

II. FISCAL IMPACT ANALYSIS

A. Five Year Summary of Fiscal Impact:

Fiscal Years	2014	2015	2016	2017	2018
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.

*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:

<p><i>SB 12/2</i> <i>30 12/4</i> <i>AM 12/4</i> <i>OFMB 12/4</i></p>	<p><i>[Signature]</i> _____ 12/4/14</p>	<p align="center"><i>N/A</i></p> <p>_____ Contract Dev. and Control</p>
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B. Legal Sufficiency:

[Signature]

Assistant County Attorney

C. Other Department Review:

Department Director

THIS SUMMARY IS NOT TO BE USED AS A BASIS FOR PAYMENT.
WPB 383257753v5/013000.012700

Background and Justification: The County's Debt Management Policy stipulates that the net present value savings on the debt service of the refunding bonds is at least 5% unless interest rates are at historically low levels and future opportunities to achieve more savings are not likely to occur. The County's financial advisor informed the CFC that current interest rates were unusually low and at that time the total net present value savings was approximately \$1.9 million. The CFC voted to move forward with the refundings through a competitive sale and instructed the financial advisor to monitor the market to determine the best time to move forward.

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 2015 IN AN AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING \$30,000,000 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 2015 BONDS; MAKING CERTAIN PROVISIONS AND DELEGATING CERTAIN RESPONSIBILITIES WITH RESPECT TO THE NOTICE, BIDDING AND SALE OF THE SERIES 2015 BONDS TO THE COUNTY ADMINISTRATOR; APPOINTING AN ESCROW AGENT, PAYING AGENT AND REGISTRAR FOR THE SERIES 2015 BONDS; APPROVING THE FORMS OF THE SUMMARY NOTICE OF SALE, OFFICIAL NOTICE OF SALE AND OFFICIAL BID FORM WITH RESPECT TO SUCH SERIES 2015 BONDS; AUTHORIZING THE PREPARATION AND USE OF A PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT, 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, Resolution No. R-2009-0800 adopted by the Board on May 5, 2009 Resolution and No. R-2012-1595 adopted by the Board on October 16, 2012 (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"), its Water and Sewer Revenue Bonds, Series 2009 (the "Series 2009 Bonds") and its Water and Sewer Revenue Refunding Bonds, Series 2013 (the "Series 2013 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 defease and refund all or a portion of the remaining outstanding Series 2006A Bonds (the "Refunded Bonds"); and

WHEREAS, the County desires to issue its Water and Sewer Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds") as additional parity bonds under the Bond Resolution in order to refund the Refunded Bonds; and

WHEREAS, the County has been advised by its Financial Advisor as to the market appropriateness of preparing for the competitive sale of the Series 2015 Bonds in light of the current market levels and conditions and as to the acceptance of the most favorable bid by delegating to the County Administrator the authority to accept the most favorable bid for the purchase of the Series 2015 Bonds as provided herein;

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 2015 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 2015 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, the County desires to authorize the execution and publication of the Notices of Sale in connection with the competitive sale of the Series 2015 Bonds, the form of which is attached hereto as Exhibit "A";

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 2015 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 2015 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:

"Clerk" shall mean the Clerk & Comptroller or any deputy clerk.

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

"Debt Manager" shall mean the Debt Manager of the County.

"Financial Advisor" shall mean collectively, Public Financial Management Inc. and Spectrum Municipal Services, Inc. or such other persons or firms appointed by the Board.

"Mayor" shall mean the Mayor of the Board of County Commissioners of the County or in her absence or inability to act, the Vice Mayor of the Board of County Commissioners of the County or such other person as may be duly authorized by the Board of County Commissioners of the County to act on her behalf.

"Parity Bonds" shall mean the unrefunded Series 2006A Bonds, if any, the Series 2006B Bonds, the Series 2009 Bonds and the Series 2013 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 2015 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 2015 Bonds are not now pledged or encumbered in any manner, except for the payment of the principal and interest on the Parity Bonds and the Refunded Bonds.

D. The principal of and interest and redemption premium, if any, on the Series 2015 Bonds and all required reserve or other payments shall be payable solely from the revenues pledged to the Series 2015 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 2015 Bonds herein authorized or to make any other payments provided for herein. The Series 2015 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 2015 Bonds will be sufficient to pay all principal of and interest and redemption premium, if any, on the Series 2015 Bonds as the same become due, and to make all required reserve or other payments required by this Resolution.

SECTION 4. Instrument to Constitute Contract; Covenants in Bond Resolution Applicable. In consideration of the acceptance of the Series 2015 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 2015 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 2015 Bonds, and the Series 2015 Bonds shall be of equal rank 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 2015 Bonds as if originally issued thereunder, except as otherwise specifically provided herein.

SECTION 5. Authorization of Series 2015 Bonds Terms and Form of Series 2015 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 2015 Bonds are hereby authorized to be issued in the original aggregate principal amount not exceeding Thirty Million Dollars (\$30,000,000) and shall be designated "Palm Beach County, Florida Water and Sewer Revenue Refunding Bonds, Series 2015". If the Series 2015 Bonds are not issued in the year 2015, the Series 2015 Bonds shall bear the series designation of the year issued and all references to Series 2015 Bonds herein shall mean "Series ____ Bonds" as designated by the year of such issuance. Notwithstanding anything herein to the contrary, however, the Series 2015 Bonds shall not be issued and delivered unless and until the conditions specified in Article III, Section 4.G of Resolution No. R-84-1206, as amended and supplemented, have been met.

The Series 2015 Bonds shall be issued as fully registered bonds in the denomination of \$5,000 each or any integral multiple thereof.

The Series 2015 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 2015 Bonds shall be payable upon presentation and surrender at the principal corporate trust office of the Registrar.

Interest on the Series 2015 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 2015 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 2015 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 2015 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 2015 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 2015 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 2015 Bond, along with the social security number or federal employer identification number of such transferee. In all cases of a transfer of a Series 2015 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 2015 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 2015 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 2015 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 2015 Bonds or portions of the Series 2015 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 2015 Bond to be redeemed or any defect therein shall not affect the validity of the proceedings for redemption of any Series 2015 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 2015 Bond to be redeemed, the redemption price of each Series 2015 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 2015 Bonds then outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP numbers, if any, of such Series 2015 Bonds to be redeemed and, in the case of Series 2015 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Series 2015 Bond is to be redeemed in part only, the notice of redemption which relates to such Series 2015 Bond shall also state that on or after the redemption date, upon surrender of such Series 2015 Bond, a new Series 2015 Bond or Series 2015 Bonds in a principal amount equal to the unredeemed portion of such Series 2015 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 2015 Bond receives such notice.

The Registrar shall not be required to transfer or exchange any Series 2015 Bond called for redemption after the mailing of a notice of redemption of such Series 2015 Bond nor as to

any Series 2015 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 2015 Bonds or portions of Series 2015 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 2015 Bonds or portions of Series 2015 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 2015 Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest on the Series 2015 Bonds or portions of Series 2015 Bonds so called for redemption shall cease to accrue, such Series 2015 Bonds and portions of Series 2015 Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and the registered owners of such Series 2015 Bonds or portions of Series 2015 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 2015 Bonds for any unredeemed portions of the Series 2015 Bonds.

In case part but not all of an outstanding fully registered Series 2015 Bond shall be selected for redemption, the registered owners thereof shall present and surrender such Series 2015 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 2015 Bonds so surrendered, a Series 2015 Bond or Series 2015 Bonds fully registered as to principal and interest.

Series 2015 Bonds or portions of Series 2015 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 2015 Bonds and, to the extent provided in the preceding subsection, to receive Series 2015 Bonds for any unredeemed portion of the Series 2015 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 2015 Bonds and the form of the assignment for such Series 2015 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 2015 Bonds by an authenticating agent:

[Remainder of page intentionally left black]

[Form of Series 2015 Bond]

No. R-___

\$_____

UNITED STATES OF AMERICA
STATE OF FLORIDA
PALM BEACH COUNTY
WATER AND SEWER REVENUE REFUNDING BONDS,
SERIES 2015

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Date of Issue</u>	<u>CUSIP</u>
%	_____	_____, 2015	

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, March 11, 2008, May 5, 2009, October 16, 2012 and as further supplemented by a resolution adopted on _____, 2014 (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, Water and Sewer Revenue Bonds, Series 2009 and Water and Sewer Revenue Refunding Bonds, Series 2013. 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 Mayor of its Board of County Commissioners and attested to and countersigned by the Clerk, with their manual signatures, and its seal or a facsimile thereof to be reproduced hereon, all as of the _____ day of _____ 2015.

PALM BEACH COUNTY, FLORIDA

(SEAL)

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

ATTEST:

Sharon R. Bock, Clerk & Comptroller
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: _____, 2015.

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.

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

Please insert social security or other identifying number of Assignee.

[End of Series 2015 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 2015 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 2015 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 2015 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 Resolution No. R-84-1206, as amended and supplemented, from the Connection Charges available after all payments required by subsections 8(a) and 8(b) of Article III, Section 4.D of Resolution No. R-84-1206, as amended and supplemented, 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 2015 Bonds issued hereunder and required payments of the Rebate Amount with respect to the Series 2015 Bonds for at least six years after the final maturity of the Series 2015 Bonds or such other period as shall be necessary to comply with the Code;

(5) to refrain from using proceeds of the Series 2015 Bonds issued hereunder in a manner that might cause the Series 2015 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 2015 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 2015 Bonds.

Notwithstanding any other provision of the Bond Resolution, including, in particular Section 4.5 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 2015 Bonds.

As used herein, the term "Rebate Amount" means with respect to the Series 2015 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 2015 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 2015 Bonds, plus any income attributable to such excess.

SECTION 7. Summary Notice Of Sale and Official Notice Of Sale; Delegated Award.

(a) The County hereby approves the forms of the Summary Notice of Sale and the Official Notice of Sale attached hereto as Exhibit "A", each made a part hereof as if set forth herein in their entirety, subject to such modifications, amendments, changes and filling of blanks therein as shall be approved by the County Administrator. The County hereby authorizes the newspaper publication of the Summary Notice of Sale pursuant to the requirements of law, and the distribution of the Official Notice of Sale based on the advice of the Financial Advisor.

(b) In addition to other items described herein, the County hereby delegates to the County Administrator of the County the authority to determine the interest rates, the prices and yields and the delivery date for the Series 2015 Bonds, and all other details of the Series 2015 Bonds, and to take such further action as shall be required for carrying out the purposes of the Resolution, all with respect to the Series 2015 Bonds.

(c) Subject to full satisfaction of the conditions set forth in this Section 7(c), the County hereby authorizes a delegated award of the Series 2015 Bonds to the successful bidder, in accordance with the terms of the Official Notice of Sale and the bid of the successful bidder, with such changes, amendments, modifications, omissions and additions thereto as shall be approved by the County Administrator in accordance with the provisions of the Official Notice of Sale.

The bid of the successful bidder to purchase the Series 2015 Bonds shall not be accepted by the County until such time as the County is in receipt of a properly delivered bid to purchase

such Series 2015 Bonds by the successful bidder, as adjusted as permitted in the applicable Official Notice of Sale, said offer to provide for, among other things, (i) the issuance of not exceeding \$30,000,000 principal amount of Series 2015 Bonds, (ii) a true interest cost rate of not more than 4.25%, (iii) a final maturity of the Series 2015 Bonds not being later than October 1, 2036, (iv) a purchase price (defined to mean original principal amount of the Series 2015 Bonds plus any related original issue premium less any related original issue discount less related underwriting discount) in excess of 98% of the aggregate principal amount of the Series 2015 Bonds plus accrued interest, if any, (v) a completed truth-in-bonding statement in compliance with Section 218.385, Florida Statutes relating to the Series 2015 Bonds and (vi) a net present value debt service savings of equal to at least 5.0% of the principal amount of the Refunded Bonds being refunded with Series 2015 Bond proceeds. The award of the Series 2015 Bonds to the lowest bidder and establishment of the final pricing terms and conditions shall be evidenced by the delivery of a Certificate of the County Administrator to the Clerk, the form of which is attached hereto as Exhibit "A."

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 2015 Bonds, in substantially form attached hereto as Exhibit "D", 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 2015 Bonds. The County hereby authorizes the preparation of a final Official Statement relating to the Series 2015 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 Mayor 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 Mayor 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 2015 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 2015 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 York Mellon Trust Company, N.A. is hereby appointed as Paying Agent and Registrar for the Series 2015 Bonds. The Mayor 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 Mayor 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 "B", and which the County hereby approves. The Mayor 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. Robert Thomas CPA, LLC is hereby appointed to serve as verification agent with respect to the defeasance and refunding of the Refunded Bonds.

SECTION 13. Application of Series 2015 Bond Proceeds. The proceeds, including accrued interest and premium, if any, received from the sale of any or all of the Series 2015 Bonds shall be applied by the County simultaneously with the delivery of such Series 2015 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 2015 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 2015 Bonds, the County shall pay all costs and expenses in connection with the issuance, sale and delivery of the Series 2015 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 "C". 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 County to comply with its obligations under this Section. Holders of Series 2015 Bonds shall not be entitled to any damages for failure of the County to comply with the terms of the Continuing Disclosure Certificate.

SECTION 15. Authorizations. The Mayor and the other County Commissioners, the Clerk, 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 2015 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, Mayor - _____
Commissioner Mary Lou Berger, Vice Mayor _____
Commissioner Hal R. Valeche - _____
Commissioner Paulette Burdick - _____
Commissioner Steven L. Abrams - _____
Commissioner Melissa McKinlay - _____

Commissioner Priscilla A. Taylor - _____

The Mayor thereupon declared the Resolution duly passed and adopted this
____ day of _____, 2015.

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: _____
Assistant County Attorney

EXHIBIT A

FORM OF NOTICE OF SALE AND BID CERTIFICATE

OFFICIAL NOTICE OF SALE

\$ _____*

PALM BEACH COUNTY, FLORIDA WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2015

Palm Beach County, Florida Water and Sewer Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds") are being offered for sale in accordance with this Official Notice of Sale. Notice is hereby given that bids will be received by Palm Beach County, Florida (the "Issuer") for the purchase of the Series 2015 Bonds via the Parity Bid Submission System ("Parity") in the manner described below until 11:00 A.M., Eastern time, on _____, 2015, or on such other date and/or time as will be established by the Mayor or County Administrator of the Issuer or their respective designee and communicated by Thomson Municipal Market Monitor not less than 20 hours prior to the time the bids are to be received. To the extent any instructions or directions set forth on Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about Parity, and to subscribe in advance of the bid, potential bidders may contact Parity at (212) 849-5021. The use of Parity shall be at the bidder's risk and expense, and the Issuer shall have no liability with respect thereto. Only bids submitted through Parity will be considered.

BOND DETAILS

The description of the Series 2015 Bonds, the purpose thereof and the security therefor, as set forth in this Official Notice of Sale, is subject in its entirety to the disclosures made in the Preliminary Official Statement. See "Disclosure Information" herein.

The Series 2015 Bonds will be issued as fully registered bonds, and when executed and delivered, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the Series 2015 Bonds. Individual purchases of the Series 2015 Bonds may be made only in book-entry form in denominations of \$5,000 or integral multiples thereof. Purchasers of Series 2015 Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates. As long as Cede & Co. is the registered owner of the Series 2015 Bonds, as nominee for DTC, payments of principal and interest with respect to the Series 2015 Bonds will be made directly to such registered owner who will in turn remit such principal and interest payments to DTC participants for subsequent disbursement to the Beneficial Owners. The Issuer will not be responsible for payments to Beneficial Owners.

The Series 2015 Bonds will be dated their date of delivery (expected to be _____ 1, 2015) or such other date as may be communicated by Thomson Municipal Market Monitor not less than 20 hours prior to the time bids are to be received, and shall bear interest from such date and shall be payable semiannually commencing on April 1, 2015, and on each April 1 and

*Preliminary, subject to change.

October 1 thereafter until maturity at the rate or rates specified in such proposals as may be accepted. The proposed schedule of maturities and amounts are as follows:

INITIAL MATURITY SCHEDULE FOR THE SERIES 2015 BONDS

Maturity (<u>October 1</u>)	Principal <u>Amount*</u>
--	-------------------------------------

* Preliminary; subject to change.

NOTE: The Issuer reserves the right to modify the maturity schedule shown above. Any such modification will be communicated through the Thomson Municipal Market Monitor (See, "ADJUSTMENT OF PRINCIPAL AMOUNTS" below.)

PAYING AGENT AND REGISTRAR

The Paying Agent and Registrar for the Series 2015 Bonds will be The Bank of New York Mellon Trust Company, N. A.

ADJUSTMENT OF PRINCIPAL AMOUNTS

The schedule of maturities set forth above (the "Initial Maturity Schedule") represents an estimate of the principal amount and maturities of the Series 2015 Bonds that will be sold. The Issuer reserves the right to change the Initial Maturity Schedule by announcing any such change not later than 3:00 p.m., Eastern time, on the day immediately preceding the date set for receipt of bids, through Thomson Municipal Market Monitor. If no such change is announced,

the Initial Maturity Schedule will be deemed the schedule of maturities for submission of the bid.

Furthermore, if after final computation of the bids, the Issuer determines in its sole discretion that the funds necessary to accomplish the purpose of the Series 2015 Bonds is more or less than the proceeds of the sale of all of the Series 2015 Bonds, the Issuer reserves the right to increase or decrease the principal amount, by no more than 15% of the principal amount of the Series 2015 Bonds and for a given maturity by no more than the greater of (i) \$750,000 or (ii) 15% of the given maturity of the Series 2015 Bonds (to be rounded to the nearest \$5,000), or by such other amount as approved by the winning bidder.

In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted; and the Series 2015 Bonds of each maturity, as adjusted, will bear interest at the same rate and must have the same initial reoffering yield as specified immediately after award of the Series 2015 Bonds of that maturity. However, the award will be made to the bidder whose bid produces the lowest true interest cost rate, calculated as specified herein, solely on the basis of the Series 2015 Bonds offered, without taking into account any adjustment in the amount of Series 2015 Bonds pursuant to this paragraph.

REDEMPTION PROVISIONS

The Bonds are subject to redemption prior to maturity as described below:

Optional Redemption. Except as provided below, the Series 2015 Bonds maturing on or before October 1, 2025 will not be subject to optional redemption prior to maturity. The Series 2015 Bonds maturing on or after October 1, 2026 are subject to redemption prior to maturity at the option of the Issuer, in whole or in part, at any time on or after October 1, 2025, at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest to the date of redemption, and without premium.

Mandatory Redemption. Any bidder may, at its option, specify that the maturities of the Series 2015 Bonds on or after October 1, 20___, will consist of term bonds which are subject to mandatory sinking fund redemption in consecutive years immediately preceding the maturity thereof (each a "Term Bond") as designated in the bid of such bidder. In the event that the bid of the successful bidder specifies that a permitted maturity of the Series 2015 Bonds will be a Term Bond, such Term Bond will be subject to mandatory sinking fund redemption on October 1, in each applicable year, in the principal amount for such year as set forth hereinbefore under the heading "INITIAL MATURITY SCHEDULE FOR THE SERIES 2015 BONDS," at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

AUTHORITY AND PURPOSE

The Series 2015 Bonds are being issued under the authority of the Florida Constitution, Chapter 125, Florida Statutes, and other applicable provisions of law (collectively, the "Act"),

Resolution No. R-84-1206, as amended and supplemented, as particularly supplemented by Resolution No. R-2014-_____ adopted by the governing body of the Issuer on December 16, 2014 (collectively, the "Resolution").

The Series 2015 Bonds are being issued for the purpose of providing funds to refund and redeem the following outstanding obligations of the Issuer: (a) all of the callable maturities (maturing on and after October 1, 20__) of the Palm Beach County, Florida Water and Sewer Revenue Bonds, Series 2006A in the principal amount of \$_____ (the "Refunded Bonds"). Proceeds of the Series 2015 Bonds will also be used to pay the cost of issuance of the Series 2015 Bonds.

The actual principal maturities or portions thereof to be redeemed are subject to change based upon market conditions at the time of sale. See "ADJUSTMENT OF PRINCIPAL AMOUNTS" above.

SECURITY

The Series 2015 Bonds shall be payable from the Net Revenues and Connection Fees, as defined below.

Net Revenues is 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 as "Connection Charges" 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.

UNDERLYING RATINGS

Moody's Investors Service, Inc., Standard & Poor's Ratings Service and Fitch Ratings, Inc. have assigned underlying municipal bond ratings of "_____" "_____" and "_____" respectively, to the Series 2015 Bonds.

The rating reports of such rating agencies will be made available upon request to the Office of the Debt Manager for the Issuer, Palm Beach County Governmental Center, 301 North Olive Avenue, 7th Floor, West Palm Beach, Florida 33401, (561) 355-2733.

Such ratings reflect the views of the respective rating agencies and an explanation of the significance of such ratings may be obtained only from the rating agencies. There is no assurance that such ratings will be in effect for any given period of time or that they will not be revised downward or withdrawn entirely by the rating agencies if, in the judgment of the rating agencies, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect upon the market price of the Series 2015 Bonds.

TERMS OF BID AND BASIS OF AWARD

Proposals must be unconditional and for the purchase of all of the Series 2015 Bonds. The reoffering price for the Series 2015 Bonds may not be less than 98% of the principal amount of the Series 2015 Bonds for any single maturity thereof. The aggregate purchase price, inclusive of original issue discount ("OID"), original issue premium ("OIP") and underwriter's discount, may not be less than 98% or greater than 115% of the principal amount of the Series 2015 Bonds.

The Series 2015 Bonds shall bear interest expressed in multiples of one-eighth (1/8) or one-twentieth (1/20) of one (1) per centum. The use of split or supplemental interest coupons

will not be considered and a zero rate or blank rate will not be permitted. All Series 2015 Bonds maturing on the same date shall bear the same rate of interest.

The Series 2015 Bonds will be awarded to the bidder offering to purchase the Series 2015 Bonds at the lowest annual interest cost computed on a TIC basis. The annual TIC will be determined by doubling the semi-annual interest rate necessary to discount the semi-annual debt service payments on the Series 2015 Bonds back to the Net Bond Proceeds (defined as the par amount of the Series 2015 Bonds, plus any OIP, less any OID and underwriter's discount on the Series 2015 Bonds, calculated on a 360 day year to the Closing Date, as defined below). The TIC must be calculated to four (4) decimal places. **NO BID SHALL BE ACCEPTED WITH A TIC GREATER THAN 4.25%.**

ALL BIDS SHALL REMAIN FIRM UNTIL 2:00 P.M., WEST PALM BEACH, FLORIDA TIME, ON THE DATE OF RECEIPT OF BIDS. Award is subject to the timely receipt of the Good Faith Deposit as mentioned below.

EACH BIDDER MUST SPECIFY IN ITS BID THE INTEREST RATE FOR THE SERIES 2015 BONDS OF EACH MATURITY AND ALL SERIES 2015 BONDS MATURING ON THE SAME DATE MUST BEAR INTEREST AT THE SAME RATE. NO BIDS FOR LESS THAN ALL OF THE SERIES 2015 BONDS OFFERED WILL BE ENTERTAINED.

THE ISSUER RESERVES THE RIGHT TO REJECT ALL BIDS OR ANY BID NOT CONFORMING TO THIS OFFICIAL NOTICE OF SALE. THE ISSUER ALSO RESERVES THE RIGHT TO WAIVE, IF PERMITTED BY LAW, ANY IRREGULARITY OR INFORMALITY IN ANY PROPOSAL. THE ISSUER SHALL NOT REJECT ANY CONFORMING BID, UNLESS ALL CONFORMING BIDS ARE REJECTED.

BIDDING DETAILS

All bids must be unconditional and submitted electronically via Parity. **No telephone, facsimile, mail, courier delivery or personal delivery bids will be accepted.** To participate, bidders must be a contracted customer of i-Deal, LLC. If the prospective bidder does not have a contract with i-Deal, LLC, call (212) 849-5021 to become a customer and to obtain a list of the bidding rules and procedures. To the extent any instructions or directions set forth on Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control.

Bidders may change and submit bids as many times as they wish during the auction; provided, however, that each bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost on the Bonds ("TIC"), when compared to the immediately preceding bid of such bidder. The last bid submitted by a bidder before the end of the auction will be compared to all other final bids submitted by others to determine the winning bidder or bidders.

Each bidder will be solely responsible for making the necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale. i-Deal LLC will not have any duty or obligation to provide or assure such access to any bidder, and neither the Issuer nor i-Deal LLC will be responsible for the proper operation of, or have any liability for, any delays or interruptions of, or any damages caused by, Parity. The Issuer is authorizing the use of Parity as a communications mechanism to conduct the electronic bidding for the Series 2015 Bonds; the owners of such service are not agents of the Issuer. The Issuer is not bound by any advice and determination of i-Deal LLC to the effect that any particular bid complies with the terms of this Official Notice of Sale and in particular the specifications set forth in this Official Notice of Sale, including under "TERMS OF BID AND BASIS OF AWARD" below. All costs and expenses incurred by bidders in connection with their registration and submission of bids via Parity are the sole responsibility of such bidders.

GOOD FAITH DEPOSIT

If the Issuer selects a winning bid, then the successful bidder must submit a "Good Faith Deposit" (the "Deposit") to the Issuer in the form of a wire transfer in the amount of \$_____, representing one percent (1%) of the estimated principal amount of the Series 2015 Bonds not later than 2:00 p.m., Eastern time on the business day following the award. The Deposit of the successful bidder will be collected and the proceeds thereof retained by the Issuer to be applied as partial payment for the Series 2015 Bonds and no interest will be allowed or paid upon the amount thereof, but in the event the successful bidder shall fail to comply with the terms of the bid, the proceeds thereof will be retained as and for full liquidated damages.

After receipt of bids is closed and prior to the award, the apparent successful bidder indicated on Parity must submit the Good Faith Deposit to the Issuer by wire transfer. The award to the apparent successful bidder is contingent upon receipt of the Good Faith Deposit and the Series 2015 Bonds will not be awarded by or on behalf of the Issuer to such bidder until the Issuer has confirmed receipt of the Good Faith Deposit. Wiring instructions for the Good Faith Deposit are as follows:

Bank:	Wells Fargo
ABA#:	121000248
Acct Name:	Board of County Commissioners of Palm Beach County Consolidated Account
Acct #:	2155001070034
REF:	Commercial Checking Account Public Funds Attention: Sherry Brown

STANDARD FILINGS, CHARGES AND CLOSING DOCUMENTS

The winning bidder will be required to make the standard filings and maintain the appropriate records routinely required pursuant to MSRB Rules G-8, G-11 and G-36. The winning bidder will be required to pay the standard MSRB charge for the Series 2015 Bonds purchased. In addition, those who are members of SIFMA will be required to pay SIFMA's standard charge per bond. The winning bidder will also be required to execute certain closing documents required by Florida law or required by Bond Counsel (as defined below) in connection with the delivery of its tax opinion. See "Disclosure; Amendments to Notice of Sale; Notification Obligations of Purchaser" herein.

CUSIP NUMBERS

It is anticipated that CUSIP identification numbers will be printed on the Series 2015 Bonds, but neither the failure to print such number on any Series 2015 Bonds nor any error with respect thereto shall constitute cause for failure or refusal by the successful bidder to accept delivery of and pay for the Series 2015 Bonds in accordance with their agreement to purchase the Series 2015 Bonds. All expenses in relation to the printing of CUSIP numbers on the Series 2015 Bonds shall be paid for by the Issuer; provided, however, that it shall be the responsibility of the successful bidder to timely obtain and pay for the assignment of such CUSIP numbers.

DELIVERY OF THE SERIES 2015 BONDS

The Issuer will pay the cost of preparing the Series 2015 Bonds. The successful bidder is responsible for DTC eligibility and related DTC costs. Delivery of and payment for the Series 2015 Bonds will be via DTC Fast on or about October 1, 2015 (the "Closing Date") in New York, New York, or such other time and place mutually acceptable to the successful bidder and the Issuer. Payment of the full purchase price, less the Deposit, shall be made to the Issuer not later than 12:00 P.M., Eastern time on the Closing Date, in Federal Reserve Funds of the United States of America, without cost to the Issuer.

The legal opinion of Bryant Miller Olive P.A. ("Bond Counsel") will be furnished without charge to the successful bidder at the time of delivery of the Series 2015 Bonds. For a further discussion of the content of that opinion and the proposed form of the approving opinion, see the Preliminary Official Statement for the Series 2015 Bonds.

There will also be furnished at the time of delivery of the Series 2015 Bonds, a certificate or certificates of the Issuer (which may be included in a consolidated closing certificate) relating to the accuracy and completeness of the Official Statement; and stating, among other things, that there is no litigation or administrative action or proceeding pending or, to the knowledge of the Issuer, threatened, at the time of delivery of the Series 2015 Bonds, (a) to restrain or enjoin or seeking to restrain or enjoin the issuance and delivery of the Series 2015 Bonds or (b) affecting the validity of the Series 2015 Bonds, and that the Preliminary Official Statement has been deemed by the Issuer to be a "final official statement" for purposes of SEC Rule 15c2-12(b)(3) and (4).

The successful bidder will be responsible for the clearance or exemption with respect to the status of the Series 2015 Bonds for sale under the securities or "Blue Sky" laws of the several states and the preparation of any surveys or memoranda in connection with such sale.

**DISCLOSURE; AMENDMENTS TO NOTICE OF SALE;
NOTIFICATION OBLIGATIONS OF PURCHASER**

This Official Notice of Sale is not intended as a disclosure document and bidders are required to obtain and carefully review the Preliminary Official Statement before submitting a bid.

This Official Notice of Sale may be amended from time to time after its initial publication by publication of amendments thereto not less than 20 hours prior to the bid date and time by Thomson Municipal Market Monitor. Each bidder will be charged with the responsibility of obtaining any such amendments and complying with the terms thereof.

Prior to delivery of the Series 2015 Bonds to the successful bidder, the successful bidder shall file with the Issuer a statement as described in Section 218.38(1)(c)2, Florida Statutes, containing the underwriting spread (including management fee, if any), and the amount of any fee, bonus or gratuity paid in connection with the Series 2015 Bonds to any person not regularly employed by the successful bidder. This statement shall be filed with the Issuer even if no such management fee or underwriting spread has been charged by the successful bidder or no such fee, bonus or gratuity has been paid by the successful bidder, and such filing shall be a condition precedent to the delivery of the Series 2015 Bonds by the Issuer to the successful bidder.

The successful bidder, by submitting its bid, agrees to furnish to the Issuer and Bond Counsel, a certificate verifying information as to the bona fide initial offering prices or yields of the Series 2015 Bonds to the public and sales of the Series 2015 Bonds appropriate for determination of the issue price of, and the yield on, the Series 2015 Bonds under the Internal Revenue Code of 1986, as amended, and such other documentation as and at the time requested by Bond Counsel.

The successful bidder shall also verify its winning bid in writing to the Issuer by executing a printed copy of its winning bid as reported on Parity.

The winning bidder is required to provide a Truth in Bonding Statement pursuant to Section 218.385, Florida Statutes, and to disclose the payment of any "finder's fee" pursuant to Section 218.386, Florida Statutes, prior to the award of the Series 2015 Bonds, as set forth in Exhibit A to this Official Notice of Sale.

PRELIMINARY OFFICIAL STATEMENT; OFFICIAL STATEMENT

The Issuer has authorized the distribution of the Preliminary Official Statement, which it deemed final (except for permitted omissions) for purposes of the Rule. The Preliminary

Official Statement describes the Series 2015 Bonds and contains information with respect to the Issuer. The Preliminary Official Statement may be obtained electronically from [www.idealprospectus.com] or from the Issuer and the Issuer's financial advisor as provided herein.

This Official Notice of Sale is not intended to be a disclosure document. All bidders must review the Preliminary Official Statement and will be required to certify that they have done so prior to participating in the bidding. In the event of any conflict between the statements contained in the Preliminary Official Statement and in this Official Notice of Sale, the statements contained in the Preliminary Official Statement shall prevail.

The Issuer shall furnish at its expense within seven (7) business days after the Series 2015 Bonds have been awarded to the successful bidder, or at least five (5) business days before the Closing Date, whichever is earlier, up to 100 copies of the final Official Statement, which, in the judgment of the financial advisor to the Issuer will permit the successful bidder to comply with applicable SEC and MSRB rules. The successful bidder may arrange for additional copies of the final Official Statement at its expense.

CONTINUING DISCLOSURE

In the Resolution, the Issuer has authorized the execution and delivery of a Continuing Disclosure Certificate with Digital Assurance Certification LLC, under which the Issuer commits to provide certain annual information and notices of certain enumerated events, as required by Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission. In order to assist bidders in complying with the Rule, the Issuer will undertake to provide, or cause to be provided, certain financial information and operating data and to provide notices of certain events, if material. Such information will be filed with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System (EMMA). Notices of material events will be filed with the Municipal Securities Rulemaking Board through EMMA. The form of such Continuing Disclosure Certificate is included as Appendix E to the Preliminary Official Statement and is described in the Preliminary Official Statement under the caption "CONTINUING DISCLOSURE."

DISCLOSURE INFORMATION

Copies of the Preliminary Official Statement "deemed final" (except for permitted omissions) by the Issuer in accordance with SEC Rule 15c2-12 must be obtained from the financial advisor to the Issuer, Spectrum Municipal Services, Inc., 2501A Burns Road, Palm Beach Gardens, Florida 33410, (561) 622-4362 and Public Financial Management, Inc., 300 S. Orange Avenue, Suite 1170, Orlando, Florida 32801, (407) 406-5771, before a bid is submitted. The Issuer's Preliminary Official Statement and Official Notice of Sale are also available for viewing in electronic format at <http://www.idealprospectus.com> or www.munios.com.

CHOICE OF LAW

Any litigation or claim arising out of any bid submitted (regardless of the means of submission) pursuant to this Official Notice of Bond Sale shall be governed by and construed in accordance with the laws of the State of Florida. The venue situs for any such action shall be the state courts of the Fifteenth Judicial Circuit in and for Palm Beach County, Florida.

NOTICE OF BIDDERS REGARDING PUBLIC ENTITY CRIMES

A person or affiliate who has been placed on the convicted vendor list following a conviction for a public entity crime may not submit a bid on a contract to provide any goods or services to a public entity, may not submit a bid on a contract with a public entity for the construction or repair of a public building or public work, may not submit bids on leases of real property to a public entity, may not be awarded or perform work as a contractor, supplier, subcontractor, or consultant under a contract with any public entity, and may not transact business with any public entity in excess of the threshold amount provided in Section 287.017, for CATEGORY TWO for a period of 36 months from the date of being placed on the convicted vendor list.

PALM BEACH COUNTY, FLORIDA

By: /s/ Sherry Brown
Debt Manager

EXHIBIT A

**TRUTH-IN-BONDING STATEMENT
AND DISCLOSURE**

In compliance with Section 218.385, Florida Statutes, as amended, the undersigned bidder submits the following Truth-In-Bonding Statement with respect to the Palm Beach County, Florida Water and Sewer Revenue Refunding Bonds, Series 2015 ("Series 2015 Bonds").

(NOTE: For information purposes only and not a part of the bid):

The Series 2015 Bonds are being issued primarily to refund the Refunded Bonds, as defined in the Resolution. Unless earlier redeemed, the Series 2015 Bond is expected to be repaid at the end of approximately _____ years. At a fixed interest rate of _____%, total interest paid over the life of the Series 2015 Bond is \$_____ and issuance of the Series 2015 Bond will result in maximum of approximately \$_____ of annual revenues of the Issuer not being available to finance other services of the Issuer during the life of the Series 2015 Bond.

In compliance with Section 218.386, Florida Statutes, the undersigned, on behalf of itself and all other members of the underwriting group, if any, hereby certifies that neither it nor any member of the underwriting group have paid any "finder's fees" as defined in Section 218.386, Florida Statutes, any bonus, fee or gratuity in connection with the sale of the Bonds, except as provided below:

Bidder's Name: _____

By: _____

Title: _____

Date: _____

CERTIFICATE WITH RESPECT TO "ISSUE PRICE"
[Subject to Tax Review]

_____, acting on behalf of itself and the syndicate selling group, if any, created by it as purchaser (the "Purchaser") of the \$_____ * Palm Beach County, Florida Water and Sewer Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds"), in order to establish the initial offering price(s) of the Series 2015 Bonds for the purpose of determining the "issue price" of the Series 2015 Bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, DOES HEREBY CERTIFY, as follows:

1. As of this date, the terms under which the Purchaser agreed to purchase the Series 2015 Bonds from Palm Beach County, Florida (the "Issuer") in a public bid on _____, 2015, have not been modified or amended in any material respect.
2. All of the Series 2015 Bonds have been the subject of a bona fide initial offering to the public excluding bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters and wholesalers (the "Public"), made pursuant to the final Official Statement dated _____, 2015 (the "Official Statement"), of the Issuer relating to the Series 2015 Bonds.
3. As of this date, none of the Series 2015 Bonds have been sold in exchange for property (other than cash or other legal tender) and none of the Series 2015 Bonds remaining to be sold as of this date are expected to be exchanged for property.
4. All of the Series 2015 Bonds have been initially offered at yields no lower than the respective yields shown on the inside cover of the Official Statement (the "Official Statement Yields").

* Preliminary, subject to change.

5. To the best of our knowledge, based on our records and other information available to us which we believe to be correct after reasonable investigation, as of _____, 2015, the date of the sale of the Series 2015 Bonds to the Purchaser (the "Sale Date"), individual Series 2015 Bonds aggregating not less than ten percent (10%) of the total principal amount of each maturity of the Series 2015 Bonds were sold by the Purchaser to the Public at yields equal to the Official Statement Yields, and no Series 2015 Bonds had been sold to the Public at a yield less than the applicable Official Statement Yields. As of the Sale Date, based upon our assessment of the then prevailing market conditions, we had no reason to believe any of the Series 2015 Bonds would be initially sold to the public at yields different than the Official Statement Yields.

Dated: _____, 2015

By: _____

Title: _____

SUMMARY NOTICE OF SALE

**PALM BEACH COUNTY, FLORIDA
WATER AND SEWER REVENUE REFUNDING BONDS, SERIES 2015**

Bids for the above captioned bonds will be received by Palm Beach County, Florida, (the "Issuer") via Parity until 11:00 A.M. (the "Submittal Deadline"), Eastern time, _____, 2015 or on such other date as may be established by the Mayor or County Administrator of the Issuer or their respective designee no less than ten (10) days after the date of publication of this notice and communicated by Thomson Municipal Market Monitor not less than twenty (20) hours prior to the time bids are received (the "Bid Date").

Such bids are to be opened in public as soon as practical after the Submittal Deadline on said day for the purchase of Palm Beach County, Florida Water and Sewer Revenue Refunding Bonds, Series 2015 (the Series 2015 Bonds"). The Series 2015 Bonds will mature as specified in the Official Notice of Bond Sale. Proceeds of the Series 2015 Bonds shall be used for the purpose of (i) defeasing and redeeming certain outstanding obligations of the Issuer and (ii) paying the costs of issuing the Series 2015 Bonds.

The approving opinion of Bryant Miller Olive P.A., Miami, Florida, Bond Counsel, will be furnished to the successful bidder at the expense of the Issuer.

Electronic copies of the Preliminary Official Statement and the Official Notice of Bond Sale relating to the Series 2015 Bonds may be obtained at the website address www.idealprospectus.com.

**Palm Beach County, Florida
Sherry Brown
Debt Manager**

Dated: _____, 2015

EXHIBIT B

FORM OF ESCROW DEPOSIT AGREEMENT

ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT, dated as of _____, 2015, by and between 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 2015; 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) "Bond Resolution" means Resolution No. R-84-1206 adopted on August 23, 1984, as amended and supplemented, specifically by Resolution No. R-2014-____ adopted on _____ 2014.
- (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 Palm Beach County, Florida.

(h) "Refunded Bonds" means the Palm Beach County, Florida Water and Sewer Revenue Bonds, Series 2006A as shown on Schedule C.

(i) "Series 2015 Bonds" means the \$_____ Palm Beach County, Florida, Water and Sewer Revenue Refunding Bonds, Series 2015, issued under the Bond Resolution.

(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 October 1, 2016.

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 Series 2015 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 and warrants 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 Series 2015 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 Mellon 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 an annual fee 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, 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. 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 or the sooner resignation or removal of the Escrow Agent. 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 which derive from any failure to make future reinvestments pursuant to Section 3(c) hereof). Notwithstanding any provisions herein to the contrary, in no event shall the Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. The duties and obligations of the Escrow Agent shall 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. The Escrow Agent may conclusively rely upon and shall be fully protected in acting and relying upon any notice, order, requisition, request, consent, certificate, opinion (including opinion of counsel), affidavit, letter, telegram or other paper or document in good faith deemed by it to be genuine and correct and to have been signed or sent by the proper person or persons. The Escrow Agent may act through its agents and attorneys and shall not be responsible for any misconduct or negligence on the part of any such person so appointed with due care. The Escrow Agent shall not be

required to expend its own funds for the performance of its duties hereunder. The Escrow Agent shall be not responsible or liable for any failure or delay in the performance of its obligations under this Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions; loss of malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Escrow Agent shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonable practicable under the circumstances.

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 within sixty (60) days of delivery of a notice of resignation by the Escrow Agent or 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 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 without regard to conflict of law principles.

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: _____
Shelley Vana, Mayor

ATTEST:

Sharon R. Bock, Clerk & Comptroller
Palm Beach County, Florida

By: _____
Deputy Clerk

APPROVED AS TO FORM AND LEGAL
SUFFICIENCY

By: _____
County Attorney

[Signatures continued on next page)

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

(SEAL)

By: _____
Name: Linda Boenish
Title: Vice President

SCHEDULE A

TOTAL DEBT SERVICE

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

SCHEDULE B

**SCHEDULE OF FEDERAL SECURITIES
TO BE PURCHASED AT CLOSING**

<u>Purchase</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Par</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Purchase</u> <u>Cost</u>	<u>Type</u>
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SCHEDULE C
REFUNDED BONDS

Maturity Date Interest Rate Par Amount

SCHEDULE D

**NOTICE OF DEFEASANCE TO THE HOLDERS
of certain of
PALM BEACH COUNTY, FLORIDA
Water and Sewer Revenue Bonds, Series 2006A
as described below
(the "Bonds")**

This notice applies to the following bonds (collectively, the "Defeased Bonds") in the Principal Amounts below:

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>	<u>Original CUSIP Numbers*</u>	<u>New CUSIP Number For Defeased Portion*</u>
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*Only that portion specified above of the original principal amount of the Bond maturing in 2036 is being defeased. A new CUSIP number has been assigned to the Defeased Bonds maturing in such year to distinguish such portion. The Bonds maturing in the years _____ through _____ have been defeased in whole and such Defeased Bonds continued to be identified by the Original CUSIP number.

Amounts sufficient to pay the principal of and interest on the Defeased Bonds to October 1, 2016 (the "Redemption Date"), the date fixed for redemption, have been delivered to and held in a separate account by The Bank of New York Mellon Trust Company, N.A. (the "Escrow Agent"), in trust for the registered owners thereof, as provided in Ordinance No. 84-45 enacted by the Board of County Commissioners of the Issuer (the "Board") on September 11, 1984, as amended and supplemented, and as particularly supplemented by Resolution No. R-

2014-_____ duly adopted by the Board on _____, 2014 (collectively, the "Bond Resolution").

The Defeased Bonds are deemed not to be outstanding under the provisions of the Bond Resolution and have ceased to be entitled to any lien, benefit or security under the Bond Resolution, except to receive the payment of the redemption price on or after the Redemption Date from moneys deposited with or held by the Escrow Agent for the redemption of such Defeased Bonds.

Sufficient moneys are being held by the Escrow Agent in irrevocable trust for the benefit of such Defeased Bondholders to pay all principal and interest on such Defeased Bonds at said Redemption Date. The right, title and interest of such Defeased Bondholders under the Bond Resolution and the pledge of and lien on the Pledged Revenues (as such term is defined in the Ordinance), and all other pledges and liens created by or pursuant to the Bond Resolution, with respect to such Bondholders have ceased, determined and become void.

The following Water and Sewer Revenue Bonds, Series 2006A have not been legally defeased:

<u>Principal</u>	<u>Maturity Date</u>	<u>Coupon Rate</u>	<u>Original CUSIP Number*</u>	<u>New CUSIP Number*</u>
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Dated: _____, 2015

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Paying Agent
for the Bonds.

[insert contact information]

NOTICE OF REDEMPTION
Certain of the
PALM BEACH COUNTY, FLORIDA
WATER AND SEWER REVENUE BONDS,
SERIES 2006A
as described below

NOTICE IS HEREBY GIVEN for and on behalf of Palm Beach County, Florida (the "Issuer"), that the Palm Beach County, Florida Water and Sewer Revenue Bonds, Series 2006A described below (the "Redeemed Bonds") have been irrevocably called for early redemption on the redemption date of October 1, 2016 (the "Redemption Date") at the redemption price of par (the "Refunded Price").

<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Par Amount</u>
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Interest will be paid in the usual manner. On the Redemption Date, the Redemption Price described above upon the Redeemed Bond shall be paid upon presentation and surrender of the Redeemed Bonds to the Bond Registrar, as Paying Agent and Bond Registrar for the Redeemed Bonds and the Issuer's redemption agent, at the following address: The Bank of New York Mellon Trust Company, N.A:

First Class/Registered/Certified
BNY Mellon
Global Corporate Trust
P.O. Box 396
East Syracuse, NY 13057

Express Delivery Only
BNY Mellon
Global Corporate Trust
111 Sanders Creek Parkway
East Syracuse, NY 13057

By Hand Delivery
BNY Mellon
Global Corporate Trust
Corporate Trust Window
101 Barclay Street, 1st FL. East
New York, NY 10286

Dated this ____ day of _____, 2016.

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Paying Agent
for the Bonds.

[insert contact information]

EXHIBIT C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Agreement"), dated as of _____, 20__, is executed and delivered by Palm Beach County, Florida (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the financial statements (if any) of the Issuer for the prior Fiscal Year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Voluntary Report, Notice Event notice or Failure to File Event notice delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Voluntary Report, Notice Event

notice or Failure to File Event notice required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Disclosure Representative" means the _____ of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Issuer's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means the Annual Financial Information, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices and the Voluntary Reports.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

"Official Statement" means that Official Statement prepared by the Issuer in connection with the Bonds.

"Voluntary Report" means the information provided to the Disclosure Dissemination Agent by the Issuer pursuant to Section 7.

SECTION 2. Provision of Annual Reports.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent, not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than 180 days after the end of each Fiscal Year, commencing with the Fiscal Year ending September 30, 2014. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, without reference to the anticipated filing date for the Annual Report.

(d) If Audited Financial Statements of the Issuer are not available prior to the Annual Filing Date, the Issuer shall provide unaudited financial statements in a format similar to the Audited Financial Statements accompanied by a Certification, for filing with the MSRB, and when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to the Section of this Disclosure Agreement indicated:

1. "Principal and interest payment delinquencies," pursuant to Sections 4(c) and 4(a)(1);
2. "Non-Payment related defaults, if material," pursuant to Sections 4(c) and 4(a)(2);
3. "Unscheduled draws on debt service reserves reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(3);
4. "Unscheduled draws on credit enhancements reflecting financial difficulties," pursuant to Sections 4(c) and 4(a)(4);
5. "Substitution of credit or liquidity providers, or their failure to perform," pursuant to Sections 4(c) and 4(a)(5);
6. "Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security," pursuant to Sections 4(c) and 4(a)(6);
7. "Modifications to rights of securities holders, if material," pursuant to Sections 4(c) and 4(a)(7);
8. "Bond calls, if material, and tender offers" pursuant to Sections 4(c) and 4(a)(8);
9. "Defeasances," pursuant to Sections 4(c) and 4(a)(9);
10. "Release, substitution, or sale of property securing repayment of the securities, if material," pursuant to Sections 4(c) and 4(a)(10);
11. "Rating changes," pursuant to Sections 4(c) and 4(a)(11);

12. "Bankruptcy, insolvency, receivership or similar event of the obligated person," pursuant to Sections 4(c) and 4(a)(12);

13. "The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, 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," pursuant to Sections 4(c) and 4(a)(13); and

14. "Appointment of a successor or additional trustee or the change of name of a trustee, if material," pursuant to Sections 4(c) and 4(a)(14).

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Report received under Section 7 with the MSRB.

(vii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its Fiscal Year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event, provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports.

(a) Each Annual Report shall contain the following Annual Financial Information with respect to the Issuer: 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; each in a form which is generally consistent with the presentation of such information in the Official Statement.

(b) Audited Financial Statements prepared in accordance with generally accepted accounting principles ("GAAP") will be included in the Annual Report, but may be provided in accordance with Section 2(d).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an Obligated Person, which have been previously filed with the Securities and Exchange Commission or available to the public on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements relating to the Bonds reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes on the Bonds;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note: for the purposes of the event identified in this subsection 4(a)(12), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person 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 Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental 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 Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Issuer shall, in a timely manner not in excess of ten (10) business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth (10th) business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth (10th) business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to Section 4(c), together with a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written

authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth (10th) business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) hereof.

SECTION 5. CUSIP Numbers. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, notices of Notice Events, Failure to File Events and Voluntary Reports filed pursuant to Section 7(a), the Issuer shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the failure of the Disclosure Dissemination Agent to so advise the Issuer shall not constitute a breach by the Disclosure Dissemination Agent of any of its duties and responsibilities under this Disclosure Agreement. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Reports.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file information with the MSRB, from time to time pursuant to a Certification of the Disclosure Representative accompanying such information (a "Voluntary Report").

(b) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Voluntary Report, Notice Event notice or Failure to File Event notice, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Voluntary Report, Notice Event notice, or Failure to File Event notice in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Voluntary Report, Notice Event notice or Failure to File Event notice.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the

Bonds, when the Issuer is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon sixty days written notice to the Disclosure Dissemination Agent, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing sixty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, any Holder's rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, including the Resolution, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer or the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Sources of Payments; No Personal Liability. Notwithstanding anything to the contrary contained in this Disclosure Agreement, to the extent not paid from the proceeds of the Bonds, the Issuer shall be required to use only Net Revenues of the Water and Sewer System to pay any costs and expenses to be incurred in the performance of this Disclosure Agreement by it, and the performance of its obligations hereunder shall be subject to the availability of such Net Revenues for that purpose. This Disclosure Agreement does not and shall not constitute a general obligation of the Issuer. No covenant, stipulation, obligation or agreement of the Issuer contained in this Disclosure Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future officer, agent or employee of the Issuer in other than that person's official capacity.

SECTION 14. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Disclosure Dissemination Agent, the Underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida.

SECTION 16. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION,
L.L.C., as Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

PALM BEACH COUNTY, FLORIDA, as Issuer

(SEAL)

By: _____
Shelley Vana, Mayor

ATTEST:

Sharon R. Bock, Clerk & Comptroller
Palm Beach County, Florida

By: _____
Deputy Clerk

APPROVED AS TO FORM AND LEGAL
SUFFICIENCY

By: _____
County Attorney

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: Palm Beach County, Florida
Obligated Person: Palm Beach County, Florida
Name of Bond Issue: Water and Sewer Revenue Refunding Bonds, Series 2015
Date of Issuance: _____, 20__
Date of Official Statement: _____, 20__

CUSIP Numbers:

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Palm Beach County, Florida
Obligated Person: Palm Beach County, Florida
Name of Bond Issue: Water and Sewer Revenue Refunding Bonds, Series 2015
Date of Issuance: _____, 20__

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate, dated as of _____, 20__, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf
of the Issuer

cc: Palm Beach County, Florida

EXHIBIT D

FORM OF PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED _____, 20__

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 2015 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 2015 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 2015 Bonds.

[COUNTY LOGO]

\$ _____ *
PALM BEACH COUNTY, FLORIDA
Water and Sewer Revenue Refunding Bonds
Series 2015

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 2015 (the "Series 2015 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 2015 Bonds. The Series 2015 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 2015 Bonds will not receive physical certificates representing their ownership interest in the Series 2015 Bonds purchased. Interest on the Series 2015 Bonds is payable on April 1, 2015 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 2015 Bonds is to be made to Cede & Co., as nominee for DTC, as registered owner of the Series 2015 Bonds, to be subsequently disbursed to the DTC Participants and thereafter to the Beneficial Owners (as defined herein) of the Series 2015 Bonds, as more fully described herein. See "BOOK-ENTRY ONLY SYSTEM" herein.

Certain maturities of the Series 2015 Bonds are subject to optional redemption in whole or in part prior to maturity as more fully described herein. See "DESCRIPTION OF THE SERIES 2015 BONDS – Optional Redemption of the Series 2015 Bonds," herein.

The Series 2015 Bonds are being issued by Palm Beach County, Florida (the "County") for the purpose of (i) advance 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 2015 Bonds.

The Resolution (as defined herein) provides that the payment of the principal of, premium, if any, and the interest on the Series 2015 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 2015 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 2015 BONDS" herein.

THE COUNTY IS NOT OBLIGATED TO PAY THE SERIES 2015 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 2015 BONDS. THE SERIES 2015 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 2015 BONDS TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2015 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 2015 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.

Electronic bids for the Series 2015 Bonds will be received through the Bidcomp/Parity Competitive Bidding System via separate bids as described in the Official Notice of Sale.

Maturities, principal amounts, interest rates, yields and CUSIP numbers on the Series 2015 Bonds are set forth inside this cover page.

The Series 2015 Bonds are offered for delivery when, as and if issued and received by the Underwriter, 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. Public Financial Management, Inc., Orlando, Florida, and Spectrum Municipal Services, Inc., Palm Beach Gardens, Florida, are serving as co-financial advisor to the County with respect to the Series 2015 Bonds. The Series 2015 Bonds are expected to be available for delivery through the facilities of DTC in New York, New York on or about _____, 2015.

The date of this Official Statement is _____, 2015.

*Preliminary, subject to change.

**MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, YIELDS AND
INITIAL CUSIP NUMBERS**

\$ _____ *
PALM BEACH COUNTY, FLORIDA
WATER AND SEWER REVENUE REFUNDING BONDS
SERIES 2015

Maturity Date (October 1)	Principal Amount	Interest Rate	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.

No broker, dealer, salesman or other person has been authorized by the County or the Underwriter 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 2015 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The information set forth herein has been 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 Underwriter. The Underwriter listed on the cover page hereof has reviewed the information in this Official Statement in accordance with its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does 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 2015 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 2015 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 2015 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
Mary Lou Berger
Hal R. Valeche
Steven L. Abrams
Melissa McKinlay
Paulette Burdick
Priscilla A. Taylor

Mayor, Commissioner
Vice-Mayor, Commissioner
Commissioner
Commissioner
Commissioner
Commissioner

ADMINISTRATION

Robert Weisman, P.E.
James Stiles
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

Public Financial Management, Inc.
Orlando, Florida

Spectrum Municipal Services, Inc.
Palm Beach Gardens, Florida

BOND COUNSEL

Bryant Miller Olive P.A., Miami, Florida

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OFFICIAL STATEMENT

§ _____*

PALM BEACH COUNTY, FLORIDA
Water and Sewer Revenue Refunding Bonds
Series 2015

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" or the "System") and the original issuance and sale of the County's Water and Sewer Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds").

The Series 2015 Bonds are being issued pursuant to the Constitution and laws of the State of Florida, 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-2014-_____ adopted by the Board on _____, 2015 (hereinafter referred to collectively as the "Resolution"), providing for the issuance of and determining certain details of the Series 2015 Bonds.

The Resolution provides that the payment of the principal of and the interest on the Series 2015 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 2015 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 2006B (the "Series 2006 Bonds"), outstanding Water and Sewer Revenue Bonds, Series 2009 (FPL Reclaimed Water Project) (the "Series 2009 Bonds") and outstanding Water and Sewer Revenue Refunding Bonds, Series 2013 (the "Series 2013 Bonds"). The Series 2006 Bonds, the Series 2009 Bonds, the Series 2013 Bonds and the Series 2015 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 2015 BONDS AND THE SERIES 2015 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 2015 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 2015 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 2015 BONDS

The Series 2015 Bonds are being issued by the County for the purpose of (i) advance refunding the County's Series 2006A Bonds and (ii) paying certain costs relating to the issuance of the Series 2015 Bonds.

PLAN OF REFUNDING

Concurrently with the delivery of the Series 2015 Bonds, the County will deposit a portion of the net proceeds of the Series 2015 Bonds, along with other legally available funds of the County, 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 Public Financial Management, Inc. and verified by _____, Certified Public Accountants, 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 on October 1, _____, the earliest date on which they can be called for optional redemption, 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 U.S. Obligations 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 2015 Bonds.

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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 2015 Bonds:

SOURCES OF FUNDS:

Principal Amount of Series 2015 Bonds
Original Issue Premium
Sinking Fund Contribution
Total Sources

USES OF FUNDS:

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

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

DESCRIPTION OF THE SERIES 2015 BONDS

General Description

The Series 2015 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 2015 Bonds. Unless the book-entry system is discontinued as described herein, individual purchases of the Series 2015 Bonds will be made in book-entry form only, and the purchasers will not receive physical delivery of the Series 2015 Bonds or any certificate representing their beneficial ownership interests in the Series 2015 Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Series 2015 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 2015 Bonds shall be available to the purchasers thereof in denominations of \$5,000 or any integral multiple thereof. Interest on the Series 2015 Bonds will be payable on April 1, 2015 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 2015 Bonds.

Redemption of the Series 2015 Bonds

Optional Redemption of the Series 2015 Bonds. The Series 2015 Bonds maturing on or before October 1, _____ are not subject to optional redemption prior to maturity. The Series 2015 Bonds maturing on or after October 1, _____ are subject to redemption prior to their respective maturities, on or after October 1, _____, 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 2015 Bonds or portions thereof to be redeemed plus accrued interest to the date of redemption.

Notice of Redemption of Series 2015 Bonds. Notice of redemption of any Series 2015 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 2015 Bonds or portions of the Series 2015 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 2015 Bond to be redeemed or any defect therein, shall not affect the validity of the proceedings for redemption of any Series 2015 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 2015 Bond to be redeemed, the redemption price of each Series 2015 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 2015 Bonds then outstanding shall be called for redemption, the distinctive numbers and letters, including CUSIP numbers, if any, of such Series 2015 Bonds to be redeemed and, in the case of Series 2015 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. Unless the Series 2015 Bonds are registered pursuant to the book-entry only system of DTC (see "BOOK-ENTRY ONLY SYSTEM," herein), if any Series 2015 Bond is to be redeemed in part only, the notice of redemption which relates to such Series 2015 Bond shall also state that on or after the redemption date, upon surrender of such Series 2015 Bond, a new Series 2015 Bond or Series 2015 Bonds in a principal amount equal to the unredeemed portion of such Series 2015 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 2015 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 2015 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 2015 Bonds or portions of Series 2015 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 2015 Bonds or portions of Series 2015 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 2015 Bonds or portions thereof to be redeemed, all as provided in the Resolution, interest on the Series 2015 Bonds or portions of Series 2015 Bonds so called for redemption shall cease to accrue, such Series 2015 Bonds and portions of Series 2015 Bonds shall cease to be

entitled to any lien, benefit or security under the Resolution, and the Holders of such Series 2015 Bonds or portions of Series 2015 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 2015 Bonds for any unredeemed portions of the Series 2015 Bonds.

Unless the Series 2015 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 2015 Bond shall be selected for redemption, the Holders thereof shall present and surrender such Series 2015 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 2015 Bonds so surrendered, a Series 2015 Bond or Series 2015 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 2015 Bonds. The Series 2015 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 2015 Bonds, representing in the aggregate the total principal amount of the Series 2015 Bonds and will be deposited with the Paying Agent on behalf of DTC. Individual purchasers of beneficial interests in the Series 2015 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 2015 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2015 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2015 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their 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 2015 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2015 Bonds, except in the event that use of the book-entry system for the Series 2015 Bonds is discontinued.

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

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 2015 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2015 Bonds, such as redemptions, defaults, and proposed amendments to the Resolution. For example, Beneficial Owners of Series 2015 Bonds

may wish to ascertain that the nominee holding the Series 2015 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners.

Redemption notices shall be sent by the Paying Agent to DTC. If less than all of the Series 2015 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 2015 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 2015 Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 2015 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 2015 Bond certificates will be printed and delivered.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2015 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE SERIES 2015 BONDS OR REGISTERED OWNERS OF THE SERIES 2015 BONDS SHALL MEAN DTC AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2015 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 in the Series 2015 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 2015 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 2015 Bonds.

NEITHER THE COUNTY NOR THE PAYING AGENT SHALL HAVE ANY OBLIGATION WITH RESPECT TO ANY DEPOSITORY PARTICIPANT OR BENEFICIAL OWNER OF THE SERIES 2015 BONDS DURING SUCH TIME AS THE SERIES 2015 BONDS ARE REGISTERED IN THE NAME OF A SECURITIES DEPOSITORY PURSUANT TO A BOOK-ENTRY ONLY SYSTEM OF REGISTRATION.

SECURITY FOR THE SERIES 2015 BONDS

Pledge of Net Revenues

The Resolution provides that the payment of the principal of and interest on the Series 2015 Bonds will be secured by a first lien on and pledge of the Net Revenues and Connection Fees. The lien of the Series 2015 Bonds on Net Revenues and Connection Fees will be on a parity with the lien thereon of the outstanding Series 2006B Bonds, Series 2009 Bonds, Series 2013 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 as "Connection Charges" 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 2015 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 2015 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 2015 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 cash in the amount of \$4,437,863 and a Reserve Policy issued by National (MBIA) in the amount of \$10,495,100.

In connection with the issuance of the Series 2015 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 2015 Bonds as well, such that the total amount in the Debt Service Reserve Account at the time of issuance of the Series 2015 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 Policy. 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.

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 has indicated its intent to issue endorsements substituting its obligation for those under the original policies. 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.

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 Underwriter 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 2015 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");
- 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 therefor.

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 2012, approximately 62.9% of the debt service on the then Outstanding Bonds was lawfully payable from Connection Fees. Beginning in Fiscal Year 2013, the County has determined that approximately 62.0% 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 Mayor who serves as presiding officer.

The Clerk & Comptroller of Palm Beach County (the "Clerk") is an elected, constitutional officer. In addition to the roles of Clerk of the Circuit Court, County Recorder and Clerk of the Board of County Commissioners, the Clerk as Comptroller serves as the County's Chief Financial Officer, Treasurer, and Auditor.

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 James Stiles. [insert bio]

The Department's Deputy Director is Brian Shields. Mr. Shields has over 25 years of experience in the municipal utility industry. He has worked as a consulting engineer in New York City and in South Florida. He has also represented utilities in the design, permitting and construction of water, wastewater and reclaimed water plants, distribution and collection systems. He then served as the City Engineer for the cities of Weston and Lauderhill, as well as Director of Utilities and Public Works for the City of Lauderhill prior to joining the Palm Beach County Water Utilities Department in 2004. He is currently the Deputy Utility Director responsible for the Engineering and Regulatory Divisions, master planning and coordination of bulk agreements with adjacent municipalities. He was formerly the Director of the Engineering Division, where he was responsible for overseeing the daily operation of the Engineering Division, including plan review, permitting, and managing up to \$150 million per year of capital improvements.

The Department's Assistant Director is Debra West. In addition to her duties as Assistant Director, Ms. West also serves as the Department's Finance Director. 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 local government finance and administration.

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 550,000 residents, representing service to approximately 226,128 potable water dwelling units and 207,912 wastewater units.

On August 24, 2004, the Board of County Commissioners 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. Also in August 2004, the County entered into a franchise agreement with the Village of Royal Palm Beach (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 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, 2012, and the Department's projections for growth for the seven-year period ending September 30, 2019. 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 1.3% 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>
2008	221,805	204,232
2009	222,708	205,016
2010	223,745	205,909
2011	224,681	206,708
2012	226,128	207,912
2013	234,455	216,882
2014	238,455	220,882
2015	242,455	224,882
2016	244,180	226,607
2017	246,180	228,607
2018	248,180	230,607
2019	250,180	232,607

*Includes conversion of commercial into residential ERCs.

Source: Palm Beach County Water Utilities Department

Bulk Service Agreements

To ensure efficient utilization of available system capacity, the County has entered into several cooperative bulk service agreements with other utilities. In 2011, the County developed

a new temporary bulk service agreement with reduced rates, designed to encourage other bulk agreements with terms of service of up to 5 years. The County currently has six (6) agreements to provide bulk potable water to neighboring utilities and two (2) agreements to provide bulk wastewater service.

The Department has 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, Lake Clarke Shores, Florida Power & Light Company and the Seacoast Utility Authority. An additional agreement with the Seminole Improvement District is not currently being utilized. On April 30, 2008, the Department purchased the Indian Trails Improvement District's water and wastewater system, the purchase agreement for which 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. The existing bulk service agreements are listed below:

Bulk Potable Water Agreements

<u>Utility</u>	<u>Date of Agreement</u>	<u>Agreement Capacity⁽¹⁾</u>	<u>Expiration</u>
City of Atlantis	July 1992	1.0 MGD ⁽²⁾	July 2032
City of Boynton Beach	December 2004	2.0 MGD	December 2013 ⁽³⁾
FPL	June 2007	3.2 MGD	July 2014 ⁽³⁾
Lake Clarke Shores	February 2010	0.4 MGD	February 2040
City of Lake Worth	July 2010	1.0 MGD	July 2013 ⁽³⁾
Seacoast Utility Authority	April 2006	<u>5.0 MGD</u>	April 2036
TOTAL CAPACITY		12.6 MGD	

- ⁽¹⁾ Reflects the maximum capacity under the agreement, although usage may vary. The Boynton Beach and Lake Worth agreements are "take or pay" contracts.
- ⁽²⁾ Million gallons per day.
- ⁽³⁾ The Department expects the agreements with the City of Boynton Beach and FPL to be renewed. The status of the expiring agreement with the City of Lake Worth is uncertain at this time.

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The two (2) bulk agreements to provide bulk wastewater service are listed below:

Bulk Wastewater Agreements

<u>Utility</u>	<u>Date of Agreement</u>	<u>Capacity⁽¹⁾</u>	<u>Expiration</u>
Village of Palm Springs	July 2011	1.4 MGD	July 2041
Seacoast Utility Authority	April 2006	<u>5.0 MGD</u>	April 2036
TOTAL CAPACITY		6.4 MGD	

⁽¹⁾ Reflects the maximum capacity under the agreement, although usage may vary.

Water Supply and Treatment Facilities

The System's service area is served by 5 wellfields that withdraw raw water from surficial aquifer sources. See "APPENDIX D -- Consulting Engineer's Report for Fiscal Year 2014" for additional information regarding such wellfields.

The County owns and operates four 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 26.88 MGD and 30 MGD, respectively. The other two water treatment plants (located in the City of Greenacres and in suburban West Palm Beach) use a modern line-softening process supplemented by ozone or ion exchange for removal of organics. Their treatment capabilities are 30 MGD and 16.4 MGD respectively. As set forth in the Consulting Engineer's Report for Fiscal Year 2014 attached hereto as Appendix D, the County has identified a site in the north part of the County for a future northern region water treatment plant. In addition, in March 2008, the County completed construction of the Lake Region Water Treatment Plant (LRWTP), a 10 MGD reverse osmosis plant which includes a 3 million gallon storage tank, raw water wells, and related facilities. This facility is currently operated by the Glades Utility Authority. (See "Major Initiatives," below). All plants are in excellent condition, and, except for the LRWTP, utilize groundwater from the semi-confined shallow aquifer that underlies most of eastern Palm Beach County. 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 located sufficiently inland from the coast that they have not been subject to saltwater intrusion.

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 at least 23 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 Department's water treatment plants (excluding the LRWTP) have a combined permitted capacity of 103.28 MGD. During fiscal year 2012, average daily water flow was 51.84 MGD. Maximum daily flow (rolling twelve month average) was 63.85 MGD.

Water Transmission, Distribution and Storage Facilities

The water distribution system includes 1,542 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 total storage capacity is 54.25 MGD. The system also includes 21 emergency interconnects with surrounding municipalities and Broward County. There are 15,866 fire hydrants connected to the system. Estimated water loss (unaccounted for water) was 6.2% in Fiscal Year 2012.

Wastewater Collection and Treatment System

The raw wastewater in the System's service area is typical of domestic sewage generated throughout South Florida, with less than five percent of the sewage connections commercial connections and very few industrial connections. The wastewater collection system includes over 1,217 miles of collection pipe and over 750 wastewater pump stations. Wastewater flows in the southern portion of the County are treated at the Southern Region Water Reclamation Facility (SRWRF). This modern facility has a total capacity of 35 MGD and treats an average of 22 MGD. All resulting outputs of treatment at the SRWRF are reclaimed for beneficial use. See "Reclaimed Water", below. Back-up disposal is provided by a system of two deep disposal wells. Part of the treated effluent from SRWRF is used to hydrate approximately 200 acres of award winning created wetlands that attract wildlife and are utilized by citizens. Treated biosolids are dewatered at the plant and brought to the Solid Waste Authority of Palm Beach County's pelletization facility, where they are converted into fertilizer. Off-gases from the anaerobic digestion system of the plant are captured and used to run a cogeneration facility that provides nearly 20 percent of the plant's electrical needs. [The SRWRF is operated pursuant to FDEP Permit No. FL 0041424, which expires November 8, 2014.]

Wastewater flows in the northern portion of the County's service area are treated at the East Central Regional Water Reclamation Facility ("ECRWF"). The ECRWF is a 70 MGD conventional activated sludge secondary wastewater treatment facility located in West Palm Beach, Florida. The County's share of this capacity, as one of the five local governments (the "Entities") that established the ECRWF under a 1992 Interlocal Agreement (the "Interlocal Agreement"), is 23.5 MGD. The average daily flow was 14.11 MGD from the County to the ECRWF from July 2011 through June 2012, representing 35.4 percent of the facility's 39.82 MGD of total flows. The ECRWF's secondary effluent is discharged to a 10 MGD advanced

wastewater treatment ("AWT") facility for supplemental potable water supply, a 22 MGD high-level disinfection facility to meet industrial cooling water demands at the Florida Power and Light West County Energy Center, and on-site deep injection wells. Under the Interlocal Agreement, the East Coast Regional ("ECR") Board has the power to issue revenue bonds or other indebtedness payable from the revenues received from the Entities for treatment at the ECRWRF. If any such Entity fails to pay its pro rata share of flow charges, the other Entities are required to temporarily absorb the underpayment until such time that payment is made.

The City of West Palm Beach is responsible for the day-to-day operation of the ECRWRF, including certain administrative functions, on behalf of the Entities. Operating expenses of the ECRWRF 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 and catastrophic reserve fund. As a participating Entity, the County is required to pay its share of all operation and maintenance expenses of the ECRWRF 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 established under the Resolution. The ECRWRF is operated under FDEP Permit No. FL 0041360, which expires April 15, 2016.

The ECR Board previously 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. In 2012, these loans were refinanced by a bank loan (the "ECR 2012 Bank Loan") carrying a coupon rate of 1.85% for 10 years. Debt service on the ECR 2012 Bank Loan is \$274,845.26 in 2013, increasing to \$1,813,670.00 by 2016. Average annual debt service over the 10-year term is \$1,548,447.28, of which the County will be responsible for approximately 35% depending on actual flows treated at the ECRWRF from all Entities. Payment of the County's share of ECR debt service is likewise treated as an operating expense of the Water and Sewer System and paid before debt service on the Bonds.

ECRWRF biosolids are currently partially stabilized on-site using an aerobic digestion process, dewatered using belt filter presses, and then further stabilized at an off-site regional composting facility under a service contract with the Solid Waste Authority of Palm Beach County (SWAPBC). The SWAPBC composting service contract expires on September 30, 2014.

In late spring of 2012, consultants to the ECR Board completed engineering evaluations of various liquids and solids process options, including energy/heat recovery options. These evaluations included process simulation modeling, a screening level analysis of various combined treatment and disposal options, a detailed analysis of short-listed options, and detailed cost comparison. The ECR Board selected the combined treatment and disposal option that represented the lowest net present value cost and least exposure to pass-through costs at that time.

After further review of the consultant's engineering evaluations, the ECR Board reconsidered and declined the construction of an on-site biosolids pelletization facility. Further negotiation is currently being conducted to extend its agreement with SWAPBC.

Reclaimed Water

Early in the County's utility operations, reclaimed water was viewed as a cost-saving and environmentally beneficial alternative to deep well disposal. Originally 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.

Over the past ten to fifteen 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 has created wetlands. On March 13, 2007, the Board of County Commissioners 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.

The Department operates three water reclamation facilities within Palm Beach County. The Southern Region Water Reclamation Facility (SRWRF) serves the southern portion of the Department's wastewater service area. The associated wastewater treatment plant is currently permitted at 35.0 MGD, with reclaimed water treatment capacity of 22.0 MGD. Existing constructed wetlands have a capacity of 5.0 MGD. SRWRF provides reclaimed water to ten golf courses, a school, commercial properties, and over thirty residential communities. In 2012, SRWRF treated an annual average flow of 23.5 MGD, delivered an average of 8.4 MGD of reclaimed water to its customers, 1.23 MGD was provided to the constructed wetlands, and 1.79 MGD of reclaimed water was used for onsite irrigation and in-plant process water.

The Central Region Reclamation Water Facility (CRRWF) is currently rated as a 3.0 MGD wastewater treatment plant that provides reclaimed water to residential communities, commercial properties, and golf courses in central Palm Beach County. CRRWF was constructed in 2008 and receives secondary treated effluent from the East Central Regional Water Reclamation Facility (ECRWRF) which it treats to reclaimed water standards. CRRWF currently serves Century Village, Cypress Lakes, Emerald Dunes Golf Course, and Vista Center and in 2012 provided an average of 1.06 MGD (AADF) of reclaimed water.

The ECRWRF serves the northern portion of the Department's wastewater service area. The ECRWRF has a permitted capacity of 70.0 MGD and treats wastewater from five local entities. In 2008, reclaimed water treatment, storage, pumping facilities and piping were constructed at ECRWRF to provide 22.0 MGD of reclaimed water to FPL's West County Energy Center. FPL provided 100% of funding for construction of the treatment facility and piping for reclaimed water. In 2012, 15.2 MGD (AADF) of reclaimed water was delivered to FPL's West

County Energy Center. The County's agreement with FPL, approved by the Palm Beach County Board of County Commissioners on May 20, 2008, is to deliver 22 MGD average daily flow and 27 MGD peak daily flow of reclaimed water for a contract period of 30 years with three 10-year renewal periods.

The County financed the required facilities for the FPL Project, including reclaimed water treatment, storage and pumping facilities located at the ECRWRF site, approximately 20 miles of reclaimed water pipeline extending from the ECRWRF to the WCEC, and on-site facilities at the WCEC consisting of yard piping and a 5 million gallon ground storage tank, through the issuance of its Series 2009 Bonds. Although the Series 2009 Bonds are secured by the Net Revenues and Connection Fees on the same basis as the Series 2015 Bonds and other Bonds, the financing of this FPS Reclaimed Water Project is fully supported by an agreement between the County and FPL through which FPL pays capital fees sufficient to pay annual principal and interest on the County's Series 2009 Bonds. FPL rates, fees and charges payable to support the operations of the facility also include a provision for future asset renewal and replacement, extraordinary maintenance, administrative costs of the Department, and the variable reclaimed water treatment costs.

Effluent not required by the WCEC at a given time will be used by the Department to service future reclaimed water customers located along the route of the pipeline. To date one (1) contract has been entered into with Seminole Improvement District for interruptible reclaimed water supply as a customer other than FPL. WCEC cooling water demands are highest in the summer months while the lowest cooling water demands are in the cooler, dryer months when there is a greater potential third party demand for sprinkling. Such unneeded cooling water will be sold by the Department on a best effort basis to third parties with pro rata adjustments to FPL fees.

The consumptive use permit associated with the County's potable water specifies that the County utilize at least 22 MGD of reclaimed water by 2023. The Department expects, based upon work done to date, this requirement to be achievable.

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Set forth below is a history of reclaimed water revenues received by the County (excluding that attributable to the County's interest in the ECR):

**Palm Beach County
Water Utilities Department
History of Reclaimed Water Revenues (Exclude ECR)**

<u>Year</u>	<u>Total Accounts</u>	<u>Revenues from Base Facility</u>	<u>Revenues from Commodity</u>	<u>Total Revenues</u>
1996	2	\$ -	\$ -	\$ -
1997	7	10,000.00	-	10,000.00
1998	17	-	-	-
1999	30	53,155.80	-	53,155.80
2000	33	199,599.00	-	199,599.00
2001	41	229,169.00	-	229,169.00
2002	45	293,870.00	-	293,870.00
2003	48	353,920.00	-	353,920.00
2004	56	375,100.00	-	375,100.00
2005	58	391,560.00	-	391,560.00
2006	60	443,200.00	-	443,200.00
2007	62	233,528.20	254,319.03	487,847.23
2008	77	386,001.19	384,631.25	770,632.44
2009	84	663,952.51	555,762.43	1,219,714.94
2010	90	721,607.47	732,085.90	1,453,693.37
2011	91	886,188.31	728,162.93	1,614,351.24
2012	93	692,585.28	729,848.51	1,422,433.79
Total		\$5,933,436.76	\$3,384,810.05	\$9,318,246.81

Major Initiatives

Glades Utility Authority. 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 \$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 system capacity reserved for each city.

On June 16, 2009, the Glades Utility Authority ("GUA") was established when the Board adopted a resolution determining that the transfer of certain utility assets to the GUA was in the public interest, as required under Section 125.3401, Florida Statutes. Additionally, the Board approved an Interlocal Agreement (the "GUA Interlocal Agreement") with the Cities of Belle Glade, Pahokee, and South Bay ("Cities") for the establishment of the GUA pursuant to Chapter 163, Florida Statutes.

The GUA began operations on October 1, 2009 as a regional partnership established for the purpose of providing water and wastewater service to the Cities and surrounding areas. Under the terms of the agreement, the GUA assumed the existing utility debt of the Cities, established uniform rates and financial policies, assumed ownership of all utility assets, created a capital improvement master plan for rehabilitation of the system, corrected regulatory violations, improved revenue collections, and decreased costs through economies of scale. The agreement established a Governing Board of seven members, one each from Pahokee and South Bay, two from Belle Glade, and three from the County, each of whom are appointed by their respective entity.

The GUA contracted with the Department as a service provider for administration and operations, and all utility employees of the Cities became employees of the County. On October 1, 2009, the Department transferred to the GUA \$56.4 million in assets, including the net book value of the LRWTP and some water transmission mains. Also, the \$25.2 million owed to the Department by the Cities for construction of the Plant became the obligation of the GUA.

Shortly after it began operations, the GUA began to experience a deteriorating financial condition. This resulted from several factors, including:

- The \$48.9 million in debt (\$5,200 per customer), \$23.7 million of which is attributable to debt transferred from the Cities and \$25.2 million related to the construction of the LRWTP.
- An aging infrastructure which will cost an estimated \$100 million (\$9,600 per customer) to repair over the next 20 years. Currently, forty percent of the potable water produced is lost to leaks in the distribution system.
- Changing regional economic conditions which have significantly reduced the revenue from user charges. Unemployment rates in the service area covered by the GUA range as high as 40% due to automation of cane sugar harvesting and general decline in other agricultural activity.
- Downsizing of the Glades Correctional Institute in 2011 which further exacerbated the drop in operating revenue.
- Inability of the GUA Board to adopt an operating budget and establish rates, fees and charges sufficient to cover operating costs and deferred necessary capital improvements.

As a result of such occurrences, the County filed suit against the GUA in 2012, seeking equitable relief in the form of an appointed receiver to assume control of the GUA and take necessary action to address the GUA's financial problems. In the interim, to address these concerns, the Cities and the County have been negotiating amendments to the GUA Interlocal Agreement that will allow the County to absorb the GUA into its Department and assume the existing indebtedness of the GUA, which is presently approximately \$22.8 million. All of such assumed debt would become debt of the County secured by the Net Revenues of the System on a

subordinate basis to that of the Bonds. As of October 2, 2012, two of the three Cities' respective councils had adopted a resolution to move forward with absorption. Approval of the third City Council is pending. [The Board of County Commissioners approved the proposed absorption on January 15, 2013, with an anticipated transfer date of March 31, 2013.]

The absorption of the GUA into the Department is not expected to result in an increase in the System's overall rates. The rate previously imposed by the GUA (the "GUA Rate") which is currently in excess of the overall County rate, is expected to remain in place and fixed for a period of eight years from the transfer date, whereupon the GUA Rate will no longer be applicable and the overall indexed County rate, plus seven percent (7%), will thereupon be applicable to those residents previously served by the GUA. The additional seven percent billed and collected from customers in the GUA service area will be used to make certain required payments to the cities formerly a part of the GUA. As part of the proposal for the County to absorb the GUA, the County is expected to agree to make a minimum capital contribution of \$25,000,000 to be spent repairing and replacing the GUA utility system in the five years following the transfer date.

The GUA utility system is the subject of several consent orders with FDEP. See "Government Regulation – GUA Consent Orders", below.

Government Regulation

The System is subject to federal and state regulation. At the federal level, regulatory jurisdiction is vested in the Environmental Protection Agency ("EPA"). The FDEP is the State agency with authority over water treatment and wastewater disposal.

Water Supply Regulation.

1. Federal. All water supply systems in the United States which provide water to at least 15 service connections or 25 individuals are subject to the provisions of, and to regulation by the EPA under the Safe Drinking Water Act (the "SDWA"). The EPA has promulgated nationwide drinking water regulations which specify the maximum level of harmful contaminants allowed in drinking water and which govern the construction, operation and maintenance of water supply systems as required by SDWA.

2. State. Under the terms of the SDWA, a state has primary enforcement responsibility for public water systems if the EPA determines that the state's drinking water regulations are at least as stringent as the federal drinking water regulations. Florida has adopted all of the primary and secondary regulations promulgated by the EPA pursuant to the SDWA as part of its drinking water program. Consequently, regulation of the water system is primarily under the jurisdiction of the State of Florida. The Department's water system has consistently met all FDEP requirements.

Wastewater Regulations.

Federal. The provisions of the Federal Water Pollution Control Act, the Clean Water Act of 1977 (the "Clean Water Act"), the Marine Protection, Research and Sanctuaries Act of 1972 ("MPRSA") and related regulations affect the wastewater system. Federal enforcement of these statutes is entrusted to EPA.

Under the Clean Water Act, EPA administers an extensive program of federal capital construction grants (the "Construction Grants Program") and oversees compliance with regulations and guidelines it has promulgated concerning (i) wastewater treatment plant construction, operation, maintenance, upgrading and rehabilitation, (ii) introduction of toxins and other pollutants into wastewater treatment facilities and (iii) pollutant discharges from all point sources. Included in that regulatory framework is the National Pollutant Discharge Elimination System ("NPDES") Permit Program and the issuance of wastewater treatment plant operating permits. The required NPDES permit and a state permit have been combined into one permit issued by DEP.

The Clean Water Act also directs the EPA to address the problem of discharges of toxins and other substances that must be met by specific industries ("Categorical Standards") and has directed that publicly-owned treatment facilities establish and enforce industrial pretreatment programs.

The EPA pursuant to the Clean Water Act has recently promulgated rules establishing numeric criteria for certain nutrients (specifically, phosphorous and nitrogen) for both flowing waters and marine waters in Florida. The Department is uncertain at this time of whether the new limits will be lower than that currently achieved by advanced wastewater treatment processes in place in Florida, which could necessitate mandatory upgrades to meet the new criteria. The Department is likewise unable to predict at this time whether and when new, more stringent criteria will be imposed and what impact, financial and otherwise, the same might have on the Department and the System.

State. State regulations set forth various permitting requirements applicable to the wastewater system. Construction of new wastewater facilities or the modifications of existing facilities requires a construction permit issued by the FDEP. Prior approval from the FDEP is required to place new collection and transmission systems into operation. In addition, operation of all treatment and disposal facilities requires an operating permit from the FDEP.

State regulations establish various standards with which the System must comply in operating the wastewater system. The regulations set forth (i) criteria and standards for the FDEP in granting permits to construct or modify domestic wastewater facilities, including specific guidelines for the design and construction of gravity wastewater systems and collection and transmission systems; (ii) criteria for the discharge of domestic wastewater effluent to certain wetlands; and (iii) standards for treating wastewater before discharge into disposal systems, surface waters, spray irrigation, ocean outfalls or underground geological formations.

In addition to the water effluent limitations set forth above, all activities of the System and all discharges from the wastewater system and the Department's stormwater drainage system must also meet certain water quality-based effluent limitations. The regulations prohibit the FDEP from issuing a permit for a discharge to the waters of the State unless the FDEP has established an effluent limit for those pollutants in the discharge that are present in quantities or concentrations that can reasonably be expected to cause or contribute to a violation of the water quality standards for the State's public water supply.

In addition, the regulations require owners of wastewater treatment plants to provide monthly reports concerning the composition, concentration and treatment of the wastewater from the treatment plants. The regulations set forth a schedule of required sampling of effluent discharge for the following: flow, ph-chlorine residual, biochemical oxygen demand, suspended solids and fecal coliform. Failure to maintain records of such sampling and to correct such failure shall subject the wastewater treatment plant to revocation of its permit.

GUA Consent Orders. In November 2010, the GUA and FDEP entered into Consent Order No. 09-3928 with respect to facilities previously owned by the Cities of Belle Glade, South Bay and Pahokee that were transferred to the GUA upon the creation of the GUA, which facilities were in violation of FDEP rules and permits due to lack of maintenance or improper operation by such Cities prior to their transfer to the GUA. The Consent Order requires the GUA to limit certain injection wellhead pressures and effluent flows at GUA facilities, and specifies that reports shall be made every six months to the FDEP on the status of and progress of projects stated therein. The County believes that the GUA has made some progress in complying with the terms of the Consent Order, and expects that, assuming the absorption of the GUA by the Department is finalized as anticipated the County will be able to meet the requirements of Consent Order No. 09-3928.

In August 2012, the GUA and FDEP entered into Consent Order No. 11-1288 with respect to the apparent malfunctioning of a monitoring well governing the deep-well injection of treated effluent from the Lake Region Water Treatment Plant. Pursuant to the terms of the Consent Order, the GUA is required to either rehabilitate or replace the existing monitoring well and upgrade instrumentation and controls associated therewith. The County expects that it will, assuming it acquires the GUA as aforesaid, be able to meet the requirements of Consent Order No. 11-1288.

Capital Asset Reinvestment Needs

The Department recognizes that across the nation there is a severe shortfall in available funding for the renewal and replacement of aging infrastructure. Consultants to the Department have estimated that the cost to replace Department assets will be \$3.1 billion (future dollars) with the bulk of that reinvestment beginning in about 20 years. Department water, wastewater and reclaimed water assets average between 5 and 50 years of age and several of the Department's older plants have already been replaced. The Department maintains an asset management program to routinely identify those assets posing the greatest risks and consequences of failure, and works actively to identify and prioritize capital projects to address these risks. Due to recent staff-intensive activity regarding the FPL and GUA projects, a number of System renewal and

replacement projects have been rolled over to future years. The Department recognizes that infrastructure renewal and replacement will become a larger part of its capital improvement plan in coming years. Operational cash flow was sufficient to fund \$___ million and \$___ million of renewal and replacement costs for Fiscal Years 2014 and 2013, respectively.

The Department is developing a long-term financial strategic plan to secure funding sources for renewal and replacement of capital investments. The plan covers a period during which most of the existing assets will reach the end of their service life. This plan relies on three sources of capital: debt financing, current revenues from rates, and annually funded depreciation reserves. A foundational requisite of the plan is the continued annual indexing of user charges as has been done by the Department each year since 2008. See "Rates", below.

Capital Improvement Program

The Department's Capital Improvement Program for the Fiscal Years ending 2015-2019 includes \$_____ for water, wastewater, and reclaimed water improvement projects and is designed to meet existing and projected service needs. The Capital Improvement Program is prepared by the Department and is reviewed and updated from time to time. The following table shows the principal construction and improvement projects included in the 2015-2019 Capital Improvement Program, which will be funded from current income, cash reserves, and grants.

<u>Capital Project Description</u>	<u>Projected Amount</u>
Water Treatment Plant Improvements	
Wellfield Improvements	
Wastewater Treatment Plant Improvements	
ECR Facility	
Sludge Pelletization Facility	
Transmission Main Improvements	
New Collection Piping and Rehab	
Lift Stations Rehab	
New Regional Pump Station	
Reclaimed Water Mains	
Special Assessment Program	
FPL Reclaimed Water Project	
Utility Relocations	
Land and Building	
GUA System Improvements	
GUA Grant Projects	

Total

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.

As indicated above, beginning on October 1, 2008, Base Facility Fees and Commodity Fees have been indexed annually based on three-fourths of the Water and Sewerage Maintenance CPI as measured from July to July.

**RATE CHANGES
October 2009 to October 2014**

	<u>10/1/2009⁽¹⁾</u>	<u>10/1/2010</u>	<u>10/1/2011</u>	<u>10/1/2012</u>	<u>10/1/2013</u>	<u>10/1/2014</u>
Residential 5/8"						
4,000 gallons	\$ 31.75	\$ 33.56	\$ 34.99	\$ 36.72		
6,000 gallons	43.01	45.46	47.39	49.72		
10,000 gallons	65.53	69.26	72.19	75.72		
Non-residential						
5/8"						
9,000 gallons	\$ 69.81	\$ 73.75	\$ 76.81	\$ 80.51		
20,000 gallons	111.83	118.13	125.32	131.39		
50,000 gallons	260.63	275.33	291.22	303.29		

⁽¹⁾ Reflects the 15% surcharge referenced above.

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**Palm Beach County
Water Utilities Department
Consumer Price Index - Water & Sewer Maintenance***

	<u>100% of Water & Sewer Maint.</u>	<u>75% of Water & Sewer Maint.</u>	<u>Consumer Price Index</u>
2010	7.57%	5.68%	1.24%
2011	5.68%	4.26%	3.63%
2012	6.46%	4.85%	1.41%
2013			
2014			

*The Department measures the CPI from July – July, so the index will differ from that commonly used year over year.

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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.

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>			
<u>Multi-Family</u>			
Fee assessed per dwelling unit (DU) for all meter sizes	\$8.92	\$ 13.43	\$ 22.35
<u>Single Family</u>			
Fee assessed per meter as follows: Meter Size			
5/8" meter	11.97	13.43	25.40
1" meter	29.23	39.62	68.85
1½" meter	43.72	60.85	104.57
2" meter	91.15	133.05	224.20
<u>Commodity (Usage) Fee</u>			
Per 1,000 gallons			
0 to 4,000 gallons	1.20	1.63	2.83
5,000 to 10,000 gallons	2.67	3.83	6.50
11,000 to 25,000 gallons	6.72	.00	6.72
Over 25,000 gallons	8.36	.00	8.36
		25.97	
<u>Wastewater Service Only</u>			

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>			
<u>Meter Size</u>			
5/8" x ¾" meter	\$ 22.51	\$ 28.30	\$ 50.81
1" meter	76.64	108.28	184.92
1 ½" meter	121.93	176.92	298.85
2" meter	206.85	317.05	523.90
3" meter	547.96	813.84	1,361.80
4" meter	845.19	1,245.53	2,090.72
6" meter			

Based on projected usage

Fire Lines

2" meter	13.31
3" meter	25.06
4" meter	41.75
6" meter	83.51
8" meter	133.62

Commodity Fee: 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	\$1.40	\$ 1.90	\$3.30
over 14,000 gallons	3.83	1.90	5.73
1 1/2" meter			
0-94,000 gallons	1.40	1.90	3.30
over 94,000 gallons	3.83	1.90	5.73
2" meter			
0-138,000 gallons	1.40	1.90	3.30
over 138,000 gallons	3.83	1.90	5.73
3" meter			
0-557,000 gallons	1.40	1.90	3.30
over 557,000 gallons	3.83	1.90	5.73
4" meter			
0-675,000 gallons	1.40	1.90	3.30
over 675,000 gallons	3.83	1.90	5.73
6" and above			
All usage	1.40	1.90	3.30
Wastewater Service Only		25.97	

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Reclaimed Water Rates

<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	\$2.87	\$5.85	\$0.24
Non-Residential: 5/8" x 3/4"	\$ 675	\$ 3.08	\$ 6.26	\$0.24
1"	3,600	16.44	33.39	0.24
1 1/2"	9,000	41.09	83.51	0.24
2"	19,350	88.34	179.53	0.24
3"	42,300	193.14	392.48	0.24
4"	115,650	528.05	1,073.06	0.24
6"	247,050	1,128.01	2,292.25	0.24
8"	439,200	2,005.34	4,075.11	0.24
10"	684,000	3,123.07	6,346.47	0.24

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

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, generally referred to 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. Reservations encompassing ten or more ERCs require a Standard Development Agreement ("SDA"). The County's policy on Guaranteed Revenue Fees 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 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 270 gallons per day of water with a 2.5 peaking factor and 216 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 October 1, 2012 as follows:

	<u>Current Fee Per ERC</u>
Water	\$ 16.61 per month
Wastewater	\$ 23.31 per month
Combined	\$ 39.92 per month

Guaranteed Revenue Fees are indexed each year based on three-fourths of the Water and Sewerage Maintenance CPI, as measured from July to July. 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

Set forth below is a table showing the Guaranteed Revenues received by the County over the past five Fiscal Years:

Guaranteed Revenue Receipts

<u>Fiscal Year</u>	<u>Receipts</u>
2010	\$2,484,613
2011	2,528,447
2012	4,010,517
2013	
2014	

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. Connection Fees were increased on April 1, 2009, and are as follows:

	<u>Water</u>	<u>Wastewater</u>	<u>Combined</u>	<u>Reclaimed Water</u>
<u>Single-Family</u>				
5/8" or 3/4" meter	\$1,500	\$2,500	\$4,000	N/A
1" meter	4,350	7,250	11,600	N/A
1 1/2" meter	6,750	11,250	18,000	N/A
2" meter	4,700	24,500	39,200	N/A
<u>Multi-Family</u>				
Per dwelling unit	\$1,050	\$1,750	\$2,800	N/A
Limited Service	600	1,000	1,600	N/A
<u>Non-Residential</u>				
5/8" or 3/4" meter	\$2,250	\$3,750	\$6,000	\$675
1" meter	8,700	14,500	23,200	3,600
1 1/2" meter	15,000	25,000	40,000	9,000
2" meter	24,375	40,625	65,000	19,350
3" meter	65,550	109,250	174,800	42,300
4" meter	100,200	167,000	267,200	115,650
6" meter		Based on Usage		247,050
8" meter		Based on Usage		439,200
10" meter		Based on Usage		684,000

Fire Lines

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 County's rate and financial consultants have performed a study which determined the percentage of the proceeds of prior outstanding Bond issues 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" and "FLOW OF FUNDS -- Connection Fees" 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.

Set forth below is a table showing Connection Fees received over the last five Fiscal Years:

Connection Fee Receipts

Year Ended/ Ending <u>Sept. 30</u>	Total Connection <u>Charges</u>	Annual Debt <u>Service</u>	<u>Percentage</u>	Connection Fees Expansion Available for <u>Debt Service</u>
2010	\$5,224,365	\$21,569,802	62.9%	\$5,224,365
2011	4,667,389	19,898,598	62.9	4,667,389
2012	7,394,115	15,778,137	62.9	7,394,115
2013				
2014				

Source: Palm Beach County Water and Sewer Department

Projected Rate Increases

In developing the Capital Improvement Program and the table of "PROJECTED FINANCIAL OPERATIONS" contained herein, the Department has included projected 3% rate increases in monthly service charges and Guaranteed Revenue fees effective each year on October 1. The actual increases currently programmed into the County's rate structure will be based on three-fourths of the Consumer Price Index, Water and Sewerage Maintenance, measured from July to July.

Consulting Engineer's Report

The County previously retained Mathews Consulting, Inc. (the "Consulting Engineer") to prepare biennial continuing disclosure reports describing the County's Water and Sewer System and the proposed Capital Improvement Program (CIP) for the period 2013 through 2019. The 2014 Consulting Engineer's Report is attached hereto as Appendix D.

Based upon its Report, the Consulting Engineer concluded that:

- Each of the water treatment facilities was inspected and background performance information reviewed. In general, it was found that the facilities are being well operated and maintained, and are performing in accordance with good industry practice. The water treatment facilities satisfy State and Federal water quality standards. Plant personnel stated they have a formal program of scheduled preventive maintenance, and

the work is generally performed in accordance with manufacturer's recommendations. Maintenance performed on each equipment component is documented and a written log is maintained. The condition and general appearance of the water treatment plant facilities clearly indicates that an effective maintenance program is in use.

The two wastewater treatment facilities (SRWRF and ECRWRF) and one reclaimed water treatment facility (CRRWF) were inspected and found to be in very good, (CRRWF), good (SRWRF) or fair (ECRWRF) operating condition and well maintained. The effluent for each of the plants meets the required State standards. All the regional pumping facilities were also inspected and found to be in very good condition with the exception of Pumping Facility 5236 and 5241 which are both in fair condition and are operated in "standby" status. The treatment plants and pumping facilities have a formal scheduled preventive maintenance program that is performed in accordance with the manufacturer's recommendations. Maintenance performed at each facility is documented and maintained in an electronic log.

Top Ten Customers

The following table shows the top ten customers of the System for Fiscal Year 2014.

**Palm Beach County
Water Utilities
Top 10 Customers 2014**

<u>Customer</u>	<u>Operating Revenues (in thousands)</u>	<u>%</u>	<u>Customer Type</u>
1 Glades Utility Authority	\$	%	Utilities Operation ⁽¹⁾
2 Century Village West			Retail
3 Florida Power & Light			Bulk
4 Palm Beach County Schools			Retail
5 Palm Beach County Sheriff			Retail
6 City of Boynton Beach			Bulk
7 Casa Del Monte			Retail
8 Hometown Lake Worth			Retail
9 Village of Palm Springs			Bulk
10 Palm Beach County Parks			Retail
Total			

Source: Palm Beach County Water and Sewer Department.

⁽¹⁾ See "Major Initiatives", above.

COMPARISON OF UTILITY RATES⁽¹⁾

<u>Utility</u>	<u>Rate Per 7,000 Gallons/Water & Sewer</u>
	\$
GUA	
Boca Raton	
Village of Golf	
Palm Springs	
Lantana	
West Palm Beach	
Town of Palm Beach	
Lake Worth	
Delray Beach	
Wellington	
City of Atlantis	
Seacoast Utility Authority	
Palm Beach County	
Royal Palm Beach	
Boynton Beach	
Riviera Beach	
Jupiter/Loxahatchee	

Source: Palm Beach County Water and Sewer Department.

⁽¹⁾ As of October 1, 2014.

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ANNUAL DEBT SERVICE REQUIREMENTS

Bond Year Ending October 1	Series 2006B Bonds	Series 2009 Bonds	GUA Debt Service⁽¹⁾	Series 2015 Bonds	Series 2015 Bonds	Total
2015	\$2,339,800	\$4,040,988	\$2,556,333	\$3,497,200		
2016	2,342,000	4,044,313	2,553,693	3,497,200		
2017	2,340,413	4,040,713	2,549,170	3,497,200		
2018	-	4,045,113	2,547,562	6,637,200		
2019	-	4,044,863	1,765,624	6,651,600		
2020	-	4,040,325	3,332,305	6,652,600		
2021	-	4,040,825	726,299	6,635,350		
2022	-	4,042,325	726,299	6,631,350		
2023	-	4,042,125	726,299	6,641,750		
2024	-	4,040,875	726,299	6,656,250		
2025	-	4,040,125	726,299	6,651,750		
2026	-	4,044,700	726,299	6,652,250		
2027	-	4,044,700	726,299	6,647,000		
2028	-	4,043,938	663,997	6,645,750		
2029	-	4,042,138	663,997	6,637,750		
2030	-	4,044,038	169,344	6,637,750		
2031	-	4,044,113	139,286	6,639,750		
2032	-	4,042,100	139,286	6,648,000		
2033	-	4,042,738	139,286	6,646,500		
2034	-	4,040,500	-	-		
2035	-	4,043,000	-	-		
2036	-	4,042,500	-	-		
2037	-	4,043,750	-	-		
2038	-	211,250	-	-		
2039	-	211,250	-	-		
2040	-	4,436,250	-	-		

⁽¹⁾ The GUA debt is secured by and payable from the Net Revenues and Connection Fees on a subordinate basis to the Bonds.

HISTORICAL FINANCIAL OPERATIONS

The table that follows shows actual operating data of the Water and Sewer System for Fiscal Years ended September 30, 2008 through 2012.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014⁽¹⁾</u>
<u>Operating Revenue:</u>					
Charges for services	\$136,263,411	\$146,522,511	\$148,390,799		
Other operating revenue	5,353,202	5,039,062	5,379,318		
Total operating revenue	141,616,613	151,561,873	153,770,117		
Total operating expenses excluding depreciation and equity interest in net loss of joint venture	90,888,979	99,590,580 ⁽²⁾	100,798,052		
Net operating income	50,727,634	51,971,293	52,972,065		
Non-operating ⁽³⁾	10,539,274	7,659,951	9,598,962		
Net revenues	61,266,908	59,631,244	62,571,027		
Connection fees available for debt service ⁽⁴⁾	5,224,365	4,667,389	7,394,115		
Net Revenues and Connection Fees	66,491,273	64,298,633	69,965,142		
Debt Service	21,569,802	19,898,598	15,728,137		
Coverage by Net Revenues and Connection Fees available for debt service	3.08	3.23	4.45		
Coverage by Net Revenues, excluding Connection Fees	2.84	3.00	3.98		

⁽¹⁾ Unaudited.

⁽²⁾ The Department attributes the increase in operating expenses in Fiscal Year 2009 to budgetary authority relating to the GUA, and the increase in Fiscal Year 2011 an attempt to catch up with reduced (non-GUA-related) budgets in the prior three fiscal years.

⁽³⁾ FPL has pledged to make capital payments sufficient to pay annual principal and interest on the Series 2009 Bonds under the terms of the agreement between the County and FPL dated May 20, 2008, which are included herein.

⁽⁴⁾ Defined as the lesser of total annual debt service or 62.9% of annual connection fees.

PROJECTED FINANCIAL OPERATIONS

The table that follows shows projected operating data of the Water and Sewer System to Fiscal Years ending September 30, 2015 through 2019. See "APPENDIX E -- Report of the Rate Consultant", for additional information.

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<u>Operating Revenue:</u>					
Charges for Services	\$172,527,366	\$178,054,620	\$183,950,638		
Other	<u>5,542,000</u>	<u>5,597,000</u>	<u>5,653,000</u>		
Total	178,069,366	183,651,620	189,603,638		
Operating Expenses	128,291,048	133,299,928	138,510,230		
Net Operating Income	49,778,318	50,351,691	51,093,407		
<u>Non-Operating Revenue (Expense):</u>					
Guaranteed Revenues	4,834,154	5,162,973	5,507,172		
Interest Income	4,283,508	4,138,880	4,120,401		
FPL Capital Fees ⁽¹⁾	1,270,000	1,340,000	1,390,000		
FPL Interest, Coverage & R&R Fees	3,978,797	3,895,661	3,828,436		
Miscellaneous	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>		
	14,866,458	15,037,515	15,346,008		
Net Revenues Available for Debt Service	64,644,776	65,389,206	66,439,416		
Connection Fees Available for Debt Service ⁽²⁾	6,900,000	6,900,000	8,000,000		
Net Revenues and Connection Fees	71,544,776	72,289,206	74,439,416		
Long-Term Debt Service ⁽³⁾	16,670,556	16,640,591	16,641,810		
Coverage ⁽³⁾ :					
Including Available Connection Fees	4.29	4.34	4.47		
Excluding Available Connection Fees	3.87	3.93	3.99		

Source: Environmental Financial Group, Inc.

⁽¹⁾ FPL has pledged to pay capital fees sufficient to pay annual principal and interest on the Series 2009 Bonds under the terms of the agreement between the County and FPL dated May 20, 2008.

⁽²⁾ Defined as the lesser of total annual debt service or 62.9% of annual connection fees.

⁽³⁾ Includes debt service associated with and coverage of the GUA debt, which is secured on a subordinate basis to the Bonds.

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 also not included below.

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 the stated maturity 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 2015 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 2015 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 2015 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 2015 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 a Reserve Account Insurance Policy Providers is 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 therefor is not in excess of one-quarter of one percent ($1/4$ 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 ($1/4$ 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 & Comptroller 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 therefor 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, or 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 Holders 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.

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 2015 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 2015 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 2015 Bonds and required payments of the Rebate Amount with respect to the Series 2015 Bonds for at least six (6) years after the final maturity of the Series 2015 Bonds or such other period as shall be necessary to comply with the Code;
- (e) to refrain from using proceeds of the Series 2015 Bonds issued hereunder in a manner that might cause the Series 2015 Bonds thereof to be classified as private activity bonds under Section 141(a) of the Code; and
- (f) to refrain from taking any action that would cause the Series 2015 Bonds to become arbitrage bonds under Section 148 of the Code.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

At the time of delivery of the Series 2015 Bonds, _____, Certified Public Accountants, as verification agent will deliver a report on the mathematical accuracy of the computations contained in schedules provided and prepared by Public Financial Management, Inc., on behalf of the County relating to (a) the sufficiency of the anticipated cash and maturing principal amounts and interest on the U.S. Obligations held by the Escrow Agent to pay, when due, the principal of and interest on the Refunded Bonds through and including their redemption dates, and (b) the "yield" on the Series 2015 Bonds and on the U.S. Obligations considered by Bond Counsel in connection with their opinion that the Series 2015 Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code, as amended.

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 2015 Bonds or in any way contesting the validity of the Series 2015 Bonds or any proceedings of the County taken with respect to the authorization, sale or

issuance of the Series 2015 Bonds or the pledge or application of any moneys provided for the payment of or security for the Series 2015 Bonds.

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 2015 Bonds in order that interest on the Series 2015 Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Series 2015 Bonds to be included in federal gross income retroactive to the date of issuance of the Series 2015 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 2015 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 2015 Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2015 Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Series 2015 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 2015 Bonds may be subject to the federal alternative minimum tax when any Series 2015 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 2015 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 2015 Bonds. Prospective purchasers of Series 2015 Bonds should be aware that the ownership of Series 2015 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 2015 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 2015 Bonds; (iii) the inclusion of interest on Series 2015 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 2015 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 2015 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 2015 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 2015 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 2015 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 2015 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 2015 Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Series 2015 Bonds and proceeds from the sale of Series 2015 Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2015 Bonds. This withholding generally applies if the owner of Series 2015 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 2015 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 2015 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

2015 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 2015 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 2015 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 2015 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 2015 Bonds. Prospective purchasers of the Series 2015 Bonds should consult their own tax advisors as to the tax consequences of owning the Series 2015 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 Bond Premium

The difference between the principal amount of the Series 2015 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 all of the Series 2015 Bonds were 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 Series 2015 Bonds, which ends on the earlier of the maturity or call date for each of the Series 2015 Bonds which minimizes the yield on the Series 2015 Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Series 2015 Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Series 2015 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 the Series 2015 Bonds. Bondholders are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning the Series 2015 Bonds.

UNDERWRITING

The Underwriter, _____, has agreed, subject to certain conditions customary to closing, to purchase the Series 2015 Bonds from the County at an aggregate purchase price of \$_____ (which represents the \$_____ aggregate principal amount of the Series 2015 Bonds, plus original issue premium of \$_____ and less an Underwriter's discount of \$_____). The Underwriter will be obligated to purchase all the Series 2015 Bonds if any are purchased. The Series 2015 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 Underwriter.

LEGAL MATTERS

Certain legal matters in connection with the issuance of the Series 2015 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 "C" will be attached on the Series 2015 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 Underwriter by _____, _____, Florida, Counsel to the Underwriter. Bond Counsel, Disclosure Counsel and Counsel to the Underwriter will receive fees for services provided in connection with the issuance of the Series 2015 Bonds, which fees are contingent upon the issuance of the Series 2015 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 2015 Bonds, Bond Counsel will opine that (i) the statements in the portions of the Official Statement captioned "DESCRIPTION OF THE SERIES 2015 BONDS," "SECURITY FOR THE SERIES 2015 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," and "SUMMARY OF CERTAIN PROVISIONS OF THE RESOLUTION" to the extent such sections purport to summarize portions of the Resolution and the Series 2015 Bonds, such statements constitute correct summaries of the portions of the Resolution and the Series 2015 Bonds purported to be summarized, and (ii) the statements made under the caption "TAX MATTERS" are correct.

The legal opinions to be delivered concurrently with the delivery of the Series 2015 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 "___" (_____)

outlook), "_____" (____ outlook) and "_____" (____ outlook) respectively, to the Series 2015 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 2015 Bonds.

FINANCIAL ADVISOR

Public Financial Management, Inc., Orlando, Florida, and Spectrum Municipal Services, Inc., Palm Beach Gardens, Florida, are acting as co-financial advisor to the County in connection with the issuance of the Series 2015 Bonds. The financial advisor will receive a fee for services rendered in connection with the issuance of the Series 2015 Bonds, which fee is contingent upon such issuance.

FINANCIAL STATEMENTS

The audited financial statements of the Department for the fiscal years ended September 30, 2012 and September 30, 2013 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 2015 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 2015 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 2015 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 the Municipal Securities Rulemaking 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, a "MSIR"), 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, 2014, 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. (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 not in excess of ten business days after the occurrence of the event, to each MSIR, notice of the occurrence of any of the following events with respect to the Series 2015 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 or liquidity providers, or their failure to perform;*
- (vi) adverse tax opinions, IRS notices or events affecting the tax status of the Series 2013 Bonds;
- (vii) modifications to rights of the holders of the Series 2015 Bonds, if material;
- (viii) bond calls, if material;
- (ix) defeasances (in whole or in part) of Series 2015 Bonds;
- (x) release, substitution, or sale of property securing repayment of the Series 2015 Bonds;
- (xi) rating changes;
- (xii) tender offers;
- (xiii) bankruptcy, insolvency, receivership or similar event;
- (xiv) merger or consolidation or acquisition regarding the County, if material; and

- (xv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

* Not applicable to the Series 2015 Bonds.

(c) Notice of Failure. The County agrees to provide or cause to be provided, in a timely manner, to each MSIR, 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 2015 Bonds (within the meaning of the Rule). If the County believes such condition exists, the County will provide notice of such termination to each MSIR.

(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 2015 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 thereunder and any failure by the County to comply with the provisions of such undertaking shall not be an event of default with respect to the Series 2015 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 2015 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) The amendment or waiver 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 2015 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 2015 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 term "beneficial owner" used in paragraph (c) above shall mean any person which (i) has the power, directly or indirectly, to rate 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.

The County was late in filing annual financial data and operating data concerning the System for Fiscal Years 2008, 2009 and 2011 with respect to prior debt secured by the Net Revenues of the System, the longest of which delays was approximately one month. The County was also late in filing annual financial data and operating data concerning the County's outstanding Airport Bonds for Fiscal Years 2008, 2009 and 2011, the longest of which delays was seven months. In addition, the County failed to file notices of ratings downgrades by Moody's, S&P and Fitch of insured ratings on insured County Airport Bonds. The failures to file the ratings downgrades was cured on January 23, 2013. The County was late in filing its annual disclosure information for its outstanding Public Improvement, Criminal Justice, Stadium, Revenue (North County Courthouse) and Parks and Recreation Bonds for Fiscal Year 2009 by eight days. In addition, the County was late in filing its annual Consolidated Annual Financial Reports for its outstanding General Obligation Bonds for Fiscal Year 2009, also by eight days. The County has taken action to ensure that all future filings are made in a timely fashion.

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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.

Concurrently with the delivery of the Series 2015 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 2015 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 Mayor and by the County Administrator have been duly authorized by the Board of County Commissioners.

PALM BEACH COUNTY, FLORIDA

Mayor, Board of County Commissioners

County Administrator

APPENDIX A

**COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE DEPARTMENT FOR
FISCAL YEARS ENDED SEPTEMBER 30, 2012 AND 2013**

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 County's Home Rule Charter became effective in 1985. The Home Rule Charter 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 year, Commission members elect a mayor 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	Hal Valeche	November 2012	November 2016
No. 2	Paulette Burdick	November 2014	November 2018
No. 3	Shelley Vana	November 2012	November 2016
No. 4	Steven L. Abrams	November 2014	November 2018
No. 5	Mary Lou Berger	November 2012	November 2016
No. 6	Melissa McKinlay	November 2014	November 2018
No. 7	Priscilla A. Taylor	November 2012	November 2016

County Officials

Shelley Vana, Mayor, Board of County Commissioners

[TO COME]

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 M. 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."

- 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 landed weight at PBIA in the 12 months ended November 2012 was 3,466,379 (thousand pounds) and the total number of passengers was 5,600,307, down 3.3% from the previous year. PBIA also serves general aviation traffic, and there are five general aviation airports in the County.

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Population

In 2011, 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>
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
2012						
2013						

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
2013

	<u>Average Annual Employment</u>	<u>Percent of Total</u>
All Industries		
Agriculture, Forestry, Fishing and Hunting		
Mining		
Utilities		
Construction		
Manufacturing		
Wholesale Trade		
Retail Trade		
Transportation and Warehousing		
Information		
Finance and Insurance		
Real Estate and Rental Leasing		
Professional, Scientific and Technical Services		
Management Companies and Enterprises		
Administration and Support		
Educational Services		
Health care and social assistance		
Arts, Entertainment and Recreation		
Accommodation and Food Services		
Other Services		
Unclassified		

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>	Palm Beach County	<u>Palm Beach County</u>	<u>Unemployment Rates</u>	
	<u>Civilian Labor Force</u>		<u>Florida</u>	<u>United States</u>
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
2012				
2013				

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.

Retirement Plans and Other Post Employment Benefits

Florida Retirement System. The County participates in the Florida Retirement System ("FRS"), a cost-sharing, multi-employer public employee retirement system administered by the State of Florida Department of Management Services, Division of Retirement, which was created December 1, 1970. The FRS was non-contributory by employees until July 1, 2011, as more particularly described below. FRS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The benefits are established by Florida Statutes, Chapter 121, and may only be amended by the State Legislature.

During its 2011 regular session, the State Legislature adopted legislation that makes significant changes to the FRS with respect to employee contributions and employer contributions, among other items. Effective July 1, 2011, all members of the FRS are required to contribute 3% of their gross compensation toward their retirement. In addition, the legislation reduces the required employer contribution rates for each membership class and subclass of the FRS. For Fiscal Year 2010-11, contribution rates ranged from 7.91% to 17.10% of annual covered payroll. Under the adopted legislation, employer contribution rates range from 4.91% to 14.10% of annual covered payroll. Additionally, the act eliminates the cost of living adjustment for all FRS employees for service earned on or after July 1, 2011, although the act does contemplate reinstatement of the adjustment in 2016 under certain conditions.

The other changes to the FRS contained in the legislation only apply to employees who are initially enrolled in the FRS on or after July 1, 2011. For personnel entering the FRS on and after July 1, 2011, the following changes apply: the average final compensation upon which retirement benefits are calculated will be based on the eight highest (formerly five highest) fiscal years of compensation prior to retirement, the Deferred Retirement Option Plan (DROP) is maintained but the interest accrual rate will be reduced from 6.5% to 1.3%, the normal retirement age is increased from 62 to 65 and the years of creditable service is increased from 30 to 35 and the vesting period is increased to eight years (formerly six).

As stated above, the contribution requirements of the County are established and can only be amended by the State Legislature. The County's contribution to FRS for the years ended September 30, 2011, 2010, and 2009 were \$93.5 million, \$100.5 million and \$97.4 million, respectively, which is equal to the required contribution for each year. The 2009 and 2010 figures were restated to take into consideration the change in status of the Solid Waste Authority to a component unit from part of Primary Government. For a more detailed description of FRS, please see the County's Comprehensive Annual Financial Report for Fiscal Year 2011, available at <http://www.co.palm-beach.fl.us>.

Palm Tran, Inc. Defined Benefit Plan. Palm Tran, Inc. was created by Resolution 95-1636D of the County pursuant to Chapter 617, Florida Statutes for the purpose of providing public transportation in the County. The Board of Palm Tran, Inc. consists of the seven members of the Board of County Commissioners of the County. Amalgamated Transit Union Local 1577 (Palm Tran) has a separate pension plan that is a mandatory contribution, single-employer, defined benefit retirement program (the "Palm Tran Plan"). The Palm Tran Plan is administered by the Pension Resource Center and provides retirement, disability and death benefits to plan members and beneficiaries. The Board of Trustees of the Palm Tran Plan has the authority to establish and amend benefit provisions. The Palm Tran Plan issues a stand-alone, publically available financial report. The County has no fiduciary responsibility with respect to the Palm Tran Plan.

Contribution requirements of Palm Tran Plan members and Palm Tran, Inc., are established by the Pension Trust Agreement and may be amended by the Board of Trustees. Members are required to contribute 2.5% of their annual covered payroll and Palm Tran, Inc. is required to contribute 15.7% of annual covered payroll. The County provides funds to Palm Tran, Inc. for operations.

As of January 1, 2011, the most recent actuarial valuation date, the Palm Tran Plan was 65.2% funded. The actuarial accrued liability for benefits was \$83.6 million, and the actuarial ("UAAL") of \$29.1 million, and the ratio to covered payroll was 114.0%. For a description of the actuarial methods and assumptions, see the County's Comprehensive Annual Financial Report for Fiscal Year 2011 described above.

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According to the actuarial valuation, the annual pension cost and net pension obligation as of September 30, 2011 were as follows:

Annual Pension Cost and Net Pension Obligation

Annual Required Contribution (ARC)	\$ 8,218,532
Interest on net pension obligation	217,510
Adjustment to ARC	<u>153,435</u>
Annual pension cost	8,589,477
Contributions made	<u>(3,294,481)</u>
Increase (decrease) in net pension obligation	5,294,996
Net pension beginning of Fiscal Year	<u>2,718,873</u>
Net pension end of Fiscal Year	<u>\$8,013,869</u>

**Palm Tran, Inc. Pension Plan
Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/01/09	\$44,799,056	\$68,301,400	\$23,502,344	65.6%	\$24,611,065	95.5%
1/01/10	51,323,623	76,463,660	25,140,037	67.1	25,386,904	99.0
1/01/11	54,522,208	83,602,521	29,080,313	65.2	25,497,963	114.0

Source: Palm Beach County, Florida Comprehensive Annual Financial Report For Fiscal Year ended September 30, 2011.

Lantana Firefighter's Defined Benefit/Contribution Plan. The County employs the firefighters of the Town of Lantana (the "Lantana Firefighters"). The Lantana Firefighters pension plan is the Lantana Firefighter's Pension Fund ("LFPF"), which consists of a combined defined benefit and defined contribution pension plan. The LFPF is governed by a Board of Trustees consisting of representatives of the firefighters and the Town of Lantana (the "Town"). The LFPF provides a defined benefit retirement annuity to retiring participants and also provides a defined contribution retirement benefit in the form of a share accounts, payable upon retirement, death or disability. The County does not perform the investment function or have significant administrative involvement in the LFPF. The administrator for the LFPF is Pension Resource Center LLC.

Funding of the LFPF is accomplished by contributions made by members of ten percent (10%) of their salary, an excise tax imposed by the Town pursuant to Chapter 175, Florida Statutes, in the amount of 1.85% tax on fire insurance premiums paid to insure real or personal property within the corporate limits of the Town, of which 100% is allocated to the defined benefit portion of the LFPF and a contribution by the County of an amount

determined by the Board of Trustees of the LFPP in conjunction with the actuary determination. The current rate of contribution is 62.52% of annual covered payroll.

As of September 30, 2010, the most recent actuarial valuation date, the LFPP was 78.2% funded. The actuarial accrued liability for benefits was \$24.7 million, and the actuarial value (AV) of assets was \$19.3 million, resulting in an unfunded actuarial accrued liability ("UAAL") of \$5.4 million, and the ratio to covered payroll was 249.1%. For a description of the actuarial methods and assumptions, see the County's Comprehensive Annual Financial Report for Fiscal Year 2011 described above.

Pursuant to the actuarial valuation, the annual pension cost and net pension obligation as of September 30, 2011 were as follows:

Annual Pension Cost and Net Pension Obligation

Annual Required Contribution (ARC)	\$1,430,327
Interest on net pension obligation	2,760
Adjustment to ARC	<u>4,240</u>
Annual pension cost	1,437,327
Contributions made	<u>(1,430,327)</u>
Increase (decrease) in net pension obligation	7,000
Net pension beginning of Fiscal Year	<u>34,505</u>
Net pension end of Fiscal Year	<u><u>\$41,505</u></u>

Lantana Firefighter's Pension Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/08	\$14,943,792	\$20,323,618	\$5,379,826	73.5%	\$2,625,962	204.9%
9/30/09	17,132,902	21,670,754	4,537,852	79.1	2,384,322	190.3
9/30/10	19,301,948	24,669,989	5,368,041	78.2	2,155,087	249.1

Source: Palm Beach County, Florida Comprehensive Annual Financial Report For Fiscal Year ended September 30, 2011.

Other Post Employment Benefits. In June 2004, the Governmental Accounting Standards Board ("GASB") issued Statement No. 45 ("GASB 45"), which addresses how state and local governments should account for and report their costs and obligations related to post-employment health care and other non-pension benefits referred to as other post-employment benefits ("OPEB"). GASB 45 generally requires that state and local government employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner they currently do for pensions. Annual OPEB cost for most state and local government employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide

sufficient resources to pay benefits as they become due. The provisions of GASB 45 established disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and for certain employers, the extent to which the plan has been funded over time. GASB 45 requirements first became effective for the County's Fiscal Year ending September 30, 2008.

The County has separate defined benefit post-employment healthcare plans that provide medical benefits to eligible retired employees and their dependents. The County also provides funding to the Sheriff's office from the County's general fund. The Sheriff has its own separate plan for its retirees and dependents. In addition, the Tax Collector, the Property Appraiser and the Clerk and Comptroller, as constitutional officers have their own plans which are administered by the employer for their employees. However, the Clerk and Comptroller's budgets are partially funded from the County's general fund, while the Tax Collector and Property Appraiser are funding through fees that the respective offices generate. The Solid Waste Authority is a separate legal entity and has a separate plan administered by it as the employer for its employees. The Supervisor of Elections and the Metropolitan Planning Organization participate in the County's plan. The Fire Rescue Union has a separate health plan that is a defined benefit plan with attributes similar to a defined contribution plan. Fire rescue services provided by the County are funded by a municipal service taxing unit created by the County pursuant to Section 125.01, Florida Statutes (the "MSTU"). The funding of the MSTU is pursuant to a tax levy (separate from the County's tax levy) only on those properties within the boundaries of the MSTU. The MSTU is a separate legal entity from the County under Florida law. The County is required under its collective bargaining agreement with the Fire Rescue Union to make contributions equal to 3% of the total current base annual pay plus benefits for the Fire Rescue employees. Such contributions are made from funds of the MSTU. The County only contributes to this plan and is not responsible for the custody of the assets of the plan.

With respect to the Fire Rescue Union's plan, contribution requirements of plan members and the employer are established and may be amended by the County or the union under the collective bargaining agreement. All constitutional officers and entities of the County are required by Florida Statute Section 112.08001 to allow their retirees and eligible participants to continue participation in the group insurance plan. In both the plan for the Sheriff and the Fire Rescue plan, in addition to the implicit benefit, those plans offer an explicit benefit.

The annual OPEB cost is calculated based on the annual required contribution ("ARC") of the employer, which is an amount actuarially determined in accordance with the parameters of GASB Statement 45. The following table shows the annual OPEB cost for the year, the percentage of OPEB cost contributed to each of the plans, and the net OPEB obligation as of fiscal year ended September 30, 2011 and the two preceding Fiscal Years:

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**PALM BEACH COUNTY, FLORIDA
HEALTHCARE PLANS
ANNUAL OPEB OBLIGATION**

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
County			
9/30/2009	\$ 1,273,000	85.0%	\$ 511,147
9/30/2010	1,205,000	92.8	598,206
9/30/2011	1,159,000	188.5	(427,805)
Tax Collector⁽¹⁾			
9/30/2009	\$ 171,075	0.0%	\$ 341,054
9/30/2010	152,303	0.0	493,357
9/30/2011	153,415	0.0	646,772
Property Appraiser⁽¹⁾			
9/30/2009	\$ 30,512	0.0%	\$ 60,074
9/30/2010	38,397	0.0	98,471
9/30/2011	39,647	0.0	138,118
Clerk & Comptroller⁽²⁾			
9/30/2009	\$ 522,000	95.2%	\$ 102,958
9/30/2010	413,000	92.4	134,482
9/30/2011	430,000	91.1	172,966
Sheriff			
9/30/2009	\$16,200,000	29.0%	\$22,500,000
9/30/2010	18,000,000	25.0	36,000,000
9/30/2011	19,250,000	26.6	50,120,000
Fire Rescue Union⁽¹⁾			
9/30/2009	\$12,288,000	34.2%	\$ 5,432,098
9/30/2010	12,974,000	35.1	13,848,359
9/30/2011	9,893,000	47.8	19,012,821

Source: Palm Beach County, Florida Comprehensive Annual Financial Report for Fiscal Year Ended September 30, 2011.

⁽¹⁾ Entities budgets are not funded through County's general fund.

⁽²⁾ A small portion of the Clerk's budget is partially funded through County's general fund.

The plans are financed on a "pay-as-you-go" basis. The schedule of funding progress for each of the plans is set forth in the table below:

**PALM BEACH COUNTY PRIMARY GOVERNMENT HEALTHCARE PLANS
SCHEDULE OF FUNDING PROGRESS**

County	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
County	10/1/2007	\$ -	\$14,638,000	\$14,638,000	0.0%	\$294,272,546	5.0%
	10/1/2009	-	14,760,000	14,760,000	0.0%	253,793,723	5.8%
Tax Collector	10/1/2007	-	1,433,513	1,533,513	0.0%	9,879,680	15.5%
	10/1/2009	-	1,208,095	1,208,095	0.0%	10,945,091	11.0%
Property Appraiser	10/1/2007	-	312,788	312,788	0.0%	14,237,382	2.2%
	10/1/2009	-	348,156	348,156	0.0%	14,286,192	2.4%
Clerk & Comptroller	10/1/2007	-	5,445,000	5,445,000	0.0%	35,755,864	15.2%
	10/1/2009	-	4,202,000	5,202,000	0.0%	27,581,451	18.9%
Sheriff	1/1/2008	-	169,700,000	169,700,000	0.0%	222,956,243	76.1%
	1/1/2010	-	190,600,000	190,600,000	0.0%	269,750,942	70.7%
Fire Rescue Union	10/1/2008	14,544,477	153,500,000	138,955,523	9.5%	108,788,372	127.7%
	10/1/2009	18,136,850	163,661,000	145,524,150	11.1%	119,353,006	121.9%
	10/1/2010	23,359,477	129,760,000	106,400,523	18.0%	132,643,996	80.2%

APPENDIX C

PROPOSED FORM OF BOND COUNSEL OPINION

APPENDIX D

CONSULTING ENGINEER'S REPORT FOR FISCAL YEAR 2014

APPENDIX E
REPORT OF THE RATE CONSULTANT