereto taking into account that the Refunded Bonds have been called for early redemption on _____.

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 funds and accounts held for the benefit of the holders of the Refunded Bonds. The Issuer represents that the Federal Securities, the interest thereon, and the cash therein, taking into account all of the reinvestment instructions herein, (i) are at least equal to the Total Debt Service for the Refunded Bonds as of the date of such deposit, and (ii) are sufficient to pay principal, interest and redemption premium, if applicable, on the Refunded Bonds as they become due and payable in accordance with Schedule A attached hereto.

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 \$_____ in the Federal Securities set forth on Schedule B attached hereto and to hold such securities and \$_____ in cash in accordance with the terms of this Agreement;

(c) in the event the securities described on Schedule B 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 Federal Securities, the interest thereon, and the cash deposited in the Escrow Account will not be less than the Total Debt Service for the Refunded Bonds, and only upon receipt of an opinion of Bryant Miller Olive P.A. that (i) such securities constitute Federal Securities for purposes of this Agreement, and (ii) 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 except as set forth in Section 5.

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 The Bank of New York Trust Company, N.A., Jacksonville, Florida, and its successors or assigns, 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. The Escrow Holder hereby acknowledges that it has agreed to accept a one time compensation in the amount of \$_____, and acknowledges that it has no lien against funds and securities in the Escrow Account.

(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 Total Debt Service for the Refunded Bonds until the termination of this Agreement pursuant to the terms of Section 13 hereof, and shall then pay any remaining funds to the Issuer to be used for any lawful purpose.

(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 as shown on Schedule A.

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. Except as provided in Section 3 hereof, 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 Federal Securities, interest thereon, and cash remaining on hand after the transactions are completed will, assuming no reinvestment earnings, be not less than the Total Debt Service for the Refunded Bonds, and that reinvestment in such Federal Securities will not postpone the anticipated transfer of moneys from the Escrow Account to the Paying Agent pursuant to Section 4(a) hereof, 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. Subsection 4(c) above notwithstanding, cash in excess of the Total Debt Service for the Refunded Bonds caused by substitution of Federal Securities shall, as soon as practical, be paid to the Issuer. Notwithstanding any provision of this Agreement to the contrary, no forward purchase agreement relating to the future reinvestment of cash held hereunder shall be executed unless the following condition is met: to the extent either Moody's Investors Service, Inc., Fitch Ratings, Inc. and/or Standard & Poor's Ratings Services have an outstanding rating on the Refunded Bonds, at least one of such rating agencies must give written confirmation that it will not lower or withdraw the rating as a result of the Issuer's execution of such forward purchase agreement. In the event of any inconsistency between the terms and conditions of such forward purchase agreement and this Agreement, the terms and conditions of this Agreement shall control.

SECTION 6. Redemption or Acceleration of Maturity. The Issuer shall not accelerate or defer the maturity or redemption of any Refunded Bonds so as to modify the debt service set forth on Schedule A attached hereto.

SECTION 7. Indemnity. To the extent permitted by law and without waiving sovereign immunity, 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) which relates to or arises 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 beyond the limits of sovereign immunity against its own negligence or willful misconduct or that of a third party. 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 Total Debt Service for the Refunded Bonds. 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 Total Debt Service for the Refunded Bonds.

SECTION 8. 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 (including full reimbursement to the Issuer of any rebate liability of the Issuer (including interest and penalties thereon) which derive from any failure to make future reinvestments pursuant to Section 3(c) hereof). 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 9. 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 10. 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 11. 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 immediately 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 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 \$500,000,000, provided that such successor Escrow Agent assumes in writing all the trust, duties and responsibilities of the Escrow Agent hereunder.

SECTION 12. Payment to Escrow Agent. The Escrow Agent shall not be compensated from amounts on deposit in the Escrow Account and the Escrow Agent shall have no lien or claim against funds in the Escrow Account for any payment of obligations due it from the Issuer.

SECTION 13. 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, except as provided in Section 7.

SECTION 14. 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, they shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 15. 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 holders of Refunded Bonds, 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 on any of the Refunded Bonds).

SECTION 16. Interpleader. The Issuer and the Escrow Agent agree that the Escrow Agent may seek adjudication of any adverse claim, demand, or controversy over its persons as well as funds on deposit, waive personal service of any process, and agree that service of process by certified or registered mail, return receipt requested, to the Palm Beach County, Florida, 301 North Olive Ave., West Palm Beach, Florida 33401, Attn: Debt Manager, shall constitute adequate service. The Issuer and the Escrow Agent further agree that the Escrow Agent has the right to file a Bill of Interpleader in any court of competent jurisdiction to determine the rights of any person claiming any interest herein.

SECTION 17. 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 18. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Florida.

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.

PALM BEACH COUNTY, FLORIDA

(SEAL)

By: _____
Chair, Board of County Commissioners
of Palm Beach County, Florida

ATTEST:

Sharon R. Bock, Clerk of the Circuit
Court in and for Palm Beach County
and ex-officio Clerk to the Board of
County Commissioners of Palm
Beach County, Florida

By: _____
Deputy Clerk

[Signatures continued on next page)

(SEAL)

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Escrow Agent

By: _____
Name: _____
Title: _____

SCHEDULE A

TOTAL DEBT SERVICE

<u>Date</u>	<u>Principal</u>	<u>Redemption Premium</u>	<u>Interest</u>	<u>Debt Service</u>
TOTAL				

SCHEDULE B

**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>
---------------------------------	---------------------------------	------------------------------	---------------------------------	---------------------------------	--------------------

EXHIBIT B
CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

Palm Beach County (the "County") hereby agrees, in accordance with the provisions of Rule 15c2-12 (the "Rule") in effect from time to time and applicable to the County's Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Bonds"), promulgated by the Securities and Exchange Commission ("Commission") pursuant to the Securities Exchange Act of 1934, to provide or cause to be provided, to the Municipal Securities Rule Making Board ("MSRB") in an electronic format prescribed by the MSRB and such other municipal securities information repository as may be required by law or applicable legislation, from time to time (each such information repository, a "MSIR"), within 180 days following the end of each Fiscal Year of the County, commencing with the Fiscal Year ending September 30, 2012, in a form which is generally consistent with presentation of such information in the official statement (the "Official Statement") prepared with respect to the Bonds, operating revenues, Connection Charges collected, Connection Charges available for debt service, debt service coverage by Net Revenues, debt service coverage by Net Revenues and Connection Charges, rates and charges of the Water and Sewer System, guaranteed revenues, summary of the capital improvements plan and information regarding permitted capacities and actual usage of capacities of the Water and Sewer System, and, if not submitted as part of the financial information above, then, when and if available, audited financial statements of the County's Water Utilities Department prepared in accordance with generally accepted accounting principles applicable to the County, in each case for such prior Fiscal Year. If audited financial statements are not available at the time of required filings as set forth above, unaudited financial information shall be filed pending the availability of audited financial statements. (The information required to be disclosed in this paragraph shall be referred to herein as the "Annual Report").

The County reserves the right to modify from time to time the specific types of information provided or the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the County; provided that the County agrees that any such modification will be done in a manner consistent with the Rule.

The County also agrees to provide or cause to be provided to each MSIR in the appropriate format required by law or applicable regulation, 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 with respect to the Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;

- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit facility providers, or their failure to perform;
- (vi) 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;
- (vii) modifications to rights of holders of the Bonds, if material;
- (viii) Bond calls, if material, and tender offers;
- (ix) defeasances;
- (x) release, substitution, or sale of any property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) bankruptcy, insolvency, receivership or similar event of the County (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the County 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 County, 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 or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the County);
- (xiii) the consummation of a merger, consolidation, or acquisition involving the County or the sale of all or substantially all of the assets of the County, 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
- (xiv) the appointment of a successor or additional trustee or the change of name of a trustee, if material.

The County further agrees to provide or cause to be provided, in a timely manner, to each MSIR, written notice of a failure by the County to provide the Annual Report described above on or prior to the date set forth therein.

IN WITNESS WHEREOF, I have hereunto executed this Certificate on behalf of Palm Beach County, Florida this _____ day of _____, 2012.

PALM BEACH COUNTY, FLORIDA

Chair, Board of County Commissioners

EXHIBIT C

FORM OF PRELIMINARY OFFICIAL STATEMENT

NGN Draft No.2: 10/9/2012
046-17

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2012

BOOK-ENTRY ONLY

RATINGS: See "RATINGS" herein

In the opinion of bond counsel, assuming compliance by the County with certain covenants, under existing statutes, regulations, and judicial decisions, the interest on the Series 2012 Bonds will be excluded from 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. However, interest on the Series 2012 Bonds shall be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. See "TAX MATTERS" herein for a description of other tax consequences to holders of the Series 2012 Bonds.

[COUNTY LOGO]

\$ _____ *
PALM BEACH COUNTY, FLORIDA
Water and Sewer Revenue Refunding Bonds
Series 2012

Dated: Date of Delivery

Due: October 1, as shown on the inside cover page

The Palm Beach County, Florida Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds") are being issued as fully registered bonds without coupons and will be initially issued to and registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC") of New York, New York, which will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds will be available to purchasers in the principal denominations of \$5,000 or any integral multiple thereof under the book-entry system maintained by DTC through brokers and dealers who are or act through DTC Participants (as defined herein). Purchasers of beneficial interests in the Series 2012 Bonds will not receive physical certificates representing their ownership interest in the Series 2012 Bonds purchased. Interest on the Series 2012 Bonds is payable on April 1, 2013 and semi-annually thereafter on April 1 and October 1 of each year. Payment of principal of, premium, if any, and interest on the Series 2012 Bonds is to be made to Cede & Co., as nominee for DTC, as registered owner of the Series 2012 Bonds, to be subsequently disbursed to the DTC Participants and thereafter to the Beneficial Owners (as defined herein) of the Series 2012 Bonds, as more fully described herein. See "BOOK-ENTRY ONLY SYSTEM" herein.

Certain maturities of the Series 2012 Bonds are subject to optional and mandatory redemption in whole or in part prior to maturity as more fully described herein. See "DESCRIPTION OF THE SERIES 2012 BONDS – Optional Redemption of the Series 2012 Bonds," "– Extraordinary Optional Redemption of the Series 2012 Bonds" and "– Mandatory Redemption of the Series 2012 Bonds" herein.

The Series 2012 Bonds are being issued by Palm Beach County, Florida (the "County") for the purpose of (i) refunding a portion of the County's Water and Sewer Revenue Bonds, Series 2006A and (ii) paying certain costs relating to the issuance of the Series 2012 Bonds.

The Resolution (as defined herein) provides that the payment of the principal of, premium, if any, and the interest on the Series 2012 Bonds will be secured by a first lien on and pledge of the Net Revenues of the County's Water and Sewer System and a first lien on and pledge of the Connection Fees, as more fully described herein. The lien of the Series 2012 Bonds on such revenues is on a parity with the lien of other Water and Sewer Revenue Bonds of the County outstanding and secured by such revenues as more fully described in this Official Statement. See "SECURITY FOR THE SERIES 2012 BONDS" herein.

*Preliminary, subject to change.

THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2012 BONDS OR INTEREST THEREON EXCEPT FROM THE NET REVENUES AND CONNECTION FEES OF THE COUNTY'S WATER AND SEWER SYSTEM AND NEITHER THE FULL FAITH AND CREDIT OF THE COUNTY NOR ANY PHYSICAL PROPERTIES OF THE COUNTY ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY AND INTEREST ON THE SERIES 2012 BONDS. THE SERIES 2012 BONDS DO NOT CONSTITUTE A GENERAL INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR OTHER LIMITATION ON INDEBTEDNESS AND THE COUNTY IS NOT OBLIGATED TO LEVY ANY AD VALOREM TAXES THEREFOR OR TO USE ANY FUNDS OF THE COUNTY OTHER THAN THOSE PLEDGED TO THE SERIES 2012 BONDS TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2012 BONDS. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COUNTY, THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE SERIES 2012 BONDS.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THE ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

Maturities, principal amounts, interest rates, yields and CUSIP numbers on the Series 2012 Bonds are set forth inside this cover page.

The Series 2012 Bonds are offered for delivery when, as and if issued and received by the Underwriters, subject to the receipt of the approving legal opinion of Bryant Miller Olive P.A., Miami, Florida, Bond Counsel. Certain other legal matters will be passed upon on behalf of the County by the Office of the County Attorney, and by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Disclosure Counsel to the County. Certain legal matters will be passed on for the Underwriters named below by _____, _____, Florida, Counsel for the Underwriters. Spectrum Municipal Services, Inc., North Palm Beach, Florida, is serving as financial advisor to the County with respect to the Series 2012 Bonds. The Series 2012 Bonds are expected to be available for delivery through the facilities of DTC in New York, New York on or about _____, 2012.

[Underwriters]

The date of this Official Statement is _____, 2012.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND
INITIAL CUSIP NUMBERS
\$ _____ *
PALM BEACH COUNTY, FLORIDA
WATER AND SEWER REVENUE REFUNDING BONDS
SERIES 2012

\$ _____ * Serial Bonds

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Initial CUSIP</u> <u>Number</u> †
--	-----------------------------------	--------------------------------	--------------	---

\$ _____ *	% Term Bond maturing October 1, _____	- Yield _____	%**, Initial CUSIP Number _____
\$ _____ *	% Term Bond maturing October 1, _____	- Yield _____	%**, Initial CUSIP Number _____
\$ _____ *	% Term Bond maturing October 1, _____	- Yield _____	%**, Initial CUSIP Number _____

†The County is not responsible for the use of the CUSIP numbers referenced in this Official Statement nor is any representation made by the County as to their correctness; such CUSIP numbers are included solely for the convenience of readers of this Official Statement.
*Preliminary, subject to change.
** Yield to the October 1, _____ call date.

No broker, dealer, salesman or other person has been authorized by the County or the Underwriters to give any information or to make any representations 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 any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2012 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 furnished by the County and DTC and obtained from other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and it is not to be construed as a representation of the Underwriters. The Underwriters listed on the cover page hereof have reviewed the information in this Official Statement in accordance with their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guaranty the accuracy of such information. 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 County since the date hereof.

The Series 2012 Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Resolution been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such acts. The registration or qualification of the Series 2012 Bonds under the securities laws of the jurisdictions in which they have been registered or qualified, if any, shall not be regarded as a recommendation thereof. Neither any of these jurisdictions nor any of their agencies have passed upon the merits of the Series 2012 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

THIS OFFICIAL STATEMENT CONTAINS CERTAIN FORWARD LOOKING STATEMENTS CONCERNING THE COUNTY'S WATER AND SEWER SYSTEM, ITS OPERATIONS, PERFORMANCE AND FINANCIAL CONDITION, INCLUDING FUTURE ECONOMIC PERFORMANCE PLANS AND OBJECTIVES. THESE STATEMENTS ARE BASED ON A NUMBER OF ASSUMPTIONS AND ESTIMATES WHICH ARE SUBJECT TO SIGNIFICANT UNCERTAINTIES, MANY OF WHICH ARE BEYOND THE CONTROL OF THE COUNTY. THE WORDS "MAY," "WOULD," "COULD," "WILL," "EXPECT," "ANTICIPATE," "BELIEVE," "INTEND," "PLAN," "ESTIMATE," AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY THESE FORWARD LOOKING STATEMENTS. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS.

PALM BEACH COUNTY, FLORIDA
301 N. Olive Avenue
West Palm Beach, Florida 33401
(561)355-2030

BOARD OF COUNTY COMMISSIONERS

Shelley Vana
Steven L. Abrams
Karen T. Marcus
Jess R. Santamaria
Burt Aaronson
Paulette Burdick
Priscilla A. Taylor

Chair, Commissioner
Vice Chair, Commissioner
Commissioner
Commissioner
Commissioner
Commissioner
Commissioner

ADMINISTRATION

Robert Weisman, P.E.
Bevin A. Beaudet, P.E.
Debra West

County Administrator
Director, Water Utilities Department
Director of Finance and Administration,
Water Utilities Department

COUNTY ATTORNEY

Denise M. Nieman, Esq.

CLERK & COMPTROLLER

Sharon R. Bock, Esq.

FINANCIAL ADVISOR

Spectrum Municipal Services, Inc.
North Palm Beach, Florida

BOND COUNSEL

Bryant Miller Olive P.A., Miami, Florida

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APPENDIX A --	Comprehensive Annual Financial Report of the Department for Fiscal Years ended September 30, 2010 and 2011
APPENDIX B --	Supplemental Information Concerning the County
APPENDIX C --	Proposed Form of Bond Counsel Opinion

OFFICIAL STATEMENT

\$ _____ *

PALM BEACH COUNTY, FLORIDA
Water and Sewer Revenue Refunding Bonds
Series 2012

INTRODUCTION

The purpose of this Official Statement, including the cover page and all Appendices attached hereto, is to set forth certain information relating to Palm Beach County, Florida (the "County"), the County's water and sewer system (the "Water and Sewer System") and the original issuance and sale of the County's Water and Sewer Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds").

The Series 2012 Bonds are being issued pursuant to the Constitution and laws of the State of Florida, Chapter 125, Florida Statutes, applicable portions of Chapter 153, Florida Statutes, not inconsistent therewith, the Charter of the County, and other applicable provisions of law (collectively, the "Act"), and Resolution No. R-84-1206 duly adopted by the Board of County Commissioners of the County (the "Board") on August 23, 1984, as amended and supplemented, particularly as supplemented by Resolution No. R-_____ adopted by the Board on October 16, 2012 (hereinafter referred to collectively as the "Resolution"), providing for the issuance of and determining certain details of the Series 2012 Bonds.

The Resolution provides that the payment of the principal of and the interest on the Series 2012 Bonds will be secured by a first lien on and pledge of the Net Revenues (hereinafter defined) of the Water and Sewer System and a first lien on and pledge of the Connection Fees (hereinafter defined), as more fully described herein. The lien of the Series 2012 Bonds on Net Revenues and Connection Fees is on a parity with the lien thereon of the County's outstanding Water and Sewer Revenue Refunding Bonds, Series 2003 (the "Series 2003 Bonds"), the unrefunded portion of the Water and Sewer Revenue Bonds, Series 2006A and outstanding Water and Sewer Revenue Refunding Bonds, Series 2006B (collectively, the "Series 2006 Bonds") and outstanding Water and Sewer Revenue Bonds, Series 2009 (FPL Reclaimed Water Project) (the "Series 2009 Bonds"). The Series 2003 Bonds, the Series 2006 Bonds, the Series 2009 Bonds, the Series 2012 Bonds and any additional pari passu Bonds issued under the Resolution are collectively referred to herein as the "Bonds." See "ANNUAL DEBT SERVICE REQUIREMENTS," herein.

THE FULL FAITH AND CREDIT OF THE COUNTY IS NOT PLEDGED FOR THE PAYMENT OF THE SERIES 2012 BONDS AND THE SERIES 2012 BONDS DO NOT CONSTITUTE A GENERAL INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR OTHER LIMITATION OF INDEBTEDNESS. IT IS EXPRESSLY AGREED BY THE OWNERS OF THE SERIES 2012 BONDS THAT SUCH OWNERS SHALL NEVER HAVE THE RIGHT TO REQUIRE OR

COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE COUNTY OR TAXATION IN ANY FORM ON ANY REAL PROPERTY THEREIN FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2012 BONDS OR THE PAYMENT OF ANY OTHER AMOUNTS PROVIDED FOR IN THE RESOLUTION.

Capitalized terms not defined elsewhere in this Official Statement have the same meanings assigned to such terms in the Resolution. See "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION -- Definitions," contained herein.

PURPOSE OF THE SERIES 2012 BONDS

The Series 2012 Bonds are being issued by the County for the purpose of (i) refunding a portion of the Series 2006A Bonds and (ii) paying certain costs relating to the issuance of the Series 2012 Bonds.

PLAN OF REFUNDING

Concurrently with the delivery of the Series 2012 Bonds, the County will deposit a portion of the net proceeds of the Series 2012 Bonds, along with other legally available funds of the City, with The Bank of New York Mellon Trust Company, N.A., Jacksonville, Florida (the "Escrow Holder"). Such moneys will be held and distributed pursuant to the terms and provisions of the Escrow Deposit Agreement between the County and the Escrow Holder (the "Escrow Deposit Agreement"). Upon the deposit of such moneys in an escrow deposit fund (the "Escrow Fund") with the Escrow Holder, in the opinion of Bond Counsel, rendered in reliance upon certain mathematical computations performed by _____ and verified by _____, the Refunded Bonds shall no longer be outstanding for purposes of the Resolution and the lien on the Net Revenues and Connection Fees and any other pledges and liens created by the Resolution in favor of the Refunded Bonds shall terminate. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

The County currently intends to irrevocably call the Refunded Bonds for redemption approximately 30 days following the closing date for the Series 2012 Bonds, and to provide timely notice of such redemption pursuant to the terms of the Resolution. The moneys deposited, together with principal and income from the Federal Securities to be purchased pursuant to the Escrow Deposit Agreement, will be sufficient to make timely payments of all outstanding principal, redemption premium, if any, and interest on the Refunded Bonds, as the same become due or are called for redemption. The holders of the Refunded Bonds shall be entitled to payment solely out of the moneys or securities deposited pursuant to the Escrow Deposit Agreement and shall not be entitled to any portion of the Net Revenues and Connection Fees. The moneys and securities on deposit with the Escrow Holder pursuant to the Escrow Deposit Agreement will not be available for payment of the Series 2012 Bonds.

SOURCES AND USES OF FUNDS

The table that follows summarizes the estimated sources and uses of funds to be derived from the sale of the Series 2012 Bonds:

SOURCES OF FUNDS:

Principal Amount of Series 2012 Bonds	\$
Net Original Issue Discount/Premium	
Total Sources	\$

USES OF FUNDS:

Deposit to Escrow Account	\$
Bond Issuance Expenses ⁽¹⁾	
Total Uses	\$

⁽¹⁾ Includes legal fees, underwriters' discount and other costs.

DESCRIPTION OF THE SERIES 2012 BONDS**General Description**

The Series 2012 Bonds will be issued as fully registered bonds without coupons and will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") of New York, New York, which will act as securities depository for the Series 2012 Bonds. Unless the book-entry system is discontinued as described herein, individual purchases of the Series 2012 Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the Series 2012 Bonds or any certificate representing their beneficial ownership interests in the Series 2012 Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2012 Bonds shall be dated as of the date of initial delivery thereof and shall bear interest from that date at the rates (calculated based upon a year of 360 days consisting of twelve (12) thirty (30) day months) and shall mature on the dates and in the amounts set forth on the inside cover page of this Official Statement. The Series 2012 Bonds shall be available to the purchasers thereof in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2012 Bonds will be payable on April 1, 2013 and semiannually thereafter on April 1 and October 1 of each year. The Bank of New York Mellon Trust Company, N.A. will act as Paying Agent and Registrar for the Series 2012 Bonds.

Redemption of the Series 2012 Bonds

Optional Redemption of the Series 2012 Bonds. The Series 2012 Bonds maturing on or before October 1, 20__ are not subject to optional redemption prior to maturity. The Series 2012 Bonds maturing on or after October 1, 20__ are subject to redemption prior to their respective maturities, on or after October 1, 20__, at the option of the County from any funds available for such purpose, in whole or in part at any time, and if in part, as determined by the County, and if less than all of a particular maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount of the Series 2012 Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption.

Mandatory Redemption of the Series 2012 Bonds. The Series 2012 Bonds maturing on October 1, 20__ are subject to mandatory redemption in part prior to maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest to the date of redemption, on October 1 in the following years and in the following amounts:

<u>Year (October 1)</u>	<u>Principal Amount</u>
	\$

*

*Maturity

The Series 2012 Bonds maturing on October 1, 20__ are also subject to mandatory redemption in part prior to maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest to the date of redemption, on October 1, 20__ in the following years and in the following amounts:

<u>Year (October 1)</u>	<u>Principal Amount</u>
	\$

*

*Maturity

The Series 2012 Bonds maturing on October 1, 20__ are also subject to mandatory redemption in part prior to maturity, by lot, at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus accrued interest to the date of redemption, on October 1 in the following years and in the following amounts:

<u>Year (October 1)</u>	<u>Principal Amount</u>
	\$

*

*Maturity

Notice of Redemption of Series 2012 Bonds. Notice of redemption of any Series 2012 Bonds shall be given by the County by deposit in the U.S. mails of a copy of a redemption notice, postage prepaid, at least thirty and not more than sixty days before the redemption date to all Holders of the Series 2012 Bonds or portions of the Series 2012 Bonds to be redeemed at their addresses as they appear fifteen days prior to the date such notice is mailed on the registration books to be maintained in accordance with the Resolution. Failure to mail any such

notice to a Holder of a Series 2012 Bond to be redeemed or any defect therein, shall not affect the validity of the proceedings for redemption of any Series 2012 Bond or portion thereof with respect to which no failure or defect occurred.

Such notice shall set forth the date fixed for redemption, the rate of interest borne by each Series 2012 Bond to be redeemed, the redemption price of each Series 2012 Bond to be paid, the date of the notice of redemption, the name and address of the Registrar and, if less than all of the Series 2012 Bonds then outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP numbers, if any, of such Series 2012 Bonds to be redeemed and, in the case of Series 2012 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Unless the Series 2012 Bonds are registered pursuant to the book-entry only system of DTC (see "BOOK-ENTRY ONLY SYSTEM," herein), if any Series 2012 Bond is to be redeemed in part only, the notice of redemption which relates to such Series 2012 Bond shall also state that on or after the redemption date, upon surrender of such Series 2012 Bond, a new Series 2012 Bond or Series 2012 Bonds in a principal amount equal to the unredeemed portion of such Series 2012 Bond will be issued.

Any notice mailed as provided in the Resolution shall be conclusively presumed to have been duly given, whether or not the owner of such Series 2012 Bond receives such notice. In addition to the mailing of the notice described above, further notice of redemption and of payment of the redemption price shall be given in accordance with the Resolution.

The Registrar shall not be required to transfer or exchange any Series 2012 Bond after the mailing of a notice of redemption nor during the period of fifteen days next preceding mailing of a notice of redemption.

Notice having been given in the manner and under the conditions provided in the Resolution, the Series 2012 Bonds or portions of Series 2012 Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption for such Series 2012 Bonds or portions of Series 2012 Bonds on such date. On the date so designated for redemption, moneys for payment of redemption price being held in separate accounts by the Paying Agent in trust for the Holders of the Series 2012 Bonds or portions thereof to be redeemed, all as provided in the Resolution, interest on the Series 2012 Bonds or portions of Series 2012 Bonds so called for redemption shall cease to accrue, such Series 2012 Bonds and portions of Series 2012 Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and the Holders of such Series 2012 Bonds or portions of Series 2012 Bonds shall have no right in respect thereof except to receive payment of the redemption price thereof and, to the extent provided in the next subparagraph, to receive Series 2012 Bonds for any unredeemed portions of the Series 2012 Bonds.

Unless the Series 2012 Bonds are registered under the DTC book-entry system of registration (which they will be initially -- see "BOOK-ENTRY ONLY SYSTEM," herein), in case part but not all of an outstanding fully registered Series 2012 Bond shall be selected for redemption, the Holders thereof shall present and surrender such Series 2012 Bond to the County or its designated Paying Agent for payment of the principal amount thereof so called for redemption, and the County shall execute and deliver to or upon the order of such Holder,

without charge therefor, for the unredeemed balance of the principal amount of the Series 2012 Bonds so surrendered, a Series 2012 Bond or Series 2012 Bonds fully registered as to principal and interest.

Notwithstanding the foregoing or any other provision hereof, notice of optional redemption may be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission by the County if expressly set forth in such notice. In such event, within seven days after the date on which the Registrar received notification of such revocation or rescission, as the case may be, the Registrar shall cause a notice thereof to be mailed by first class mail to all Holders of the applicable Bonds.

BOOK-ENTRY ONLY SYSTEM

Certain portions of the information under this heading concerning DTC and the DTC's book-entry system have been furnished by DTC for use in this Official Statement. The County makes no representations as to the accuracy of such information.

Unless the book-entry system described herein is terminated, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2012 Bonds. The Series 2012 Bonds will be issued only 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 global bond certificates will be issued for the Series 2012 Bonds, representing in the aggregate the total principal amount of the Series 2012 Bonds and will be deposited with the Paying Agent on behalf of DTC. Individual purchasers of beneficial interests in the Series 2012 Bonds will be made in increments of \$5,000 or integral multiples thereof.

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. 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 one hundred (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 Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2012 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2012 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2012 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 purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2012 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 Series 2012 Bonds, except in the event that use of the book-entry system for the Series 2012 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2012 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 Series 2012 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 2012 Bonds, DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2012 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.

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 Series 2012 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2012 Bonds, such as redemptions, defaults, and proposed amendments to the Indenture. For example, Beneficial Owners of Series 2012 Bonds may wish to ascertain that the nominee holding the Series 2012 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent by the Paying Agent to DTC. If less than all of the Series 2012 Bonds 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 2012 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2012 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 County or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Direct Participants or Indirect 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 Paying Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2012 Bonds at any time by giving reasonable notice to the County or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

Subject to the policies and procedures of DTC (or any successor securities depository), the Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event Series 2012 Bond certificates will be printed and delivered.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2012 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE SERIES 2012 BONDS OR REGISTERED OWNERS OF THE SERIES 2012 BONDS SHALL MEAN DTC AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2012 BONDS.

The County does not have any responsibility or obligations to the DTC Participants, Indirect Participants or the Beneficial Owners with respect to (A) the accuracy of the records of DTC, Cede & Co. or any Participant with respect to any ownership interest on the Series 2012 Bonds, (B) the delivery to any DTC Participant or any other Person other than a Bondholder, as shown in the registration books kept by the Registrar, of any notice with respect to the Series 2012 Bonds, including any notice of redemption, or (C) the payment to any Participant or any other Person, other than a Bondholder, as shown in the registration books kept by the Registrar, of any amount with respect to principal of, redemption price, if any, or interest on the Series 2012 Bonds.

NEITHER THE COUNTY NOR THE PAYING AGENT SHALL HAVE ANY OBLIGATION WITH RESPECT TO ANY DEPOSITORY PARTICIPANT OR BENEFICIAL

OWNER OF THE SERIES 2012 BONDS DURING SUCH TIME AS THE SERIES 2012 BONDS ARE REGISTERED IN THE NAME OF A SECURITIES DEPOSITORY PURSUANT TO A BOOK-ENTRY ONLY SYSTEM OF REGISTRATION.

SECURITY FOR THE SERIES 2012 BONDS

Pledge of Net Revenues

The Resolution provides that the payment of the principal of and interest on the Series 2012 Bonds will be secured by a first lien on and pledge of the Net Revenues and Connection Fees. The lien of the Series 2012 Bonds on Net Revenues and Connection Fees will be on a parity with the lien thereon of the outstanding Series 2003 Bonds, Series 2006 Bonds, Series 2009 Bonds and any additional Bonds hereafter issued pursuant to the Resolution.

"Net Revenues" are defined in the Resolution to mean the Gross Revenues remaining after deduction of Operating Expenses.

"Revenues" or "Gross Revenues" as defined in the Resolution means all rates, fees, charges, or other income, received by the County or accrued to the County or any agency thereof in control of the management and operation of the Water and Sewer System, and all parts thereof from the operation of the Water and Sewer System, including without limitation all payments received by the County from FPL (or its successors and assigns) pursuant to the reclaimed water agreement relating to the Series 2009 Bonds (the "FPL Reclaimed Water Agreement"), and shall also include the earnings and investment income derived from the investment of moneys on deposit in the various funds and accounts created and established by the Resolution, which by the terms and provisions of the Resolution are required to be deposited in the Revenue Fund and the Interest Account, provided, however, that Revenues shall not include (1) charges imposed on any person connecting to the Facilities of the Water and Sewer System for the purpose of reimbursement by the County to other persons for the cost of the extension of water mains pursuant to agreements between the County and such other persons, (2) that portion of the Capacity Reservation Charges not representing the Earned Portion of such Capacity Reservation Charges, (3) Connection Fees, (4) special assessments, (5) extraordinary items arising from the early extinguishment of debt, (6) reimbursements to FPL pursuant to the FPL Reclaimed Water Agreement, (7) payments made by FPL to the Village of Royal Palm Beach pursuant to the FPL Reclaimed Water Agreement, (8) fifty percent (50%) of the Coverage Fund (as such term is defined in the FPL Reclaimed Water Agreement), as such amount may be adjusted by any extraordinary maintenance during the previous year and (9) any miscellaneous fees and charges collected by the County on behalf of other units of local government.

"Connection Fees" are defined in the Resolution to mean the charges imposed on new users connecting to the Water and Sewer System, which charges represent a pro rata share of the costs which are attributable to the increased demand such additional connections create upon the Water and Sewer System. Connection Fees, however, shall not include the installation charges imposed by the County for the cost of physically connecting into the Water and Sewer System (including, but not limited to, the cost of excavating, plumbing, installation of meters and landscaping). Under the Resolution, Connection Fees are required to be deposited into the

Connection Charge Fund and are available to, among other things, make up any deficiency in the Interest Account, the Principal Account, the Bond Redemption Account or the Debt Service Reserve Account, to pay the principal of and/or interest on any subordinate indebtedness, and to pay the cost of constructing extensions to the Water and Sewer System or for the purpose of purchasing or redeeming Bonds or for any other lawful purpose.

For the purposes of the Resolution (including, but not limited to, all covenants concerning rates and pari passu additional Bonds), the County covenants that it will use, apply and take into account Connection Fees only to the extent and in a manner that is then legally permissible.

Connection Fees may be imposed and expended only to cover the costs of expansion of a utility system that is necessary to service new customers. As a result, Connection Fees may lawfully be used to pay debt service only to the extent that such payments reflect costs incurred to expand the Water and Sewer System to service new customers.

THE SERIES 2012 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL, STATUTORY OR OTHER LIMITATION OF INDEBTEDNESS, IT BEING EXPRESSLY AGREED BY THE HOLDERS OF THE SERIES 2012 BONDS THAT SUCH HOLDERS SHALL NEVER HAVE THE RIGHT TO REQUIRE OR COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE COUNTY OR TAXATION IN ANY FORM ON ANY REAL PROPERTY THEREIN FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2012 BONDS OR THE PAYMENT OF ANY OTHER PAYMENTS PROVIDED FOR IN THE RESOLUTION.

Rate Covenant

The County has covenanted in the Resolution to fix, establish and maintain such rates and collect such fees, rentals or other charges for the services and facilities of the Water and Sewer System, and to revise the same from time to time whenever necessary, as will always provide in each Fiscal Year Net Revenues which, together with the Connection Fees received in such Fiscal Year, shall be adequate to pay at least one hundred twenty-five percent (125%) of the Annual Debt Service Requirement for the Bonds, and that such Net Revenues together with such Connection Fees will be sufficient to make all of the payments required by the terms of the Resolution (including amounts payable with respect to any Reserve Account Insurance Policy), and that such rates, fees, rentals or other charges will not be reduced so as to be insufficient for such purposes.

Debt Service Reserve Account

The Resolution provides for the maintenance of a Debt Service Reserve Account in the Sinking Fund, and upon the issuance of any pari passu additional Bonds, the County is required to deposit an amount of moneys and/or a Reserve Account Insurance Policy into the Debt Service Reserve Account in an amount, if any, sufficient to make the amounts on deposit therein

equal to the maximum amount required to be deposited in the then current or any succeeding Fiscal Year into the Interest Account, Principal Account and Bond Redemption Account.

Amounts in the Debt Service Reserve Account may be used only for the purpose of making payments into the Interest Account, the Principal Account and the Bond Redemption Account when the moneys in the Revenue Fund are insufficient therefor; provided, however, that notwithstanding the foregoing, all income and earnings received from the investment and reinvestment of moneys on deposit in the Debt Service Reserve Account will be deposited in the Interest Account.

The Debt Service Reserve Account for the outstanding Bonds is currently funded by two separate reserve account insurance policies and cash as described generally in the following table:

<u>Reserve Policy</u>	<u>Amount</u>	<u>Expiration Date</u>
National (MBIA) (2006)	\$10,495,100	10/01/2036
National (FGIC) (1993)	1,433,600	10/01/2013
Subtotal Reserve Policies	\$11,928,700	
Cash Deposited in Debt Service Reserve Account	<u>4,437,863</u>	
Total Policies/Cash in Debt Service Reserve Account	\$16,366,563	
Maximum Annual Debt Service (including the Series 2012 Bonds)	<u>\$</u>	

In connection with the issuance of the Series 2012 Bonds, the Reserve Policy issued in 2006 described above (the "2006 Reserve Policy") and related to the Refunded Bonds will be applicable to the Series 2012 Bonds as well, such that the total amount in the Debt Service Reserve Account at the time of issuance of the Series 2012 Bonds (taking into account the above Reserve Policies) shall be not less than the Maximum Annual Debt Service on all Bonds then outstanding. A description of the existing reserve account insurance policies and the issuers thereof is set forth below in the following paragraphs.

Whenever there is on deposit in the Debt Service Reserve Account an amount in excess of the Maximum Annual Debt Service, the amount of such excess shall be reduced at the option of the County in either of the following manners: (a) if there is on deposit in the Debt Service Reserve Account a Reserve Account Insurance Policy, the principal amount thereof may be reduced by the amount of such excess or (b) if such excess is evidenced by moneys and investments, an amount equal to such excess shall be withdrawn from the Debt Service Reserve Account and deposited into the Renewal and Replacement Fund and/or the Capital Improvement Fund, or (c) a combination of (a) and (b) above. Investments on deposit in the Debt Service Reserve Account will be valued at the amortized cost thereof, exclusive of accrued interest thereon.

Pursuant to the Resolution, in the event that any moneys are withdrawn from the Debt Service Reserve Account for payments into the Interest Account, the Principal Account and/or

the Bond Redemption Account, such withdrawal shall be restored within twelve (12) months following such withdrawal, after first reinstating to its maximum limits any Reserve Account Insurance Policy drawn upon, from the Net Revenues and Connection Fees available after all required payments have been made into the Interest Account, the Principal Account and the Bond Redemption Account so that there shall be on deposit in the Debt Service Reserve Account an amount of money together with any Reserve Account Insurance Policy on deposit therein equal to Maximum Annual Debt Service. If a drawing is made on more than one Reserve Account Insurance Policy, reimbursement to the issuers thereof shall be made on a pro rata basis (such proration to be calculated on the basis of the amount drawn on each such Reserve Account Insurance Policy). "Maximum Annual Debt Service" is defined in the Resolution to mean, at any time, the maximum amount required to be deposited in the then current or any succeeding Fiscal Year into the Interest Account, Principal Account and Bond Redemption Account, as provided in the Resolution. The amount of Term Bonds maturing in any Fiscal Year which are subject to mandatory redemption prior to their stated date of maturity by operation of the Bond Redemption Account shall not be included in determining the Maximum Annual Debt Service in their final Fiscal Year of maturity. For purposes of determining Maximum Annual Debt Service, any Option Bonds outstanding at the time of such determination shall be assumed to mature on their stated dates of maturity.

Existing Reserve Account Insurance Policies. In connection with the issuance of the Series 2006 Bonds, the County purchased the 2006 Reserve Policy from MBIA Insurance Company. The 2006 Reserve Policy unconditionally guarantees the timely payment to the paying agent for the Series 2006 Bonds of debt service on any Bonds issued under the Resolution up to a maximum amount of \$10,495,100. The 2006 Reserve Account Insurance Policy will expire on the earlier of the final payment on all outstanding Bonds or October 1, 2036, and is noncancellable. In the event a payment is made on the 2006 Reserve Policy, the County is required to reinstate such 2006 Reserve Policy to its original face amount by reimbursing the issuer thereof for any payments made under such 2006 Reserve Policy, within a period of twelve (12) months from the date of a drawing with interest on any unreimbursed drawing to be paid at the prime rate of Citibank, N.A., New York, New York, plus 3% per annum, but only after all required deposits to the Sinking Fund have been made.

In connection with the issuance of the County's Series 1993 Bonds, Financial Guaranty Insurance Company ("FGIC") issued its Municipal Bond Debt Service Reserve Fund Policy (the "1993 Reserve Policy"). The 1993 Reserve Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds issued under the Resolution which has become due for payment, but shall be unpaid by reason of nonpayment by the County, provided that the aggregate amount paid under the 1993 Reserve Policy may not exceed \$1,433,600. The term "nonpayment" in respect of a Bond includes any payment of principal or interest made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction. The 1993 Reserve Policy terminates on the earlier of October 1, 2013 or the date of the final payment of any outstanding Bonds under the Resolution.

The 1993 Reserve Policy is non-cancellable. In the event a payment is made on the 1993 Reserve Policy, the County is required to reinstate the original face amount by reimbursing the

issuers thereof for any payments made under such 1993 Reserve Policy together with related reasonable expenses incurred by the issuer thereof, and shall also pay interest thereon at a rate equal to the lower of (i) the prime rate of Morgan Guaranty Trust Company of New York in effect from time to time plus two percent per annum and (ii) the highest rate permitted by law, within a period of 12 months from the date of drawing, commencing in the first month following such draw, with each monthly payment to be in an amount equal to at least one-twelfth (1/12) of the aggregate amount required to be reimbursed to the issuers thereof.

National Public Finance Guarantee Corporation ("National"), a stock insurance corporation, duly organized and existing under the laws of the State of New York and a wholly-owned subsidiary of MBIA, Inc., has assumed all the rights, interests and obligations with respect to the 2006 Reserve Policy and the 1993 Reserve Policy. National is currently rated "BBB" with a developing outlook by Standard & Poor's Ratings Services and "Baa2" with a negative outlook by Moody's Investors Service, Inc. An explanation of the significance of the ratings can be received from the rating agencies, at the following addresses: Moody's Investors Service, 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York 10007 and Standard & Poor's, 55 Water Street, New York, New York 10041.

The above ratings of National are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of National in its sole discretion. In addition, the rating agencies may at any time change the long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by National or the creditworthiness of the 2006 Reserve Policy and 1993 Reserve Policy.

The obligations of National are contractual obligations and in an event of default by such obligor, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies. Neither the County nor the Underwriters have made independent investigation into the claims paying ability of National and no assurance or representation regarding its financial strength or projected financial strength is given.

Additional Pari Passu Bonds

The Resolution permits the issuance of additional Bonds payable on a parity with the Series 2012 Bonds and other Bonds then outstanding, if, and only if, certain conditions are met. For a detailed discussion of these conditions, see SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION -- Issuance of Pari Passu Additional Bonds" herein.

FLOW OF FUNDS

Funds and Accounts

There are created by the Resolution the following funds and accounts, among others:

- The Water and Sewer Revenue Fund (the "Revenue Fund");
- The Water and Sewer System Operation and Maintenance Fund (the "Operation and Maintenance Fund");
- The Water and Sewer System Sinking Fund (the "Sinking Fund"), consisting of four separate accounts known as the "Interest Account," the "Principal Account," the "Bond Redemption Account" and the "Debt Service Reserve Account";
- The Water and Sewer System Renewal and Replacement Fund (the "Renewal and Replacement Fund"), including a separate account known as the 2012 Renewal and Replacement Account";
- The Water and Sewer System Connection Charge Fund (the "Connection Charge Fund"); and
- The Water and Sewer System Capital Improvement Fund (the "Capital Improvement Fund").

Revenues

Revenues, except investment earnings required to be deposited in the Interest Account, are required to be deposited into the Revenue Fund and applied in the following manner:

1. Revenues will first be deposited, in the full amount necessary, into the Operation and Maintenance Fund in an amount equal to the estimated Operating Expenses to be paid or to accrue during the current calendar month.

2. Revenues will next be deposited:

(a) into the Interest Account in the Sinking Fund on the 15th day of each month in an amount sufficient to pay 1/6th of the interest becoming due on the Bonds on the next semi-annual interest payment date; provided, however, that such monthly deposits for interest shall not be required to be made into the Interest Account to the extent that money on deposit therein is sufficient for such purpose. In the event the County issues additional pari passu Variable Rate Bonds pursuant to the provisions of the Resolution, Revenues will be deposited at such other times and in such additional amounts as necessary to pay the interest becoming due on the Variable Rate Bonds on the next interest payment date, all in the manner provided in the supplemental resolution authorizing such pari passu additional Variable Rate Bonds.

The County shall, five (5) days prior to each interest payment date, transfer to the Paying Agent moneys in an amount equal to the interest due on such date or shall advise the Paying Agent of the amount of any deficiency in the amount so transferred so that the Paying Agent may provide for such deficiency to be paid from any Reserve Account Insurance Policy or moneys and investments on deposit in the Debt Service Reserve Account.

The earnings and investment income derived from the moneys and investments on deposit in the Principal Account, the Bond Redemption Account, the Debt Service Reserve Account and the Connection Charge Fund which are deposited into the Interest Account as required by the terms of the Resolution, shall be credited against the amount of revenues required to be deposited in the Interest Account.

(b) into the Principal Account in the Sinking Fund, on the 15th day of each month an amount sufficient to pay 1/12th of the principal amount of the Serial Bonds which will mature and become due on the next annual maturity date. The County shall, five (5) days prior to each principal payment date, transfer to the Paying Agent moneys in an amount equal to the principal due on such date or shall advise the Paying Agent of the amount of any deficiency in the amount so transferred so that the Paying Agent may give appropriate notice required to provide for such deficiency to be paid from any Reserve Account Insurance Policy or moneys and investments on deposit in the Debt Service Reserve Account.

(c) into the Bond Redemption Account in the Sinking Fund on the 15th day of each month in each year 1/12th of the amount required for the payment of the Term Bonds until the amount on deposit in the Bond Redemption Account is equal to the amount required to be paid on such Term Bonds on the next installment payment date. The moneys in the Bond Redemption Account shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The County may purchase any of the Term Bonds at prices not greater than par and accrued interest. If, by the application of moneys in the Bond Redemption Account, the County shall purchase or call for redemption in any year Term Bonds in excess of the installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall be credited on a pro rata basis over the remaining installment payment dates.

The County shall, to the extent of any moneys in the Bond Redemption Account, be mandatorily obligated to use such moneys for the redemption prior to maturity of the Term Bonds in such manner and at such times as shall be determined by subsequent resolution of the County.

No distinction or preference shall exist in the use of moneys on deposit in the Revenue Fund for payment into the Interest Account, the Principal Account and the Bond Redemption Account as described above, such accounts being on a parity with each other.

3. Revenues will next be deposited into the Debt Service Reserve Account in the Sinking Fund on the 15th day of each month in an amount sufficient to pay 1/12th of the difference between the amount on deposit in the Debt Service Reserve Account and the Maximum Annual Debt Service; provided that there shall be on deposit in the Debt Service Reserve Account on the date on which any Bonds are issued, an amount of money and/or a Reserve Account Insurance Policy equal to the Maximum Annual Debt Service and, provided further, that no payments shall be required to be made into the Debt Service Reserve Account whenever and as long as the amount deposited therein (including any Reserve Account Insurance Policy) is equal to the Maximum Annual Debt Service.

With respect to Variable Rate Bonds, the amount required to be on deposit in the Debt Service Reserve Account shall be calculated as of the first day of each Fiscal Year and shall be based upon one hundred ten percent (110%) of the greater of (i) the daily average interest rate on such Variable Rate Bonds during the preceding Fiscal Year or such shorter period that such Variable Rate Bonds shall have been outstanding, or (ii) the actual rate of interest applicable to such Variable Rate Bonds on the date of calculation.

To the extent the County causes to be deposited into the Debt Service Reserve Account a Reserve Account Insurance Policy, such Reserve Account Insurance Policy shall be payable (upon the giving of notice as required thereunder) on any interest or principal payment date on which a deficiency exists; provided, however, that prior to drawing on such Reserve Account Insurance Policy, the County shall first satisfy any such deficiency from the funds in any of the accounts in the Sinking Fund available for such purpose and then from any subsequently issued Reserve Account Insurance Policy.

If a draw is made from any Reserve Account Insurance Policy, the County shall reinstate the maximum limits of such Reserve Account Insurance Policy within twelve (12) months following such drawing from the first Net Revenues and Connection Fees available after all required payments have been made into the Interest Account, the Principal Account and the Bond Redemption Account, so that, together with any moneys on deposit therein, if any, there shall be on deposit in the Debt Service Reserve Account an amount equal to the Maximum Annual Debt Service. In the event that any moneys shall be withdrawn from the Debt Service Reserve Account for payment into the Interest Account, the Principal Account and the Bond Redemption Account, such withdrawal shall be restored within twelve (12) months following such withdrawal, after first reinstating to its maximum limits any Reserve Account Insurance Policy drawn upon, from the Net Revenues and Connection Fees available after all required payments have been made into the Interest Account, the Principal Account and the Bond Redemption Account so that, together with any Reserve Account Insurance Policy on deposit therein, there shall be on deposit in the Debt Service Reserve Account an amount equal to the Maximum Annual Debt Service.

Amounts in the Debt Service Reserve Account shall be used only for the purpose of making payments into the Interest Account, the Principal Account and the Bond Redemption Account when the moneys in the Revenue Fund are insufficient therefore.

No distinction or preference shall exist in the use of the amounts on deposit in the Debt Service Reserve Account for payment into the Interest Account, the Principal Account and the Bond Redemption Account, such accounts being on a parity with each other.

4. Revenues will next be deposited into the Renewal and Replacement Fund on the 15th day of each month in an amount equal to 1/12th of 5% of the Gross Revenues received during the preceding Fiscal Year until the amount on deposit in the Renewal and Replacement Fund is equal to \$1,000,000 and, in addition, there shall be deposited such additional sums and at such times as the Consulting Engineer certifies are necessary for the purposes of the Renewal and Replacement Fund.

Moneys in the Renewal and Replacement Fund will be used for the purpose of paying the costs of extensions, improvements or additions to, or the replacement or renewal of capital assets of the Water and Sewer System, or extraordinary repairs to the Water and Sewer System; provided, however, that moneys in the Renewal and Replacement Fund shall be used for payment into the Interest Account, the Principal Account and the Bond Redemption Account when the moneys in the Revenue Fund, the Debt Service Reserve Account, the Connection Charge Fund and the Capital Improvement Fund are insufficient therefor.

Pursuant to the Resolution, the County has established within the Renewal and Replacement Fund the 2009 Renewal and Replacement Account (the "2009 R&R Account"). All amounts received by the County from FPL pursuant to the FPL Reclaimed Water Agreement are required to be deposited into the 2009 R&R Account, and are intended to be utilized solely for renewals, replacements, repairs and/or capital improvements with respect to the FPL Reclaimed Water Project.

Notwithstanding any provision in the Resolution to the contrary, moneys on deposit in the 2009 R&R Account that are transferred to the Interest Account, Principal Account or Bond Redemption Account shall only be used to pay debt service on the Series 2009 Bonds.

5. Revenues will next be used for the payment to the United States of America of arbitrage rebate payments required by Section 148(f) of the Internal Revenue Code of 1986 (the "Code") with respect to the Bonds and then to the payment of any subordinated indebtedness issued by the County in connection with the Water and Sewer System, including the payment of interest on unreimbursed drawings on any Reserve Account Insurance Policy.

6. Thereafter, the balance of any revenues remaining in the Revenue Fund will be deposited in the Capital Improvement Fund and used by the County to make improvements to the Water and Sewer System, to purchase or redeem Bonds prior to maturity or for any other lawful purpose in connection with the Water and Sewer System; provided, however, that none of such revenues shall ever be used for the purposes provided in this paragraph (6) unless all payments required in paragraphs (1) to (5) above, including any deficiencies for prior payments, and any amounts due to the issuer of any Reserve Account Insurance Policy have been made in full to the date of such use; provided further, however, that moneys in the Capital Improvement Fund shall be used for payment into the Interest Account, the Principal Account and the Bond

Redemption Account when the moneys in the Revenue Fund and the Debt Service Reserve Account and the Connection Charge Fund are insufficient therefor.

Investments

The amounts required to be accounted for in each of the funds and accounts designated in the Resolution may be deposited in a single bank account for the Water and Sewer System provided that adequate accounting procedures are maintained to reflect and control the restricted allocations of the amounts on deposit therein for the various purposes of such funds and accounts as provided in the Resolution. The designation and establishment of funds and accounts in and by the Resolution shall not be construed to require the establishment of any completely independent funds and accounts, but rather is intended solely to constitute an allocation of certain revenues and assets of the Water and Sewer System as provided in the Resolution.

Connection Fees

All Connection Fees will be deposited in the Connection Charge Fund and applied in the following manner and order of priority:

- For payment into the Interest Account, the Principal Account and the Bond Redemption Account when the moneys in the Revenue Fund and the Debt Service Reserve Account are insufficient therefor;
- To restore any withdrawals or to make up any deficiencies that may exist from time to time in the Debt Service Reserve Account whenever the moneys in the Revenue Fund are insufficient for such purpose;
- For payment to the United States of America of arbitrage rebate payments required by Section 148(f) of the Code with respect to the Bonds, and then to the payment of the principal of and/or interest on any subordinate indebtedness; and
- To pay the cost of constructing extensions to the Water and Sewer System or for the purpose of purchasing or redeeming Bonds or for any other lawful purpose.

Under current law, Connection Fees may be imposed and expended only to cover the costs of expansion of a utility system that is necessary to service new customers. As a result, under current law, Connection Fees can be used to pay debt service or arbitrage rebate only to the extent that such payments reflect costs incurred or are associated with investment earnings on Bonds issued to expand the Water and Sewer System to service new customers. During the Fiscal Years ended during 2007 through 2011, approximately ____% of the debt service on the then Outstanding Bonds was lawfully payable from Connection Fees. Beginning in Fiscal Year 2012, the County has determined that approximately ____% of the debt service on the Outstanding Bonds is lawfully payable from Connection Fees.

THE COUNTY

Background

Palm Beach County is located on the southeast coast of Florida. The County's 2011 population was estimated to be 1,325,758. The geographical boundaries of the County encompass approximately 2,023 square miles. The City of West Palm Beach is the county seat of the County.

The County is a political subdivision of the State of Florida, and is governed by the State Constitution, general laws of the State of Florida and the County's Charter. Pursuant to the Florida Constitution, counties operating under a charter, such as the County, have all powers of local self-government not inconsistent with general law, and the governing body of such a county may enact ordinances not inconsistent with general law.

Management and Organization

The County is governed by a seven-member Board of County Commissioners (the "Board"), which is the legislative and governing body of the County. The Commissioners are elected from single-member districts. The Board elects a Chairman who serves as presiding officer.

The Clerk and Comptroller of the County (the "Clerk") is an elected, constitutional officer. The Clerk serves as the ex-officio Clerk of the Board and is the auditor, recorder and custodian of all funds of the County.

The County Property Appraiser, Sheriff, Supervisor of Elections, Clerk and Tax Collector are separate constitutional offices. The budgets of the Property Appraiser and Tax Collector and Clerk's fee budget are submitted directly to the State of Florida Department of Revenue. The budgets of the offices of the Sheriff and Supervisor of Elections and the Clerk's non-fee budget are subject to initial approval and subsequent review by the Board.

The County Administrator, the chief administrative official of the County, is appointed by and serves at the pleasure of the Board. This official is directly responsible to the Board for administration and operation of all operating departments of the County. The County Administrator is also responsible to the Board for the execution of all Board policies and the preparation of the annual budget of the County.

THE WATER AND SEWER SYSTEM

Administration

The Director of the Water Utilities Department of the County (the "Department") is Bevin A. Beaudet. A Registered Professional Engineer, Mr. Beaudet was appointed to this position in March 2005. Mr. Beaudet is a veteran utility executive with over 40 years of broad-based, progressively responsible technical and management experience in both the private and

public sector. Earlier career experience involved applied research and the planning and implementation of water and wastewater infrastructure projects. Recent experience includes utility management and program management of numerous public construction projects with an aggregate value of over \$1.5 billion. Prior to his current appointment as Water Utilities Director, Mr. Beaudet served the County as Program Manager for permitting and development of a 2000-acre Biotechnology Research and Development park. From 1996-2003 he worked for the international engineering and construction firm, CH2M Hill, serving as Regional Manager for their Southwest Region of nine southwestern states. From 1986-1991 Mr. Beaudet was employed by Palm Beach County as Director of Water Utilities and from 1991-1996 he served as Deputy County Administrator. A past president of the American Water Works Association, Mr. Beaudet has been awarded many awards for his professional contribution to the Drinking Water Community.

The Department's Director of Finance & Administration is Ms. Debra West. Prior to her appointment, Ms. West spent 12 years as the Water Utilities Department's Information Technology Manager. In this role, she has managed the implementation of a superior technical infrastructure which supports the many automated systems used throughout the Department. During her 28 years of employment with the County, Ms. West has attained a broad range of knowledge in finance and administration within local government.

System Service Area

The County's Water and Sewer System serves an area of approximately 1,200 square miles of mostly unincorporated portions of the County. The Department serves approximately 510,000 residents, representing service to approximately 221,000 potable water dwelling units and 204,000 wastewater units.

On August 24, 2004, the Board amended the Future Land Use Element of the County's Comprehensive Plan, thereby authorizing the County to be the default water and wastewater utility provider for all unincorporated lands within the County. The amendment expanded the Department's service area by approximately 900 square miles, providing significant opportunities for future growth. In August 2004 the County also entered into a franchise agreement with Royal Palm Beach Village (the "Village") to acquire the right to serve certain areas outside the Village's municipal limits which had previously been established as the Village's service area through interlocal agreements. In February 2006 the County entered into an agreement with the Village to acquire the Village's utility system assets, including its customer base of approximately 12,000 accounts. As a result of these actions, the Department's service area has expanded from approximately 180 square miles in 2004 to approximately 1,200 square miles in areas of the County expected to be the location of future growth.

The Department has also entered into interlocal agreements to provide potable water on a wholesale basis to the City of Atlantis, the City of Boynton Beach, the City of Lake Worth, the Seminole Improvement District, and the Seacoast Utility Authority. On April 30, 2008, the Department purchased the Indian Trails Improvement District's water and wastewater system, pursuant to an agreement that provides that the Department will be the sole provider of potable

water, wastewater, and reclaimed water services within the District's boundaries and will provide an area for future expansion of the Department's customer base.

In 2008 the Department completed construction of the Lake Region Water Treatment Plant (LRWTP) to provide potable water on a wholesale basis to the Cities of Belle Glade, Pahokee, and South Bay, which had previously relied on Lake Okeechobee for their water supply. The cost of the LRWTP was approximately \$58.5 million, with \$33.7 million of the cost provided by federal, state, and local grants, including a \$12.5 million grant from the County's general fund. The remainder of the cost is to be repaid by the cities to the Department over 50 years in proportion to the capacity reserved for each city.

The following table shows growth in the average number of dwelling units served by the Water and Sewer System for the five-year period ended September 30, 2011, and the Department's projections for growth for the seven-year period ending September 30, 2018. The projections include only those customers served directly by the Department and do not include dwelling units served by others through wholesale agreements. The Department has projected growth in the number of dwelling units served by the System to average ____% per year during the forecast period. These projections are estimates only, and there is no guarantee that the actual results will not differ from the projections.

Number of Dwelling Units Served

Fiscal Year Ending <u>September 30,</u>	<u>Water</u>	<u>Wastewater</u>
2007	220,262	202,865
2008	221,805	204,232
2012	223,455	205,882
2010	225,455	207,882
2011	227,955	210,382
2012	230,955	213,382
2013	234,455	216,882
2014	238,455	220,882
2015	242,455	224,882
2016		
2017		
2018		

Source: Palm Beach County Water Utilities Department

Water Supply and Treatment Facilities

The County owns and operates six regional water treatment plants, including two new state-of-the-art membrane treatment facilities in suburban Boca Raton and Delray Beach with treatment capacities of 27.88 MGD and 30 MGD, respectively. In March 2008 the County completed construction of the Lake Region Water Treatment Plant (LRWTP) which includes a 10 MGD reverse osmosis plant, a 3 million gallon storage tank, raw water wells, and related

facilities. All plants are in excellent condition, and they utilize groundwater from the semi-confined shallow aquifer that underlies most of eastern Palm Beach County. The source of water for the LRWTP is the Floridan Aquifer. The water treatment facilities are in compliance with all federal, state, and local regulations applicable to the operation of such facilities. The County implemented a Wellfield Protection Ordinance in 1988, which was designed to protect the County's wellfields from contamination. Generally, the raw water is of good quality, moderately hard and alkaline, with varying levels of natural organic color, iron, and hydrogen sulfide. The County's 105 wells are well inland from the coast and thus are not subject to saltwater intrusion as are some wells in the coastal municipalities.

Consumptive use of water resources for potable water supply is regulated by the South Florida Water Management District ("SFWMD"). The SFWMD issues Water Use Permits ("WUPs") to water utilities based on the existing and projected population served and the ability of the water source to provide the quantity and quality of water needed without causing an adverse impact on the aquifer source or the environment. WUPs have normally been issued by the SFWMD with terms of five years. However, on March 13, 2003, the SFWMD's Governing Board unanimously approved a 20-year permit for the Department. This permit is of great importance to the County and offers a unique approach with respect to environmental responsibility and protection of the Everglades ecosystem. This approach focuses on implementation of an aggressive alternative water supply program. Over the next twenty years, the Department will provide up to 38.5 MGD of alternative water supplies through expansion of the Department's reclaimed water system, construction of created wetland systems, and coordinated use of aquifer storage and recovery wells.

The six regional water treatment plants have a combined permitted capacity of 114.38 MGD. During fiscal year 2011, average daily water flow was _____ MGD. Maximum daily flow (rolling twelve month average) through _____, 2012 was _____ MGD.

Water Transmission, Distribution and Storage Facilities

The water distribution system includes 2,162 miles of pipe and 17 storage and re-pump stations, which are filled during low flow periods and used to meet peak water demands. The system also includes 15 emergency interconnects with surrounding municipalities and Broward County. There are 15,866 fire hydrants connected to the system.

Wastewater Collection and Treatment System

Wastewater is collected in two regional systems consisting of 1,675 miles of gravity sewer and force mains and 764 wastewater pumping stations. Wastewater treatment is provided at the Southern Region Water Reclamation Facility owned and operated by the County. The County also owns treatment capacity at the East Central Regional ("ECR") Water Reclamation Facility described below. The wastewater system currently serves approximately 204,000 dwelling units, of which fewer than 5% are commercial. These commercial customers contribute approximately 15% of total wastewater flow, although most generate a domestic strength wastewater typical of residential connections. The 2011 maximum 3-month average daily flow was _____ MGD.

The southern portion of the wastewater system service area utilizes the Southern Region Water Reclamation Facility, which began operations in 1991 at a capacity of 12 MGD and which has a present permitted capacity of 35 MGD after two recent expansions. A portion of the highly treated effluent is reused to meet on and off-site irrigation needs, while the remaining portion is disposed of via deep well injection. The Department currently sells reclaimed water to large-scale users such as golf courses and residential users for irrigation purposes. The Department also reclaims water utilizing created wetlands. Reclaimed water treatment capacity is currently 22 MGD. A portion of the Department's service area is designated as a Mandatory Reclaimed Water Service Area ("MRWSA"), and new developments within this zone are required by ordinance to connect to reclaimed water for irrigation purposes. In 2002, the MRWSA was expanded to enable the Department to deliver an additional 6 MGD of reclaimed water over time.

Wastewater flow in the northern portion of the County's service area is directed to the ECR. The ECR was constructed by the City of West Palm Beach ("City") on behalf of the County, the cities of Riviera Beach, Lake Worth and West Palm Beach, and the Town of Palm Beach (collectively, the "Entities") in the mid 1970's as a regional wastewater treatment facility for the central portion of Palm Beach County. The Entities have entered into interlocal agreements providing for the ownership and allocation of capacity among the Entities. The ECR has completed an expansion to 64 MGD, and the County's share of this capacity is 23.5 MGD. The 2011 maximum 3-month average daily flow was _____ MGD from the County to the ECR plant.

On September 9, 1992, the County and the other Entities entered into a single unified interlocal agreement (the "Interlocal Agreement") superseding the prior separate interlocal agreements and creating the East Central Regional Wastewater Facilities Operation Board (the "ECR Board"), pursuant to Chapter 163, Part I, Florida Statutes, for the purpose of establishing uniform rules and procedures for the operation and management of the ECR plant by the ECR Board for the benefit of the Entities. The initial term of the Interlocal Agreement is 30 years with a provision to extend for a second 30-year period. Plenary power over the ECR plant resides in the ECR Board, including the approval of construction contracts, operating budget and expansion projects. The Entities, under the Interlocal Agreement, contractually appointed the City to perform the daily operation of the ECR plant subject to ECR Board direction. Decisions of the ECR Board regarding the operation and management require a majority vote of the membership, which consists of one voting member from each of the five Entities. Decisions regarding the expenditure of funds for the ECR plant require approval of at least three of the Entities in addition to a majority of Entities based on a "weighted vote percentage" which means an affirmative vote of Entities with aggregate ECR plant capacity greater than 50%. Each of the Entities has the right to expand its respective capacity at the ECR plant, or to make capital improvements to meet special treatment and disposal requirements, upon (i) notice to the ECR Board demonstrating project feasibility, and (ii) execution of a participatory agreement with all the other Entities and the ECR Board setting forth the responsibilities of each party for all costs associated with such expansion project. The ECR Board is then responsible for the procurement of services required to complete such expansion project. Each of the Entities is responsible for the entire cost of any expansion of capacity which is solely for the benefit of such Entity, or its pro rata share of the costs of capital improvements which benefit all Entities. Under the

Interlocal Agreement, the ECR Board has the power to issue revenue bonds or other indebtedness payable from the revenues received from the Entities for treatment at the ECR plant.

The City is responsible for the day-to-day operation of the ECR plant, including certain administrative functions, on behalf of the Entities. Operating expenses of the ECR plant are covered by a wastewater flow charge billed monthly to each of the Entities based upon metered flow. Each of the Entities is required to make annual deposits to a renewal and replacement fund. As a participating Entity, the County is required to pay its share of all operation and maintenance expenses of the ECR plant based on metered flow. Payments made by the County as its share of the ECR operation and maintenance expenses are treated as operating expenses of the Water and Sewer System and are paid before debt service on the Bonds. Payments made by the County to the ECR renewal and replacement fund are treated as capital expenditures payable from the Capital Improvement Fund.

The ECR Board has also entered into two Wastewater Treatment State Revolving Fund Loan Agreements (the "SRF Loan Agreements") with the State of Florida Department of Environmental Protection to partially fund certain improvements to the ECR facilities. Total borrowing for the SRF Loan Agreements amounted to \$21,968,148, with the County's share of the outstanding principal balance as of September 30, 2011, being \$_____. The loans are payable over twenty-year periods and carry effective interest rates ranging from 2.30% to 3.17%.

Pursuant to a Participatory Agreement between the Entities and the ECR Board, the Entities agreed to be responsible for their pro-rata share of repayment of the SRF Loan Agreements. The County's portion of the annual debt service is \$319,200. Payments by the County under the Participatory Agreement began on September 1, 1996, and are treated as subordinated indebtedness, payable from Revenues after debt service on the Bonds.

Capital Improvement Program

The Department's Capital Improvement Program (the "Capital Improvement Program") for the Fiscal Years ending 2012-2018 includes \$_____ for water, wastewater and reclaimed water improvement projects and is designed to meet existing and projected service needs. As of _____, 2012, approximately \$_____ million of this total had been expended. The Capital Improvement Program is prepared by the Department and is reviewed and updated annually. The following table shows the principal construction and improvement projects included in the 2012-2018 Capital Improvement Program, which will be funded from currently available resources, bond proceeds, and future revenue from operations, grants, and connection fees. [The County does not anticipate issuing additional debt to fund any of these costs through _____]. These projections are estimates only, and there is no guarantee that the actual results will not differ from the projections.

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<u>Capital Project Description</u>	<u>Projected Amount</u>
Water Treatment Plant Improvements	\$
Well Field Improvements	
Wastewater Treatment Plant Improvements	
Sludge Pelletization	
ECR Facility	
Transmission Main Improvements	
New Collection System Piping and Rehabilitation	
Lift Stations	
New Regional Pump Station	
Reclaimed Water Mains	
Florida Power and Light Reclaimed Water Project	
Special Assessment Program	
Other Projects	
Total	\$

Source: Palm Beach County Water Utilities Department

Rates

The Department periodically reviews its monthly service charges, Connection Fees, and Guaranteed Revenue Fees (described below) to determine the fairness and adequacy to meet the needs of existing and future customers. Department policies are designed to (i) maintain the rate covenant set forth in the Resolution with respect to the Bonds, (ii) establish rates for the on-line customers that provide revenues sufficient to support the capital improvement program for existing facilities on an on-going basis, and (iii) discourage the use of Potable Water for irrigation purposes. All rates and rate changes must be approved by the Board at an advertised public hearing.

After nearly ten years of no rate increases, monthly rates were increased an average of 18% on April 1, 2007 due to reduced water demand, slower growth, and escalating costs. When the Board approved the rate increase, the Board also provided, by ordinance that rates would increase annually on October 1 of each year beginning in 2008 by three-fourths of the Consumer Price Index, Water and Sewerage Maintenance. Later that year, the South Florida Water Management District ("SFWMD") imposed two day-per-week irrigation rules that further reduced the water demand and reduced revenue for the Department. The Board responded by imposing a 15% surcharge on monthly bills effective May 1, 2008, for one year and requested a further review of rates before expiration of the surcharge. As a result, the surcharge was lifted effective April 1, 2009, and replaced with a permanent increase of approximately 11.75%. Despite these increases, the Department's monthly rates are in the lower third of rates charged by all water and sewer utilities in the County.

The table set forth below sets forth the current rates [and an historical comparison].

RATE CHANGES
[October 2000 to April 2012]

Residential 5/8"				
4,000 gallons	\$	\$	\$	\$
6,000 gallons				
10,000 gallons				
Non-Residential 5/8"				
9,000 gallons				
20,000 gallons				
50,000 gallons				

Monthly Service Charges

The table that follows shows the current monthly service charges that are in effect for all customers, except for those living within the former Village of Royal Palm Beach service area.

[to be updated]

A. Residential

Customer Account Fee: A charge of \$2.50 is assessed for each multi-family bill rendered.

	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
<u>Base Facility Fee</u>			
Multi-Family			
Fee assessed per dwelling unit (DU) for all meter sizes	\$7.32	\$ 11.03	\$ 18.35
Single Family			
Fee assessed per meter as follows: Meter Size			
5/8" meter	9.82	11.03	20.85
1" meter	23.99	32.52	56.51
1½" meter	35.89	49.95	85.84
2" meter	74.81	109.19	184.00
<u>Commodity (Usage) Fee</u>			
Per 1,000 gallons			
0 to 4,000 gallons	0.98	1.34	2.32
5,000 to 10,000 gallons	2.20	3.14	5.34
11,000 to 25,000 gallons	5.52	.00	5.52
Over 25,000 gallons	6.85	.00	6.85

Wastewater Service Only 21.31

B. Non-Residential:

Customer Account Fee: A charge of \$2.50 is assessed for each bill rendered.

	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
<u>Base Facility Fee:</u>			
Meter Size			
5/8" x 3/4" meter	\$ 18.47	\$ 23.23	\$ 41.70
1" meter	62.90	88.86	151.76
1 1/2" meter	100.07	145.20	245.27
2" meter	169.77	260.20	429.97
3" meter	449.71	667.92	1,117.63
4" meter	693.65	1,022.20	1,715.85
6" meter			

Based on projected usage

Fire Lines

2" meter	10.92
3" meter	20.56
4" meter	34.26
6" meter	68.54
8" meter	109.66

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<u>Commodity Fee:</u>	Per 1,000 gallons of metered usage		
	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
5/8" x 3/4" meter			
0-14,000 gallons	\$1.16	\$ 1.56	\$2.72
over 14,000 gallons	3.14	1.56	4.70
1" meter			
0-57,000 gallons	1.16	1.56	2.72
over 57,000 gallons	3.14	1.56	4.70
1 1/2" meter			
0-94,000 gallons	1.16	1.56	2.72
over 94,000 gallons	3.14	1.56	4.70
2" meter			
0-138,000 gallons	1.16	1.56	2.72
over 138,000 gallons	3.14	1.56	4.70
3" meter			
0-557,000 gallons	1.16	1.56	2.72
over 557,000 gallons	3.14	1.56	4.70
4" meter			
0-675,000 gallons	1.16	1.56	2.72
over 675,000 gallons	3.14	1.56	4.70
6" and above			
All usage	1.16	1.56	2.72
<u>Wastewater Service Only</u>		21.31	

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Monthly Service Charges (Village of Royal Palm Beach customers)

When the County purchased the Village of Royal Palm Beach's service area in April 2006, rates being charged to Village customers were approximately 70% higher than those charged to other customers of the County. As part of the agreement to purchase the service area, the County agreed to freeze the monthly rates charged to Village customers until County rates were equal to Village rates or ten years, whichever occurred later. The rates that follow were in effect as of the acquisition date and will remain the same until April 30, 2016, or later.

	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
<u>Base Facility Fee</u>			
Multi-Family			
Fee assessed per meter	\$9.91	\$11.81	\$21.72
Single Family			
Fee assessed per meter	13.25	15.71	28.96
Commercial			
5/8" meter	17.31	20.70	38.01
1" meter	62.31	74.40	136.71
1 1/2" meter	99.33	118.69	218.02
2" meter	225.24	269.49	494.73
3" meter	795.01	950.76	1,745.77
4" meter	1,242.52	1,469.84	2,712.36
<u>Commodity (Usage) Fee</u>			
Per 1,000 gallons	1.96	1.73	3.69

Conservation Charge

In addition to the above, 150% of the above rates for all usage in excess of the authorized gallons per month:

Single family per meter	15,000 gallons
Multi-family per unit	11,250 gallons
Commercial by meter size	
5/8" or 3/4"	18,000 gallons
1"	69,000 gallons
1 1/2"	100,000 gallons
2"	255,000 gallons
3"	765,000 gallons
4"	1,410,000 gallons

Capacity Reservation Charges (Guaranteed Revenues)

Capacity Reservation Charges, now referred to by the County as Guaranteed Revenue Fees, are defined in the Resolution as charges imposed upon developers for the purpose of reserving capacity in the Water and Sewer System. The County's policy on Guaranteed Revenues was revised on November 1, 1991, to include such fees on all developable land within the Water and Sewer System service area, and the policy revision limited the payment of such fees for 84 months. The policy was subsequently revised on July 1, 1996, to further limit payment of Guaranteed Revenue Fees from 84 months to 60 months, and Standard Development Agreement ("SDA") annual renewal payments were discontinued. The policy was further revised effective July 1, 1998, to limit capacity renewals of SDAs to one additional five-year period.

The Guaranteed Revenue Fee calculation is based on Equivalent Residential Connections ("ERC"s). One ERC is equal to the peak design demand of the 5/8" x 3/4" meter sub-category of the "single-family" residential category of customer usage, currently 250 gallons per day of water with a 2.5 peaking factor and 200 gallons per day of wastewater with a peaking factor of 2.5. The number of ERCs assigned to each customer is defined to be the ratio of the estimated average number of gallons per day consumption for that customer category divided by the average number of gallons per day consumption for the single-family 5/8" meter category.

For properties represented by an SDA, the property owner is required to initially pay a Mandatory Agreement Payment ("MAP") consisting of twelve months Guaranteed Revenue Fees for each ERC represented in the SDA at the rate in effect at the time of SDA submission. No annual renewal payment is required. At the time of service initiation, 60 months Guaranteed Revenue Fees at the then current rate, minus the initial MAP, are due. The capacity requested by the property owner in an SDA has a term not to exceed five years. Capacity needs may be retained for one additional five-year term upon payment of an additional MAP at the then current rates. For properties not associated with an SDA, 60 months of Guaranteed Revenue Fees are due at the time of service initiation for each ERC at the rate in effect at time of service initiation.

[Guaranteed Revenue Fees were increased on April 1, 2009 as follows:

	<u>Fee Per ERC Prior to 2009 Increase</u>	<u>Current Fee Per ERC</u>
Water	\$ 12.19 per month	\$ 13.62 per month
Wastewater	\$ 17.11 per month	\$ 19.12 per month
Combined	\$ 29.30 per month	\$ 32.74 per month]

Guaranteed Revenue Fees are subject to adjustment each year on October 1 based on three-fourths of the CPI, Water and Sewerage Maintenance. Guaranteed Revenue Fees are calculated at the above rate per ERC according to the following schedule:

<u>Category</u>	<u>Number of ERCs per Dwelling Unit</u>
Multi-Family	.70
Multi-Family Limited Service	.40
Single-Family:	
5/8" or 3/4" meter	1.00
1" meter	2.90
1 1/2" meter	4.50
2" meter	9.80
Non-Residential:	
5/8" or 3/4" meter	1.50
1" meter	5.80
1 1/2" meter	10.00
2" meter	16.25
3" meter	43.70
4" meter	66.80
6" meter	Based on projected usage

Connection Fees

Connection Fees are one-time payments made by new customers at the time a unit is connected to the Water and Sewer System. The Connection Fees are designed to ensure that each new customer connecting to the Water and Sewer System will pay a fair share of the costs incurred by the County in constructing the facilities needed to serve such new customer. The amount of the Connection Fee per connection or dwelling unit paid by the new customer will be the one that is in effect at the time of connection to the Water and Sewer System unless a different rate is provided for in the SDA. The current Connection Fees are as follows:

<u>Single-Family</u>	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>
5/8" or 3/4" meter	\$1,500	\$2,500	\$4,000
1" meter	4,350	7,250	11,600
1 1/2" meter	6,750	11,250	18,000
2" meter	14,700	24,500	39,200
Multi-Family			
Per dwelling unit	\$1,050	\$1,750	\$2,800
Limited Service	600	1,000	1,600
<u>Non-Residential</u>			
5/8" or 3/4" meter	\$2,250	\$3,750	\$6,000
1" meter	8,700	14,500	23,200
1 1/2" meter	15,000	25,000	40,000
2" meter	24,375	40,625	65,000
3" meter	65,550	109,250	174,800
4" meter	100,200	167,000	267,200
6" meter	Based on Usage		

Fire Lines (New fee effective January 2006)

Single Family or Duplex	None
Multi-Family Residential (2"-3" backflow assembly)	\$12,400
Non-Residential (4" or smaller backflow assembly)	23,160
Non-Residential (6" backflow assembly)	57,000
Non-Residential (over 6" backflow assembly)	90,700]

Judicial rulings in the State of Florida have determined that Connection Fees may be imposed and expended only to cover the expansion of a utility system that is necessary to service new customers. As a result, the County is of the opinion that Connection Fees can be used to pay debt service only to the extent that such payments reflect costs incurred to expand the Water and Sewer System to service new customers.

The Consulting Engineers have performed a study which determined the percentage of the proceeds of prior outstanding Bond issues and the Series 2012 Bonds that are attributable to the expansion of the Water and Sewer System facilities (the "Expansion Percentage"), which is the amount that is available for debt service. See "HISTORICAL FINANCIAL OPERATIONS" and "PROJECTED FINANCIAL OPERATIONS" herein. The following table shows the amount of Connection Fees received in each of the past five Fiscal Years and the amount that was available for the payment of debt service on the Bonds, calculated by applying the then-applicable Expansion Percentage to the Annual Debt Service due in each such Fiscal Year, and the amount of projected Connection Fees anticipated to be available for debt service in each of the next five Fiscal Years. These projections are estimates only, and there is no guarantee that the actual results will not differ from the projections.

Connection Fees ⁽¹⁾

Year Ended/ Ending Sept. 30	Total Connection Charges	Annual Debt Service	Percentage	Connection Fees Expansion Available for Debt Service
2007	13,866,267	22,147,125	47.0	10,409,149
2008	11,708,431	22,330,745	47.0	10,495,450
2009	14,282,367	22,176,403	62.9	13,948,957
2010	10,642,287	18,843,315	62.9	10,642,287
2011	13,302,859	20,402,979	62.9	12,833,474
2012	15,963,431	16,120,888	62.9	10,140,038
2013	18,624,002	16,102,188	62.9	10,128,276
2014				
2015				
2016				

Source: Palm Beach County Water and Sewer Department

⁽¹⁾ Actual for Fiscal Years 2007 through 2011 and projected for Fiscal Years 2012 through 2016.

Reclaimed Water

Over the past several years, the County has invested approximately \$75 million in its reclaimed water system and has been providing reclaimed water to golf courses, homeowners' associations, and created wetlands. As a cost-saving alternative to deep well disposal, the reclaimed water customers paid no Connection Fees and paid a flat monthly Base Facility Fee, based on meter size, for an unlimited supply of reclaimed water. On March 13, 2007, the Board approved a commodity fee of \$0.15 per thousand gallons of reclaimed water to encourage conservation and to absorb some of the effluent disposal costs previously borne by wastewater customers. On October 1, 2008, the commodity rate was increased to \$0.16 per thousand gallons as a result of applying the consumer price index. On March 17, 2009, the Board approved a Connection Fee for new reclaimed water customers, increased the Commodity Fee to \$0.20 per thousand gallons, and established a two-tier Base Facility Fee, with higher fees charged to customers who had not paid Connection fees.

Reclaimed Water Rates [to be updated]

<u>Meter Size</u>	<u>Connection Fee</u>	<u>Monthly Base Facility Fee If Connection Fee Paid</u>	<u>Monthly Base Facility Fee If Connection Fee Not Paid</u>	<u>Monthly Commodity Fee Per 1,000 gallons</u>
Residential:				
5/8" x 3/4"	\$450	\$2.00	\$3.75	\$0.20
Non-Residential:				
5/8" x 3/4"	675	\$3.00	\$5.55	0.20
1"	3,600	16.00	29.60	0.20
1 1/2"	9,000	40.00	74.00	0.20
2"	19,320	86.00	159.10	0.20
3"	42,300	188.00	347.80	0.20
4"	115,560	514.00	950.90	0.20
6"	247,020	1,098.00	2,031.30	0.20
8"	439,200	1,952.00	3,611.20	0.20
10"	684,000	3,040.00	5,624.00	0.20

Source: Palm Beach County Water Utilities Department

A twenty percent discount applies to the above rates for lake delivery service.

Major Initiatives

The hurricanes of 2004 and 2005 demonstrated a need for the Department to harden its facilities and to take appropriate actions to attempt to insure uninterrupted service to its customers during extended power outages. Hurricane hardening has been completed, and additional generators have been purchased to improve the Department's readiness for future

storms. Also, the Department continues to take advantage of new communications and mobile computing technologies, as well as electronic meter reading, to better control personnel costs and improve the timeliness and accuracy of information.

In addition, the Department is in the final stages of implementing a new Asset Management Program to insure that facilities and equipment are maintained and replaced in a cost-effective manner and to provide funding for the program over the next twenty years. These initiatives, and others, are part of the Department's Strategic Plan, which contains the Department's vision and action plan for future growth and maintenance of the Department's assets and financial strength.

Projected Rate Increases

In developing the Capital Improvement Program and the table of "PROJECTED FINANCIAL OPERATIONS" contained herein, the Department has included projected rate increases in monthly service charges and Guaranteed Revenue fees effective each year on October 1. The increases will be based on three-fourths of the Consumer Price Index, Water and Sewerage Maintenance, measured from July to July. Based on estimated increases in the index, financial projections include rate increases of ____% in 2013, ____% in 2014, and ____% in years 2015 through 2018. No further rate increases are contemplated through Fiscal Year 2018.

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ANNUAL DEBT SERVICE REQUIREMENTS

<u>Period</u> <u>Ending</u> <u>October 1</u>	<u>Series 2003</u> <u>Bonds</u>	<u>Series 2006A</u> <u>Bonds</u>	<u>Series 2006B</u> <u>Bonds</u>	<u>Series 2009</u> <u>Bonds</u>	<u>Series 2012</u> <u>Bonds</u>	<u>Total</u>
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HISTORICAL FINANCIAL OPERATIONS

The table that follows shows actual operating data of the Water and Sewer System to Fiscal Years ended September 30, 2007 through 2011.

	2007	2008	2009	2010	2011
<u>Operating Revenue:</u>					
Charges for services					
Other operating revenue	\$96,426,883	\$110,116,173			
Total operating revenue	4,776,456	5,205,556			
	101,203,339	115,321,729			
Total operating expenses excluding depreciation and equity interest in net loss of joint venture	73,781,399	81,927,461			
Net operating income	27,421,940	33,394,268			
<u>Non-operating:</u>					
Guaranteed revenue	5,886,894	3,399,215			
Interest income	7,204,041	4,959,994			
Interest-other	0	0			
Engineering fees, net of expenses	(407,829)	(49,519)			
Other	132,818	(1,702,613)			
Total non-operating ⁽¹⁾	12,815,924	6,607,077			
Net revenues	40,237,864	40,001,345			
Connection fees available for debt service ⁽²⁾	10,409,149	10,495,450			
Net Revenues and Connection Fees	\$50,647,013	\$50,496,795			
<u>Debt Service:</u>					
Interest					
Principal	8,892,125	8,375,745			
Total debt service	13,255,000	13,955,000			
	22,147,125	22,330,745			
Coverage by Net Revenues and Connection Fees available for debt service	2.29	2.26			
Coverage by Net Revenues, excluding Connection Fees	1.82	1.79			

⁽¹⁾ Non-operating excludes interest on debt, grants, and gain or loss on disposal of fixed assets.

⁽²⁾ Represents amount of Connection Fees available to pay debt service on the Bonds based upon the County's most recent calculation of the then-applicable Expansion Percentage.

PROJECTED FINANCIAL OPERATIONS

The table that follows shows projected operating data of the Water and Sewer System to Fiscal Years ending September 30, 2012 through 2018

	2012	2013	2014	2015	2016	2017	2018
<u>Operating Revenue:</u>							
Charges for services	\$146,284,161	\$152,896,419	\$158,020,281	\$163,992,757			
Other operating revenue	1,793,039	1,810,969	1,829,079	1,847,370			
Total operating revenue	148,077,200	154,707,388	159,849,360	165,840,127			
Total operating expenses excluding depreciation and equity interest in net loss of joint venture	101,687,268	105,704,759	109,882,949	114,228,267			
Net operating income	46,389,932	49,002,629	49,966,411	51,611,860			
<u>Non-operating:</u>							
Guaranteed revenue	5,924,528	7,119,308	8,380,442	8,631,856			
Interest income	5,615,905	6,281,022	6,984,018	7,828,372			
Miscellaneous	0	0	0	0			
FPL Capital Fees ⁽¹⁾	1,009,879	1,050,820	1,100,859	1,155,447			
Total non-operating ⁽²⁾	12,550,312	14,451,150	16,465,320	17,615,675			
Net revenues	59,940,244	63,453,779	66,431,731	69,227,534			
Connection fees available for debt service ⁽³⁾	10,140,058	10,128,276	9,396,553	9,385,836			
Net Revenues and Connection Fees	69,280,282	73,582,035	75,822,285	78,613,370			
Total debt service	16,120,888	16,102,188	14,929,338	14,921,838			
Coverage by Net Revenues, FPL Fees and Connection Fees Available for Debt Service	4.37	4.58	5.14	5.28			
Coverage by Net Revenues, Excluding Connection Fees	3.66	3.94	4.45	4.64			
Coverage by Net Revenues, Excluding Connection Fees and Excluding FPL Fees	3.36	3.63	4.10	4.28			

⁽¹⁾ Represents the portion of FPL fee payments to the County which relate to principal on the Series 2009 Bonds, plus a net 5% coverage amount in accordance with the FPL Reclaimed Water Agreement.

⁽²⁾ Non-operating excludes interest on debt, grants, and gain or loss on disposal of fixed assets and the FPL Capital Fee.

⁽³⁾ Represents amount of Connection Fees available to pay debt service based upon the County's most recent calculation of the Expansion Percentage (62.9%).

SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION

The following is a summary of certain provisions of the Resolution. This summary does not purport to be a full statement of the terms of the Resolution and reference is made to the Resolution for a full and complete statement of such provisions. Definitions of terms previously defined in this Official Statement are not contained in this summary. Portions of the Resolution previously described in this Official Statement are not contained in this summary.

Definitions

As used in this Official Statement the following terms shall have the following meanings:

"Annual Debt Service Requirement" shall mean, at any time, the amount required to be deposited in the then current Fiscal Year into the Interest Account, Principal Account and Bond Redemption Account, as provided in the Resolution; provided, however, that for the purpose of determining the Annual Debt Service Requirement, any Option Bonds outstanding during such Fiscal Year shall be assumed to mature on their stated dates of maturity.

"Board" shall mean the Board of County Commissioners of Palm Beach County, Florida.

"Bondholder" or "Holder of Bonds" or any similar term, shall mean any person who shall be the registered owner of any Bond or Bonds outstanding under the terms of the Resolution.

"Bond Insurance Policy" or "Municipal Bond Insurance Policy" shall mean an insurance policy issued for the benefit of the Holders of any Bonds, pursuant to which the issuer of such insurance policy shall be obligated to pay when due the principal of and interest on such Bonds to the extent of any deficiency in the amounts in the funds and accounts held under the Resolution, in the manner and in accordance with the terms provided in such Bond Insurance Policy.

"Bonds" shall mean the Water and Sewer Revenue Bonds authorized to be issued pursuant to the Resolution; any pari passu additional Bonds issued pursuant to the Resolution in the manner provided in the Resolution; and any other evidences of indebtedness hereafter determined by the County to constitute pari passu additional Bonds for purposes of Article III, Section 4(G) of the Resolution.

"Capacity Reservation Charges," (now referred to by the County as "Guaranteed Revenue" or "Guaranteed Revenue Fees") shall mean the charges imposed upon all owners of land and developers for the purpose of reserving capacity in the Water and Sewer System.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Earned Portion" shall mean that portion of the Capacity Reservation Charges not required to be refunded to developers.

"Facilities" shall mean all the facilities of the Water and Sewer System, and all parts thereof, and any facilities which may hereafter be a part of the Water and Sewer System, or any part thereof, by any additions, betterments, extensions, improvements thereto, or property of any kind or nature, real or personal, tangible or intangible, hereafter constructed or acquired.

"Fiscal Year" shall mean that period commencing on October 1 and continuing to and including the next succeeding September 30, or such other annual period as may be prescribed by law.

"Independent Insurance Consultant" shall mean a person or firm who is not an employee or officer of the County who is appointed by the County and is qualified to survey risks and to recommend insurance coverage for organizations engaged in like operations, who has a favorable reputation for skill and experience in such surveys and recommendations, and who may be a broker or agent with whom the County transacts business.

"Maximum Annual Debt Service" shall mean, at any time, the maximum amount required to be deposited in the then current or any succeeding Fiscal Year into the Interest Account, Principal Account and Bond Redemption Account, as provided in the Resolution. The amount of Term Bonds maturing in any Fiscal Year which are subject to mandatory redemption prior to their stated date of maturity by operation of the Bond Redemption Account shall not be included in determining the Maximum Annual Debt Service in their final Fiscal Year of maturity. For purposes of determining Maximum Annual Debt Service, any Option Bonds outstanding at the time of such determination shall be assumed to mature on their stated dates of maturity.

"Operating Expenses" shall mean the current expenses of operation, maintenance and ordinary current repair of the Water and Sewer System and its Facilities and shall include, without limiting the generality of the foregoing, insurance premiums, administrative expenses of the County relating solely to the Water and Sewer System, and such other reasonable current expenses as shall be in accordance with generally accepted accounting principles. "Operating Expenses" shall not include any allowance for depreciation or any extraordinary items arising from the early extinguishment of debt.

"Option Bonds" shall mean Bonds, which may be either Serial Bonds or Term Bonds, which by their terms may be tendered by and at the option of the Holder thereof for payment by the County prior to their stated maturities thereof, or the maturities of which may be extended by and at the option of the Holder thereof, such extension to be within the period prescribed by the Act.

"Paying Agent" shall mean the bank or trust company and any successor bank or trust company appointed by the County to act as Paying Agent under the Resolution. The initial Paying Agent with respect to the Series 2012 Bonds is The Bank of New York Mellon Trust Company, N.A.

"Rebate Amount" shall mean the excess amount earned on all non-purpose investments, (as defined in Section 148(f)(6) of the Code), allocable to the Series 2012 Bonds over the amount which would have been earned if such non-purpose investments were invested at a rate equal to the yield on the Series 2012 Bonds, plus any income attributable to such excess.

"Registrar" shall mean the bank or trust company or any successor bank or trust company appointed by the County to act as Registrar under the Resolution. The initial Registrar with respect to the Series 2012 Bonds is The Bank of New York Mellon Trust Company, N.A.

"Reserve Account Insurance Policy" shall mean the insurance policy or policies deposited in the Debt Service Reserve Account in lieu of or in partial substitution for cash on deposit therein.

"Serial Bonds" shall mean the Bonds of an issue which shall be stated to mature annually.

"Term Bonds" shall mean the Bonds of an issue which shall be stated to mature on one date and for the amortization of which mandatory payments are required to be made into the Bond Redemption Account in the Sinking Fund.

"U.S. Obligations" shall mean the direct obligations of or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

"Variable Rate Bonds" shall mean Bonds, which may be either Serial Bonds or Term Bonds, issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue.

"Water and Sewer System" shall mean with respect to all Bonds issued pursuant to the Resolution any and all water systems, sewer systems and combined water and sewer systems, any and all group water systems and Facilities now owned or hereafter owned and operated by the County.

Pledge of Net Revenues and Connection Fees

The Resolution states that the payment of the principal of and interest on all of the Bonds issued thereunder shall be secured forthwith equally and ratably by a first lien on and pledge of the Net Revenues and a first lien on and pledge of the Connection Fees (subject, however, to the provisions of Florida law regarding the application of Connection Fees). The Net Revenues and the Connection Fees in an amount sufficient to pay the principal of and interest on the Bonds and to make the payments into the Debt Service Reserve Account and Sinking Fund and all other payments provided for in the Resolution, are irrevocably pledged to the payment of the principal of and interest on the Bonds, and all other payments provided for in the Resolution, as the same become due and payable. The Bonds and the obligation evidenced thereby shall not constitute a lien upon the Water and Sewer System, or any part thereof, or on any other property of or in the

County, but shall constitute a lien only on the Net Revenues and the Connection Fees to the extent and in the manner provided in the Resolution.

The County has expressly covenanted and agreed that, for all purposes of the Resolution (including, not limited to, all covenants thereof concerning rates and pari passu additional Bonds), the County will use, apply and take into account Connection Fees only to the extent and in a manner that is then legally permissible.

Issuance of Other Obligations

The County has covenanted in the Resolution that it will not issue any other obligations payable from Net Revenues and the Connection Fees, except upon the conditions and in the manner provided therein, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or any other charge having priority or being on a parity with the lien of the Bonds issued pursuant to the Resolution and the interest thereon upon any of the Net Revenues and the Connection Fees.

Any obligations issued by the County other than the Bonds authorized by the Resolution and any pari passu additional Bonds issued under the terms and restrictions of the Resolution, shall contain an express statement that such obligations are junior, inferior and subordinate in all respects to the Bonds issued pursuant to Resolution as to lien on and source and security for payment from the Net Revenues and the Connection Fees and in all other respects.

Issuance of Pari Passu Additional Bonds

No other pari passu additional Bonds, (as defined below) payable pari passu with Bonds issued pursuant to the Resolution out of Net Revenues and Connection Fees shall be issued except upon the conditions and in the manner provided in the Resolution.

Such pari passu additional Bonds may be issued if, and only if, the following conditions are met:

- 1) The County must be current in all deposits into the various funds and accounts and all payments required to have been theretofore deposited or made by it under the provisions of the Resolution and any supplemental resolutions adopted for the issuance of pari passu additional Bonds and in compliance with the covenants and provisions of the Resolution and any supplemental resolution adopted for issuance of pari passu additional Bonds.
- 2) The amount of Net Revenues, as may be adjusted as hereinafter described, received during any twelve (12) consecutive months of the eighteen (18) months immediately preceding the issuance of said pari passu additional Bonds, as certified by the County's principal financial officer responsible for maintaining the financial records of the Water and Sewer System, are at least equal to one hundred percent (100%) of Maximum Annual Debt Service on, and, together with the Connection Fees received during such period, as so certified, will be at least equal to one hundred twenty-five percent (125%) of the Maximum Annual Debt Service on any Bonds theretofore issued and then outstanding

and the pari passu additional Bonds then proposed to be issued; provided that, for the purpose of determining Maximum Annual Debt Service, the interest rate on Variable Rate Bonds then outstanding shall be the greater of (i) the average daily interest rate on such Variable Rate Bonds during the preceding Fiscal Year or (ii) the actual rate of interest applicable to such Variable Rate Bonds on the date of issuance of such Variable Rate Bonds; and, provided further that if pari passu additional Variable Rate Bonds are to be issued, the interest rate thereon shall be calculated in accordance with the 25 Revenue Bond Index as published by The Bond Buyer as of the last week of the month next preceding the date of issuance of such Variable Rate Bonds, or if that index is no longer published, the interest rate as of the last week of such month, as published in an index that is deemed to be substantially equivalent by nationally recognized bond counsel.

- 3) In the event any pari passu additional Bonds are issued for the purpose of refunding any Bonds then outstanding, the condition of (2) above shall not apply, provided that the issuance of such pari passu additional Bonds shall result in a reduction or shall not increase the annual debt service payments over the life of the Bonds so refunded.

The phrase "twelve (12) consecutive months of eighteen (18) months immediately preceding the issuance of said pari passu additional Bonds" is sometimes referred to as "twelve (12) consecutive months."

The adjustment of Net Revenues which are permitted by the foregoing subparagraph (2) shall be certified to the County and the issuers of any Reserve Account Insurance Policy by the Consulting Engineer, and shall be computed as follows:

- a) If the County, prior to the issuance of the proposed pari passu additional Bonds, shall have increased the rates, fees, rentals or other charges for the services of the Water and Sewer System, the Net Revenues for the twelve (12) consecutive months immediately preceding the issuance of the pari passu additional Bonds shall be adjusted to include the Net Revenues which would have been received in such twelve (12) consecutive months as if such increased rates, fees, rentals or other charges for the services of the Water and Sewer System had been in effect during all of such twelve (12) consecutive months.
- b) If the County shall have acquired or has contracted to acquire any privately or publicly owned existing water system, sewer system or water and sewer system, the cost of which shall be paid from all or part of the proceeds of the issuance of the proposed pari passu additional Bonds, then the Net Revenues received during the twelve (12) consecutive months immediately preceding the issuance of said pari passu additional Bonds shall be increased by adding to the Net Revenues for such twelve (12) consecutive months the Net Revenues which would have been derived from the existing water system, sewer system or water and sewer system as if such existing water system, sewer system or water and sewer system had been operated by the County as a part of the Water and Sewer System during such twelve (12) consecutive months.

- c) If the County shall have entered into a contract, which contract shall be a duration of not less than the final maturity of the pari passu additional Bonds authorized for the purposes of such financing from the date of the issuance of the proposed pari passu additional Bonds, with any public body whereby the County shall have agreed to furnish services for the collection, treatment and disposal of sewage or other waste matter and/or agreed to furnish services in connection with any water system, sewer system or water and sewer system, then the Net Revenues of the Water and Sewer System during the twelve (12) consecutive months immediately preceding the issuance of said pari passu additional Bonds shall be increased by the least amount which the public body shall guarantee to pay in any one year for the furnishing of the services by the County, after deducting from such payment the estimated proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such services.

The term "pari passu additional Bonds" as used in the Resolution shall be deemed to mean additional obligations evidenced by Bonds issued under the provisions and within the limitations of the Resolution payable from the Net Revenues and the Connection Fees pari passu with Bonds originally authorized and issued pursuant to the Resolution. Such Bonds shall be deemed to have been issued pursuant to the Resolution the same as the Bonds originally authorized and issued pursuant to the Resolution and all of the covenants and other provisions of the Resolution (except as to details of such Bonds evidencing such pari passu additional obligations inconsistent therewith), shall be for the equal benefit, protection and security of the Holders of any Bonds evidencing pari passu additional obligations subsequently issued within the limitations of and in compliance with the Resolution. All of such Bonds, regardless of the time or times of their issuance shall rank equally with respect to their lien on the Net Revenues and the Connection Fees, and their sources and security for payment therefrom without preference of any Bonds or coupons, if any, over any other.

The term "pari passu additional Bonds" as used in the Resolution shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued under the terms of the Resolution, the lien of which on the Net Revenues and the Connection Fees is subject to the prior and superior lien on the Net Revenues and the Connection Fees of Bonds issued pursuant to the Resolution, and the County shall not issue any obligations whatsoever payable from the Net Revenues and the Connection Fees which rank equally as to lien on and source and security for their payment from such Net Revenues and Connection Fees with Bonds issued pursuant to the Resolution, except in the manner and under the conditions provided in the Resolution.

If at any time the County shall enter into an agreement or contract for an ownership interest in any public or privately owned water and/or sewer system or for the reservation of capacity therein whereby the County has agreed as part of the cost thereof to pay part of the debt service on the obligations of such public or privately owned water and/or Sewer system issued in connection therewith, such payments to be made by the County shall be junior, inferior and subordinate in all respects to the Bonds issued under the Resolution and to any other obligations issued by the County under the provisions of the Resolution.

The County shall not issue pari passu additional Bonds while a default has occurred and is continuing under the Resolution or while any amounts owed to the Reserve Account Insurance Policy Providers are past due.

Insurance

The County has covenanted under the Resolution that it will carry such insurance as is ordinarily carried by private or public corporations owning and operating utilities similar to the Water and Sewer System with a reputable insurance carrier or carriers, including public and product liability insurance in such amounts as the County shall determine to be sufficient and such other insurance against loss or damage by fire, explosion (including underground explosion), hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of buildings, properties, furniture, fixtures and equipment of the Water and Sewer System, or such other amount or amounts as the Consulting Engineer shall approve as sufficient.

The County may establish certain minimum levels of insurance for which the County may self-insure. Such minimum levels of insurance shall be in amounts as recommended by an Independent Insurance Consultant.

Investment of Funds

Moneys on deposit in the Revenue Fund, Operation and Maintenance Fund, Interest Account, Principal Account, the Bond Redemption Account and the Connection Charge Fund may be invested (a) in direct obligations of the United States of America or (b) in obligations fully guaranteed by the United States of America, or (c) in Certificates of Deposit or Repurchase Agreements, or (d) in such other obligations as are permitted by the applicable laws of the State of Florida, provided, however, that any investments described in (c) or (d) herein shall be collateralized as provided by Florida law and shall mature not later than the dates on which such moneys will be needed for purposes of such fund or account.

Moneys on deposit in the Debt Service Reserve Account, the Renewal and Replacement Fund, and the Capital Improvement Fund may be invested (a) in direct obligations of the United States of America, or (b) in obligations fully guaranteed by the United States of America, or (c) in Certificates of Deposit or Repurchase Agreements, or (d) in such other obligations as are permitted by the applicable laws of the State of Florida, provided, however, that any investments described in (c) and (d) herein, shall be collateralized as provided by Florida law. All such investments shall mature not later than such date or dates as the County shall determine.

All income and earnings received from the investment and reinvestment of moneys on deposit in the Operation and Maintenance Fund, the Renewal and Replacement Fund and the Capital Improvement Fund shall be transferred to the Revenue Fund and used in the same manner as other moneys on deposit therein.

All income and earnings received from the investment and reinvestment of moneys on deposit in the Principal Account, Bond Redemption Account and Debt Service Reserve Account

in the Sinking Fund and the Connection Charge Fund shall be transferred to the Interest Account and be credited against any moneys required to be deposited into the Interest Account as provided in the Resolution.

All income and earnings received from the investment and reinvestment of moneys on deposit in the Interest Account in the Sinking Fund shall be retained therein and be credited against any moneys required to be deposited into the Interest Account as provided in the Resolution.

All income and earnings received from the investment and reinvestment of moneys on deposit in the Construction Fund shall remain therein and be used to pay or reimburse the County for costs of the project in the manner provided in the Resolution.

Books and Records

The County will keep books and records of the Water and Sewer System, which shall be separate and apart from all other books, records and accounts of the County, in which complete and correct entries shall be made of all transactions relating to the Water and Sewer System, in accordance with generally accepted accounting principles for governmental units, and any Holder or Holders of Bonds issued pursuant to the Resolution shall have the right at all reasonable times to inspect said Water and Sewer System and all parts thereof, and all records, accounts and data of the County relating thereto.

The County shall promptly within thirty (30) days after the close of each Fiscal Year initiate an audit by a qualified and independent firm of certified public accountants of the books, records and accounts of the Water and Sewer System for the preceding Fiscal Year, and the report of such certified public accountants shall be filed with the County and with the issuer of any Bond Insurance Policy, which report shall cover in reasonable detail the operation of the Water and Sewer System and the insurance carried with respect thereto and shall mail upon request, and make available generally, said report, or a reasonable summary thereof, to any Holder or Holders of Bonds issued pursuant to the Resolution.

Operating Budget

The County shall annually, prior to the start of each Fiscal Year, prepare and adopt by proper proceedings of its governing body a detailed budget of the estimated expenditures for operation and maintenance of the Water and Sewer System and the estimated Revenues of the Water and Sewer System during the succeeding Fiscal Year. No expenditures for the operation and maintenance of the Water and Sewer System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the general manager of the Water and Sewer System or other duly authorized officer in charge thereof, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the Water and Sewer System, and no such increased expenditures shall be made until the governing body of the County shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of ten percent (10%) of the total amount of such budget shall be made

except upon the further and additional certification of the Consulting Engineer that such increased expenditures are necessary for the continued operation of the Water and Sewer System. The County shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Holder or Holders of Bonds who shall file his or her address or addresses with the County and request in writing that copies of all such budgets and resolutions be furnished him or them, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the Water and Sewer System at all reasonable times to any Holder or Holders of Bonds issued pursuant to the Resolution.

Sale of the Water and Sewer System

The Water and Sewer System may be sold or otherwise disposed of only as a whole or substantially as a whole, and only if the net proceeds to be realized, together with other moneys lawfully available for such purpose, if any, shall be sufficient to retire all of the Bonds issued pursuant to the Resolution and to pay interest thereon to their respective dates of maturity or earlier redemption dates. The proceeds from such sale or other disposition of the Water and Sewer System shall be applied in the manner provided in the Resolution and shall be used solely for the purposes of paying the principal of the Bonds, the interest thereon and redemption premiums, if any, as the same shall become due on the Bonds on or prior to the redemption dates or the maturity dates thereof.

Prior to any such sale, lease or other disposition of said property, if the amount to be received therefore is not in excess of one-quarter of one percent ($\frac{1}{4}$ of 1%) of the gross book value of the fixed assets, the general manager or other duly authorized officer in charge of the Water and Sewer System shall make a finding in writing determining that such property comprising a part of the Water and Sewer System is no longer necessary or useful or profitable in the operation thereof, and such proceeds shall be deposited in the Renewal and Replacement Fund to the extent necessary to make the amount then on deposit therein equal to the maximum amount required to be on deposit therein and the balance of such moneys not needed for said Renewal and Replacement Fund shall be deposited in the Capital Improvement Fund and used in the manner provided therein.

If the amount to be received from such sale, lease or other disposition of said property shall be in excess of one-quarter of one percent ($\frac{1}{4}$ of 1%) of the gross book value of the fixed assets, the general manager or other duly authorized officer in charge of the Water and Sewer System and the Consulting Engineer, shall first each make a finding in writing determining that such property comprising a part of the Water and Sewer System is no longer necessary or useful or profitable in the operation thereof, and the Board of County Commissioners shall, by resolution duly adopted, approve and concur in the findings of the general manager or other duly authorized officer and the Consulting Engineer, and authorize such sale, lease or other disposition of said property and such proceeds shall be first deposited into the Renewal and Replacement Fund to the extent necessary to make the amount then on deposit therein equal to the maximum amounts required to be on deposit therein, such proceeds shall next be deposited into the Capital Improvement Fund in an amount deemed necessary by the County, and the balance of such moneys not needed for said deposit into the Renewal and Replacement Fund and

the Capital Improvement Fund shall be deposited in the Bond Redemption Account and used in the manner provided therein.

Notwithstanding the foregoing, the County shall have the authority to sell for fair and reasonable consideration any land comprising a part of the Water and Sewer System which is no longer necessary or useful in the operation of the Water and Sewer System and the proceeds derived from the sale of such land shall be deposited in the Capital Improvement Fund and applied for the purposes therein.

Maintenance of the Water and Sewer System

The County has covenanted in the Resolution that it will maintain the Water and Sewer System in good condition and continuously operate the same in an efficient manner and at a reasonable cost as a County revenue producing enterprise.

The County shall also at the end of every second Fiscal Year, cause the Water and Sewer System to be inspected by the Consulting Engineer, who shall make a written report of such inspection and of the condition of the Water and Sewer System and file such report with the County and with the issuer of any Bond Insurance Policy, and the County shall mail upon request, and make available generally, the report of said Consulting Engineer, or a reasonable summary thereof, to any Holder or Holders of Bonds issued pursuant to the Resolution.

No Free Service

The County will not render or cause to be rendered any free service of any nature by its Water and Sewer System or any part thereof, nor will any preferential rates be established for users of the same class; and in the event the County, or any department, agency or instrumentality, officer or employee thereof, shall avail itself of the Facilities or services provided by said Water and Sewer System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged by the County and any such department, agency, instrumentality, officer or employee; provided that this covenant does not affect any rights of any person, firm or corporation under contracts existing prior to the adoption of the Resolution.

Remedies

Any Holder of Bonds issued under the provisions of the Resolution or any trustee acting for such Bondholders in the manner hereinafter provided, may either at law or in equity, by suit, action, mandamus or other proceeding in any court of competent jurisdiction, protect and enforce any and all rights under the laws of the State of Florida, or granted and contained in the Resolution, and may enforce and compel the performance of all duties required by the Resolution or by any applicable statutes to be performed by the County or by any officer thereof, including the fixing, charging and collecting of rates, fees or other charges for the services and Facilities of the Water and Sewer System.

In the event that a default shall be made in the payment of the interest on or principal of any of the Bonds issued pursuant to the Resolution as the same shall become due, or in the making of the payments into any reserve or sinking fund or any other payments required to be made by the Resolution, or in the event that the County or any officer, agent or employee thereof shall fail or refuse to comply with the provisions of the Resolution or shall default in any covenant made in the Resolution, and in the further event that any such default shall continue for a period of sixty (60) days, any Holder of such Bonds, or any trustee appointed to represent Bondholders as provided in the Resolution, shall be entitled as of right to the appointment of a receiver of the Water and Sewer System in an appropriate judicial proceeding in a court of competent jurisdiction, whether or not such Holder or trustee is also seeking or shall have sought to enforce any other right to exercise any other remedy in connection with the Bonds issued pursuant to the Resolution.

Whenever all that is due upon the Bonds issued pursuant to the Resolution, and interest thereon, and under any covenants of the Resolution for reserve, sinking fund or other funds, and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the Revenues of the Water and Sewer System and the Connection Fees, shall have been paid and made good, and all defaults under the provisions of the Resolution shall have been cured and made good, possession of the Water and Sewer System shall be surrendered to the County upon the entry of an order of the court to that effect. Upon any subsequent default, any Holder of Bonds issued pursuant to the Resolution, or any trustee appointed for Bondholders provided in the Resolution, shall have the right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver shall in the performance of the powers described in the Resolution and conferred upon him be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing contained in the Resolution shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth in the Resolution.

Any receiver appointed as provided in the Resolution shall hold and operate the Water and Sewer System in the name of the County and for the joint protection and benefit of the County and Holders of Bonds issued pursuant to the Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the Water and Sewer System, except as provided in the Resolution, but the authority of such receiver shall be limited to the possession, operation and maintenance of the Water and Sewer System for the sole purpose of the protection of both the County and the Bondholders.

The Holder or Holders of Bonds in an aggregate principal amount of not less than fifty-one percent (51%) of Bonds issued under the Resolution then outstanding may by a duly executed certificate in writing appoint a trustee for Holders of Bonds issued pursuant to the Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders. Such certificate shall be executed

by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the Clerk of the Board of County Commissioners of the County.

Enforcement of Collections

The County has covenanted under the Resolution that it will diligently enforce and collect all fees, rentals or other charges for the services and Facilities of the Water and Sewer System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the laws of the State of Florida.

The County will, to the full extent permitted by law, under reasonable rules and regulations, shut off and discontinue the supplying of the services and Facilities of the Water and Sewer System for the non-payment of fees, rentals or other charges for said water and sewer services, and will not restore said water and sewer services until all delinquent charges, together with interest and reasonable penalties, have been paid in full. Where the user of the Sewer System is also a customer of the Water System, the County shall furnish to such customer a single bill containing the charges due for the use of the services and facilities of the Sewer System and Water system and the County will, to the full extent permitted by law, discontinue furnishing water service to such user in the event of non-payment of charges imposed for the services of the Sewer System.

Connections with the Sewer System

The County will, to the full extent permitted by law, require all lands, buildings and structures within the area of the Water and Sewer System which can use the Facilities and services of the Sewer System of the Water and Sewer System, to connect with and use the Facilities and services of such Sewer System, and to cease all other means and methods for the collection, purification, treatment and disposal of sewage and waste matter.

No Competing Facilities

The County, to the full extent permitted by law, will not grant any franchise, license or permit for the construction or operation of any water and sewer facilities which will be competitive with the services and Facilities of the Water and Sewer System; provided, however that this shall not affect any vested rights of any persons, firms or corporations owning or operating water and sewer facilities at the time of adoption of the Resolution.

Discharge and Satisfaction of Bonds

The covenants, liens and pledges entered into, created or imposed pursuant to the Resolution may be fully discharged and satisfied with respect to the Bonds in any one or more of the following ways:

- (a) by paying the principal of and interest on Bonds when the same shall become due and payable; or

- (b) by depositing in the Interest Account, Principal Account and the Bond Redemption Account, or in such other accounts which are irrevocably pledged to the payment of the Bonds, as the County may hereafter create and establish by resolution, moneys which together with other moneys lawfully available therefore shall be sufficient at the time of such deposit to pay the Bonds, the interest thereon and the redemption premium, if any, as the same become due on the Bonds on or prior to the redemption date, or maturity date thereof; or
- (c) by depositing in the Interest Account, Principal Account and the Bond Redemption Account, or such other accounts which are irrevocably pledged to the payment of the Bonds as the County may hereafter create and establish by resolution, moneys which together with other moneys lawfully available therefor when invested in direct obligations of the United States of America, will provide moneys which shall be sufficient to pay the Bonds, the interest thereon and the redemption premium, if any, as the same shall become due on the Bonds on or prior to the redemption date or maturity date thereof. Upon such payment or deposit in the amount and manner provided in the Resolution, the Bonds shall no longer be deemed to be outstanding for the purposes of the Resolution and all liability of the County with respect to the Bonds shall cease, terminate and be completely discharged and extinguished, and the Holders thereof shall be entitled for payment solely out of the moneys or securities so deposited.
- (d) As to Variable Rate Bonds, whether discharged and satisfied under the provisions of subsection (a), (b) or (c) above, the amount required for the interest thereon shall be calculated at the maximum rate permitted by the terms of the provisions which authorized the issuance of such Variable Rate Bonds; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Investment Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to fully discharge and satisfy such Bonds pursuant to the provisions of this Section, the County may use the amount of such excess free and clear of any trust, lien, security interest, pledge or assignment securing said Variable Rate Bonds or otherwise existing under the Resolution.
- (e) Notwithstanding any of the provisions of the Resolution to the contrary, Option Bonds may only be fully discharged and satisfied either pursuant to subsection (a) above or by depositing in the Interest Account, the Principal Account and the Bond Redemption Account, or in such other accounts which are irrevocably pledged to the payment of the Option Bonds as the County may hereafter create and establish by resolution, moneys which together with other moneys lawfully available therefor shall be sufficient at the time of such deposit to pay when due the maximum amount of principal of, interest on and redemption premium, if any, on such Option Bonds which could become payable to the Holders of such Bonds upon the exercise of any options provided to the Holders of such Bonds; provided, however, that if, at the time a deposit is made pursuant to this subsection (e), the options originally exercisable by the Holder of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of

this subsection (e). If any portion of the moneys deposited for the payment of the principal of, interest on and redemption premium, if any, on Option Bonds is not required for such purpose, the County may use the amount of such excess free and clear of any trust, lien, security interest, pledge or assignment securing said Option Bonds or otherwise existing under the Resolution.

- (f) Notwithstanding the foregoing, all references to the discharge and satisfaction of the Bonds shall include the discharge and satisfaction of any issue of Bonds, any portion of an issue of Bonds, any maturity or maturities of an issue of Bonds, any portion of a maturity of an issue of Bonds or any combination thereof, provided that the provisions of this subsection (f) shall not affect the requirement regarding the Option Bonds set forth in subsection (e).

In the event that the principal and redemption price, if applicable, and interest due on the Bonds shall be paid by the issuer of a Bond Insurance Policy pursuant to the terms thereof, the assignment and pledge created under the Resolution and all covenants, agreements and other obligations of the County to the Bondholders shall continue to exist and the issuer of such Bond Insurance Policy shall be subrogated to the rights of such Bondholders.

Modification or Amendment

Except as otherwise provided in the immediately succeeding paragraph, and except as described under the caption "Continuing Disclosure" herein, no material modification or amendment of the Resolution, or of any resolution amendatory thereof or supplemental thereto, may be made without the consent in writing of the issuer of any Bond Insurance Policy, the issuer of any Reserve Account Insurance Policy and the Holders of two-thirds (2/3) or more in principal amount of the Bonds then outstanding; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or affecting the unconditional promise of the County to fix, maintain and collect fees, rentals and other charges for the Water and Sewer System or to pay the interest of and principal on the Bonds, as the same mature or become due, from the Net Revenues and the Connection Fees, or reduce the percentage of Holders of the Bonds required above for such modification or amendments, without the consent of the Holders of all the Bonds.

The Resolution may be amended, changed, modified and altered without the consent of the Holders of Bonds, (i) to cure any ambiguity, correct or supplement any provisions contained therein which may be defective or inconsistent with any other provisions contained therein, (ii) to provide other changes which will not adversely affect the interest of such Holder of Bonds, and (iii) to provide for the issuance of Bonds in coupon form if, in the opinion of a nationally recognized bond counsel, such issuance will not affect the exemption from federal income taxation of interest on the Bonds.

Notwithstanding the foregoing, and except as described under the caption "Continuing Disclosure" herein, the County shall not amend the Resolution without the prior written consent of any issuer of any Bond Insurance Policy or Reserve Account Insurance Policy who has required such consent as a condition of issuance of such facilities.

Arbitrage Rebate Payments and Other Tax Covenants

The County has covenanted in the Resolution, for the benefit of the Holders from time to time of the Series 2012 Bonds, to comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Chapter 1 of the Code and temporary, proposed or permanent implementing regulations promulgated thereunder to the extent necessary to preserve the exemption of interest on the Series 2012 Bonds from federal income tax. Specifically, without intending to limit in any way the generality of the foregoing, the County has covenanted and agreed:

- (a) to make or cause to be made all necessary determinations and calculations of the Rebate Amount and required payments of the Rebate Amount;
- (b) to set aside sufficient moneys from the Net Revenues, or other legally available funds of the County, to timely pay the Rebate Amount to the United States of America;
- (c) to pay the Rebate Amount to the United States of America from the Net Revenues and Connection Fees (to the extent described under "Flow of Funds" herein) or from any other legally available funds, at the times and to the extent required pursuant to Section 148(f) of the Code;
- (d) to maintain and retain all records pertaining to the Rebate Amount with respect to the Series 2012 Bonds and required payments of the Rebate Amount with respect to the Series 2012 Bonds for at least six (6) years after the final maturity of the Series 2012 Bonds or such other period as shall be necessary to comply with the Code;
- (e) to refrain from taking any action that would cause the Series 2012 Bonds to become arbitrage bonds under Section 148 of the Code.

LITIGATION

In the opinion of the County Attorney, there is no litigation of any nature now pending or, to the best of the County's knowledge, threatened, to restrain or enjoin the sale, execution, issuance or delivery of the Series 2012 Bonds or in any way contesting the validity of the Series 2012 Bonds or any proceedings of the County taken with respect to the authorization, sale or issuance of the Series 2012 Bonds or the pledge or application of any moneys provided for the payment of or security for the Series 2012 Bonds.

The County is involved in various lawsuits arising in the ordinary course of operations. Although the outcome of these matters is not presently determinable, it is the opinion of the County Attorney that the outcome of these matters will not materially adversely affect the financial position of the Water and Sewer System.

TAX MATTERS

General

The Code establishes certain requirements which must be met subsequent to the issuance of the Series 2012 Bonds in order that interest on the Series 2012 Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Series 2012 Bonds to be included in federal gross income retroactive to the date of issuance of the Series 2012 Bonds, regardless of the date on which such non-compliance 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 Series 2012 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 County has covenanted in the Resolution to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Series 2012 Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2012 Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Series 2012 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 Series 2012 Bonds may be subject to the federal alternative minimum tax when any Series 2012 Bond is held by a corporation. The federal 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 Series 2012 Bonds.

Except as described above, Bond Counsel will express no opinion regarding other federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Series 2012 Bonds. Prospective purchasers of Series 2012 Bonds should be aware that the ownership of Series 2012 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 Series 2012 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 Series 2012 Bonds; (iii) the inclusion of interest on Series 2012 Bonds in earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on Series 2012 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 Series 2012 Bonds in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for the 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 County, certificates of appropriate

officers and certificates of public officials (including certifications as to the use of proceeds of the Series 2012 Bonds and of the property financed or refinanced thereby), without undertaking to verify the same by independent investigation.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2012 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 Series 2012 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 Series 2012 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 Series 2012 Bonds, under certain circumstances, to "backup withholding" at (i) the fourth lowest rate of tax applicable under Section 1(c) of the Code (i.e., a rate applicable to unmarried individuals) for taxable years beginning on or before December 31, 2012; and (ii) the rate of 31% for taxable years beginning after December 31, 2012, with respect to payments on the Series 2012 Bonds and proceeds from the sale of Series 2012 Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2012 Bonds. This withholding generally applies if the owner of Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 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 Series 2012 Bonds. Prospective purchasers of the Series 2012 Bonds should consult their own tax advisors as to the tax consequences of owning the Series 2012 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 amount of the Series 2012 Bonds maturing on _____ (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 the Discount Bonds of the same maturity and, if applicable, interest rate, was sold is "original issue discount." Original issue discount will accrue over the term of the Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires the Discount Bonds in the initial 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 the Discount Bonds, and will increase his or her adjusted basis in the Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or disposition of the Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Bondholders of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.]

[Tax Treatment of Bond Premium

The difference between the principal amount of the Series 2012 Bonds maturing on _____ (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 and, if applicable, interest rate, 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 each of the Premium Bonds, which 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 a Premium Bond, an initial purchaser who acquires such obligation in the initial offering 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. Bondholders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.]

UNDERWRITING

The Underwriters, _____, have jointly and severally agreed, subject to certain conditions customary to closing, to purchase the Series 2012 Bonds from the County at an aggregate purchase price of \$_____ (which represents the \$_____ aggregate principal amount of the Series 2012 Bonds, plus net original issue premium of \$_____ and less an underwriters' discount of \$_____). The Underwriters will be obligated to purchase all the Series 2012 Bonds if any are purchased. The Series 2012 Bonds may be offered and sold to certain dealers (including Underwriters and other dealers depositing such Bonds into investment trusts) at prices lower than such public offering prices, and such public offering prices may be changed, from time to time, by the Underwriters.

LEGAL MATTERS

Certain legal matters in connection with the issuance of the Series 2012 Bonds are subject to the approval of Bryant Miller Olive P.A., Miami, Florida, Bond Counsel, whose approving opinion substantially in the form attached hereto as APPENDIX "D" will be attached on the Series 2012 Bonds. The actual legal opinion to be delivered may vary from that text if necessary to reflect facts and law on the date of delivery. The opinion will speak only as of its date, and subsequent distribution of it by recirculation of the Official Statement or otherwise shall create no implication that subsequent to the date of the opinion Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion. Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances, including changes in law that may thereafter occur or become effective. Certain other legal matters will be passed on for the County by the Office of the County Attorney and by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by _____, _____, Florida, Counsel to the Underwriters. Bond Counsel, Disclosure Counsel and Counsel to the Underwriters will receive fees for services provided in connection with the issuance of the Series 2012 Bonds, which fees are contingent upon the issuance of the Series 2012 Bonds.

Bond Counsel has not undertaken independently to verify and therefore expresses no opinion as to the accuracy, completeness, fairness or sufficiency of any of the information or statements in this Official Statement, except that on the date of issuance of the Series 2012 Bonds, Bond Counsel will opine that (i) the statements in the portions of the Official Statement captioned "DESCRIPTION OF THE SERIES 2012 BONDS," "SECURITY FOR THE SERIES 2012 BONDS" (other than the portions thereof under the captions "Debt Service Reserve Account - Reserve Account Insurance Policies" and "-- Reserve Account Insurance Policy

Providers"), "FLOW OF FUNDS," "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" and "CONTINUING DISCLOSURE" to the extent such sections purport to summarize portions of the Resolution and the Series 2012 Bonds, such statements constitute fair and accurate summaries of the portions of the Resolution and the Series 2012 Bonds purported to be summarized, and (ii) the statements made under the caption "TAX EXEMPTION" are accurate.

The legal opinions to be delivered concurrently with the delivery of the Series 2012 Bonds express the professional judgment of the attorneys rendering the opinions regarding the legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the result indicated by that expression of professional judgment of the transaction on which the opinion is rendered, or of the future performance of the parties to the transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

RATINGS

Moody's Investors Service, Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc. and Fitch Ratings, Inc. have assigned ratings of "_____", "_____" and "_____" respectively, to the Series 2012 Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same. Generally a rating agency bases its ratings on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2012 Bonds.

FINANCIAL ADVISOR

Spectrum Municipal Services, Inc., North Palm Beach, Florida, is acting as financial advisor to the County in connection with the issuance of the Series 2012 Bonds. The financial advisor will receive a fee for services rendered in connection with the issuance of the Series 2012 Bonds, which fee is contingent upon such issuance.

FINANCIAL STATEMENTS

The audited financial statements of the Department for the fiscal years ended September 30, 2010 and September 30, 2011 is included in APPENDIX "A" hereto. The financial statement and the auditor's report have been included in this Official Statement as public documents and consent from the auditor was not requested. The auditor has not performed any services relating to, and is therefore not associated with, the issuance of the Series 2012 Bonds.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY LAWS

Pursuant to Section 517.051, Florida Statutes, as amended, the County is required to provide full and fair disclosure of all bond defaults by the County as to principal or interest since December 31, 1975, as provided by rule of the Florida Department of Banking and Finance. The Florida Department of Banking and Finance has required that such disclosure include certain specific financial information, unless the County believes in good faith that such information would not be considered material by a reasonable investor. The County previously has been notified that default in the payment of debt service has occurred in certain private activity industrial development revenue bonds issued by the County. The County in good faith believes the disclosure of information concerning such defaults or any defaults with respect to other similar bonds which are payable from the revenues of a private commercial enterprise would not be considered material by a reasonable investor in the Series 2012 Bonds because such bonds are payable solely from funds received from the private entity which borrowed the proceeds of such bonds, and the County is not obligated to pay such debt service with any public funds of the County. The County has not defaulted on any bond or other debt to which County revenues are pledged.

CONTINUING DISCLOSURE

(a) Disclosure of Annual Information. The County has agreed, in accordance with the provisions of Rule 15c2-12 in effect from time to time and applicable to the Series 2012 Bonds (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934, to provide, either directly or indirectly through a designated agent, to each nationally recognized municipal securities information repository ("NRMSIR") as designated and approved by the Commission or through Electronic Municipal Market Access ("EMMA"), when such secondary market disclosure system becomes effective, and to the appropriate State of Florida information depository ("SID"), if any, operated or designated by the State, respectively, in accordance with the Rule, (i) within 180 days following the end of each Fiscal Year of the County ending on or after September 30, 2012, annual financial information and operating data concerning the Water and Sewer System of the County, of the type included in this Official Statement, including operating revenues, Connection Fees collected, Connection Fees available for debt service, debt service coverage by Net Revenues, debt service coverage by Net Revenues and Connection Fees available for debt service, rates and charges of the Water and Sewer System, guaranteed revenues, a summary of the capital improvements plan and information concerning permitted capacities and actual usage of capacity of the Water and Sewer System and financial statements (audited, or, if not available during such time period, unaudited) of the Department and, (ii) if not submitted as part of such financial information and operating data, then, when available, audited financial statements for the County's Water Utilities Department prepared in accordance with generally accepted accounting principles applicable to governmental entities from time to time by the Governmental Accounting Standards Board. A copy of such annual financial information and operating data will be provided by the County to the Underwriters for the Series 2012 Bonds and to the Paying Agent for the Series 2012 Bonds as designated by the County from time to time. (The information required to be disclosed in this paragraph shall be hereinafter referred to as the "Annual Report.")

(b) Disclosure of Material Events. The County agrees to provide either directly or indirectly through a designated agent, in a timely manner, to (A) (i) each NRMSIR or to the Municipal Securities Rulemaking Board ("MSRB") and (ii) the SID, if any, or (B) to EMMA, notice of the occurrence of any of the following events with respect to the Series 2012 Bonds, if such event is material:

- (i) Principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;*
- (vi) modifications to rights of the holders of the Series 2012 Bonds;
- (vii) bond calls of the Series 2012 Bonds (other than scheduled mandatory redemption) or any acceleration of the maturity thereof
- (viii) defeasances (in whole or in part) of Series 2012 Bonds;
- (ix) release, substitution, or sale of property securing repayment of the Series 2012 Bonds;
- (x) rating changes;
- (xi) adverse tax opinions or events affecting the tax-exempt status of the Series 2012 Bonds; and
- (xii) any changes in the County's Fiscal Year.

* Not applicable to the Series 2012 Bonds.

(c) Notice of Failure. The County agrees to provide or cause to be provided, in a timely manner, to (A) (i) each NRMSIR or the MSRB and (ii) the SID, if any, or (B) upon the effective date of the EMMA system, to EMMA, notice of a failure by the County to provide the Annual Report described in subsection (a) above on or prior to the date set forth therein.

(d) Termination. The County reserves the right to terminate its obligation to provide the Annual Report and notices of material events, as set forth above, if and when the County no longer remains an obligated person with respect to the Series 2012 Bonds (within the meaning of the Rule). If the County believes such condition exists, the County will provide notice of such termination to the NRMSIR's, the MSRB and the SID or EMMA.

(e) Undertaking for Benefit of Holders and Beneficial Owners. The County agrees that its undertaking pursuant to the Rule set forth in this Section is intended to be for the benefit of the holders and beneficial owners of the Series 2012 Bonds and shall be enforceable by any holder or beneficial owner; provided that the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the County's obligations hereunder and any failure by the County to comply with the provisions of this undertaking shall not be an event of default with respect to the Series 2012 Bonds under the Resolution.

(f) Voluntary Disclosure Shall Not Bind County. Any voluntary inclusion by the County of information in its Annual Report of supplemental information that is not required by

the Rule shall not expand the obligations of the County under the Rule and the County shall have no obligation to update such supplemental information or include it in any subsequent report.

(g) Third Parties. The covenants described herein are solely for the benefit of the holders and beneficial owners of the Series 2012 Bonds and shall not create any rights in any other parties.

(h) Amendment; Waiver. Notwithstanding any other provision of the Resolution, the County may amend the provisions of the Resolution described under this caption "Continuing Disclosure" and any such provision may be waived, provided that the following conditions are satisfied:

(1) If the amendment or waiver relates to the provisions of paragraphs (a), (b), or (c) above, 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 County or the type of business conducted by the County;

(2) 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 Series 2012 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or waiver does not materially impair the interests of holders and beneficial owners as determined either by nationally recognized bond counsel, or by an approving vote of the holders of at least a majority in aggregate principal amount of the then outstanding Series 2012 Bonds pursuant to the terms of the Resolution.

In the event of any such amendment or waiver of a provision described above, the County shall describe such amendment or waiver 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 annual financial information or operating data being presented by the County. In addition, if the amendment or waiver 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 set forth in subsection (b) and (ii) the Annual Report for the year in which the change is made must 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.

The County has agreed to comply with all requirements imposed by the MSRB with respect to EMMA including the filing of the Annual Report and material event notices in a word searchable format that can be viewed on-line and can be printed and downloaded. Notwithstanding any of the foregoing, if the State of Florida creates a SID which is applicable to the County, after the effective date of the EMMA system, the County will make the required filings with such SID.

The term "beneficial owner" used in paragraph (c) above shall mean any person which (i) 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 the intermediaries) or (ii) is treated as the owner of any Bonds for federal income tax purposes.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion, forecasts or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the opinions, forecasts or estimates will be realized. This Official Statement is not intended to be construed as a contract or agreement between the County and the purchasers or Holders of any of the Bonds.

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CERTIFICATE CONCERNING THE OFFICIAL STATEMENT

Concurrently with the delivery of the Series 2012 Bonds, the undersigned will furnish a certificate to the effect that (i) they have reviewed the Official Statement and that to the best of their knowledge and belief the statements therein are true and correct and, (ii) nothing has come to their attention which would lead them to believe that the Official Statement as of its date and as of the date of the delivery of the Series 2012 Bonds contains any untrue statements of a material fact or omits to state a material fact which should be included herein for the purpose for which this Official Statement is intended to be used, or which is necessary to make the statements contained herein, in light of the circumstances under which they are made, not misleading.

The execution and delivery of this Official Statement by its Chairman and by the County Administrator have been duly authorized by the Board of County Commissioners.

PALM BEACH COUNTY, FLORIDA

Chairman, Board of County Commissioners

County Administrator

APPENDIX A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DEPARTMENT FOR
FISCAL YEARS ENDED SEPTEMBER 30, 2010 AND 2011**

APPENDIX B

SUPPLEMENTAL INFORMATION CONCERNING THE COUNTY

General Information

Palm Beach County was founded in 1909 and encompasses an area of 2,023 square miles. It is located on the lower east coast of the Florida peninsula with 46 miles of Atlantic Ocean frontage and 25 miles of frontage on Lake Okeechobee. The County has a semi-tropical climate with an average temperature of 74.9 degrees and an average rainfall of 61.7 inches. These and other natural amenities, including 88 local, State and Federal recreational areas of more than 10 acres and 163 golf courses, have enabled the County to develop a year-round tourist industry.

There are 38 incorporated municipalities within the County, eleven of which have a population in excess of 25,000. West Palm Beach is the County seat and is the largest city in the County, with a 2010 estimated population of 105,000.

County Government

A Charter form of Government was established when the Home Rule Charter became effective in 1985. The Home Rule gives the Board of County Commissioners the ability to create, through a local public ordinance procedure, local laws that are not in conflict with or specifically prohibited by State general law or the State Constitution. This process is done without going to the Florida Legislature to request special legislation to create these laws.

A seven-member Board of County Commissioners is the legislative governing body of Palm Beach County. Each Commissioner is elected to a four-year term by the voters in the district in which he or she resides. Every two years, Commission members elect a chairman to preside over Commission meetings and to serve as ceremonial head of the County.

Palm Beach County Board of County Commissioners

<u>District</u>	<u>Name</u>	<u>Current Term Begins</u>	<u>Term Expires</u>
No. 1	Karen T. Marcus	November 2008	November 2012
No. 2	Paulette Burdick	November 2010	November 2014
No. 3	Shelley Vana	November 2008	November 2012
No. 4	Steven L. Abrams	November 2010	November 2014
No. 5	Burt Aaronson	November 2008	November 2012
No. 6	Jess R. Santamaria	November 2010	November 2014
No. 7	Priscilla A. Taylor	November 2008	November 2012

County Officials

Shelley Vana, Chair, Board of County Commissioners

Commissioner Vana is a graduate of Indiana University of Pennsylvania, where she earned a Bachelor Degree in psychology.

Commissioner Vana was first elected to the Board of County Commissioners in November 2008. Presently, she serves as Chair of the County Commission. Commissioner Vana was first elected to the Florida House of Representatives in 2002. She represented Florida State House District 85 which included various cities in Central and Western Palm Beach County. As an elected member of the Florida House of Representatives, District 85 Commissioner Vana was appointed to serve on the Education K-20 Committee, Education Appropriation Subcommittee, Education PreK-12 Subcommittee, Health Care Committee and Health Care Standards Subcommittee. She also served as Vice Chair of the Palm Beach County Legislative Delegation from 2007-2008.

In 2011, following her completion of a comprehensive study program developed by the Florida Association of Counties (FAC), Commissioner Vana received designation as a Certified County Commissioner.

During her years of service Commissioner Vana has received many awards from organizations such as: Freshman Legislator of the Year from the School Board Association, Friends of Education, Parks and Recreation, Pharmacy Association, Florida Education Association (FEA), Florida Parks and Recreation, Voters Coalition, Florida Society of Dermatology and Dermatologic Surgery, and League of Cities Commissioner of the Year 201.

Robert Weisman - County Administrator

Mr. Weisman is a graduate of The Cooper Union, New York City, where he earned a Bachelor of Engineering Degree in Civil Engineering in 1973.

Mr. Weisman has been employed by Palm Beach County since 1980 and in 1985 was appointed Director of the Department of Water Utilities. In 1991, the Board of County Commissioners appointed him to his present position in which he is responsible for the supervision of approximately 6,500 employees and an annual budget in excess of \$4 billion.

In recognition of his service to the County, the Voters Coalition of Palm Beach County named Mr. Weisman "Man of the Year" in 1995.

Denise D. Nieman, Esq. - County Attorney

Ms. Nieman, originally from Chicago, Illinois, graduated from Florida Atlantic University, with a B.B.A. degree in Criminal Justice in 1982, and from Nova University, Fort Lauderdale, Florida, where she received a Juris Doctorate in 1986. She was admitted to the Florida Bar in 1987.

The Board of County Commissioners appointed Ms. Nieman County Attorney in 1996. She is admitted to practice before the Florida Supreme Court, United States District Court for the Northern District of Florida and the Southern District of Florida and the United States Court of Appeals for the Eleventh Circuit.

Her many legal association memberships include the Florida Association of County Attorneys, for which she served as President for 1999-2000. Ms. Nieman was listed in Who's Who in American Law Schools, Outstanding Young Women of America, Who's Who in American Law and Price Waterhouse Up & Comers.

Culture and Recreation

The County Parks and Recreation Department has in excess of 80 developed parks (many with water sports and beaches), four swimming pools, two campgrounds, two golf courses, equestrian facilities, ball fields, fitness trails and hundreds of handball, racquetball and tennis courts.

- Palm Beach County is the home of the Professional Golfers Association (PGA), located in the City of Palm Beach Gardens often referred to as "The Golf Capital of the World." There are in excess of 160 golf courses, located in Palm Beach County.
- Palm Beach County is the Spring Training home of baseball's Florida Marlins and St. Louis Cardinals. The County also fields two Class A Florida State League baseball teams.
- The Village of Wellington is the site of one of the finest equestrian centers in the country, providing a venue for polo (the "Sport of Kings"), Grand Prix jumping events and the National Horse Show.
- Cultural amenities include the Palm Beach Ballet, Opera Societies, and the Royal Poinciana Playhouse, Watson B. Duncan Theater, Henry Morrison Flagler Museum, Norton Gallery of Art and the Kravis Center for the Performing Arts, among others.

Education

The Palm Beach County School District is the fifth largest in Florida and the 12th largest nationwide with, more than 180,000 students enrolled in more than 185 K-12 schools.

Higher education is offered at five Palm Beach Community College campus sites, two Florida Atlantic University sites (State University System), Palm Beach Atlantic College, Lynn University, Northwood University and Barry University.

The Palm Beach County Public Library System provides library services for residences in the unincorporated areas of the County and certain municipalities. The Library System operates the main library, 14 branch libraries, a bookmobile and a library annex.

Utilities

Public water supply and public sewer service is provided to most of the populated unincorporated areas of the County by the County's Water Utilities Department and the Seacoast Utilities Authority. The incorporated areas are generally served by municipally owned water and/or sewer systems.

Electricity is provided by Florida Power and Light Company, except for residents of the City of Lake Worth who receive power from a city owned plant. Local telephone service is provided by a number of providers.

Solid Waste

Solid waste collection is provided by private waste haulers in the unincorporated areas of the County and by either private haulers or municipally operated services in the incorporated areas of the County. The Solid Waste Authority of Palm Beach County owns and operates four waste transfer stations, a 2,000 ton per day resource recovery facility and a sanitary landfill which currently handles approximately 92% of total County generated waste.

Transportation

Surface transportation is provided in the county by the Florida East Coast and CSX railroads. A network of national, state and local highways, including the Florida Turnpike and Interstate 95 traverse the County. The County operates a bus system (Palm-Tran) and shares in the operation of the Tri-County Commuter Rail System, which serves Miami-Dade and Broward Counties as well as Palm Beach County.

The Port of Palm Beach operates ship terminal facilities on approximately 220 acres of land located in Riviera Beach and fronting on Lake Worth. A 33-foot deep channel to the Lake Worth Inlet provides access to the port facilities. Imports consist primarily of bulk cement and Bunker-C petroleum while exports include sugar products and general cargo bound for the Caribbean and South America. A free trade zone has been designated near the Port.

Commercial air service is provided at Palm Beach International Airport ("PBIA") by fifteen major and commuter airlines. The annual volume of passenger enplanements at PBIA in the 12 months ended April 2009 was 3,102,873 and the total number of passengers was 6,192,555, down 9.82% from the previous year. PBIA also serves general aviation traffic, and there are five general aviation airports in the County.

Population

In 2010, Palm Beach County was the third largest county in the State in terms of population.

Population Growth 2002-2011

Year	<u>Palm Beach County</u>		<u>Florida</u>		<u>United States</u>	
	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>	<u>Population</u>	<u>Change</u>
2002	1,183,197	2.5	16,691,701	2.0	287,973,924	1.1
2003	1,211,448	2.4	17,019,068	2.0	290,809,777	0.9
2004	1,242,270	2.5	17,397,161	2.2	293,655,404	1.0
2005	1,265,900	1.9	17,789,864	2.2	296,410,404	0.9
2006	1,287,987	1.7	18,089,888	1.7	299,398,484	1.0
2007	1,295,033	0.5	18,251,243	0.9	301,621,157	0.7
2008	1,294,654	(0.1)	18,328,340	0.4	304,059,724	0.8
2009	1,279,950	(0.9)	18,537,969	1.1	307,006,550	1.0
2010	1,320,134	3.1	18,801,310	1.4	308,745,538	0.6
2011	1,325,758	0.4	19,057,542	1.4	311,591,917	0.9

Source: Population Division, U.S. Census Bureau

The age distribution in the County is similar to that of Florida, but differs significantly with that of the nation. Both the County and Florida have a considerably larger proportion of persons 65 years and older than the rest of the nation.

Palm Beach County Population Distribution by Age Group

<u>Age Group</u>	<u>2010</u>	<u>2009</u>
0-17	21.7%	22.3%
18-34	22.8%	21.3%
35-54	26.9%	26.9%
55-65	12.1%	11.5%
65+	21.5%	21.5%

Source: University of Florida Bureau of Economic and Business Research

Employment

Tourism and agriculture, together with the service industries related to these activities, are the leading sources of employment. Manufacturing, primarily electronics and aircraft engines and other high technology products also plays an important role in the County's economy. The table that follows shows the County's estimated average annual non-farm employment by economic sector.

Palm Beach County, Florida
Average Monthly Employment Covered by Unemployment Compensation
2010

	<u>Average Annual Employment</u>	<u>Percent of Total</u>
All Industries	503,889	
Agriculture, Forestry, Fishing and Hunting	7,583	1.50%
Mining	7,760	1.54%
Utilities	1,524	0.30%
Construction	23,507	4.66%
Manufacturing	14,895	2.96%
Wholesale Trade	19,023	3.77%
Retail Trade	69,526	13.80%
Transportation and Warehousing	10,001	1.98%
Information	8,832	1.75%
Finance and Insurance	21,823	4.33%
Real Estate and Rental Leasing	13,577	2.70%
Professional, Scientific and Technical Services	34,795	6.90%
Management Companies and Enterprises	7,850	1.56%
Administration and Support	38,140	7.57%
Educational Services	36,928	7.33%
Health care and social assistance	75,981	15.08%
Arts, Entertainment and Recreation	15,509	3.08%
Accommodation and Food Services	54,925	10.90%
Other Services	21,447	4.26%
Unclassified	303	0.06%

Source: University of Florida Bureau of Economic and Business Research

Note: Percentages may not equal due to rounding.

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The data on County unemployment in the following table represents annual averages.

**Palm Beach County
Annual Average Labor Force and Unemployment Estimates**

<u>Year</u>	<u>Palm Beach County</u>	<u>Palm Beach County</u>	<u>Unemployment Rates</u>	
	<u>Civilian Labor Force</u>		<u>Florida</u>	<u>United States</u>
2002	553,833	6.4	5.7	5.8
2003	590,677	6.2	5.3	6.0
2004	598,785	5.7	4.7	5.5
2005	622,443	4.1	3.9	5.1
2006	645,211	3.7	3.4	4.6
2007	650,548	4.8	4.0	4.6
2008	655,669	7.3	6.2	5.8
2009	626,400	11.7	10.5	9.3
2010	623,320	12.4	12.0	9.9
2011	621,616	10.9	8.6	8.3

Source: Florida Agency for Workforce Innovation, Labor Market Statistical Center, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics

Largest Private Employers (Excludes Agricultural)

The following table shows employment at the ten largest private employers in the County.

		<u>No. of Employees</u>
Tenet Healthcare Corp.	Health Care	6,100
Florida Power & Light Company	Utility	3,632
Wackenhut Corporation	Security Services	3,000
Florida Atlantic University	Education	2,776
HCA (Hospital Corporation of America)	Health Care	2,714
Bethesda Memorial Hospital	Health Care	2,391
Veterans Health Administration	Health Care	2,205
Boca Raton Resort & Club	Hotel	2,200
Office Depot (Hdqtrs)	Office Supplies	2,100
Boca Raton Community Hospital	Health Care	2,100

Source: Business Development Board of Palm Beach County, Florida

Tourism

Visitors to the Palm Beaches have a significant economic impact on the County. According to the Florida Department of Business and Professional Regulation, there are 231 licensed hotels and motels in the County, having a total of over 15,000 rooms. The Tourism Development Council of Palm Beach County estimates that over five million people visit the County annually and spend approximately \$1.6 billion.

Agriculture

Agriculture, together with the related service industries, are the leading sources of income for the County's residents. The "Glades" region of the County is one of the nation's most productive agricultural areas. Palm Beach County is the largest agricultural county in Florida and the fourth largest in the United States, with annual sales in excess of \$2 billion.

APPENDIX C
PROPOSED FORM OF BOND COUNSEL OPINION