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**CITY OF MARATHON, FLORIDA
RESOLUTION 2007-108**

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARATHON, FLORIDA, AUTHORIZING THE NEGOTIATION OF A LOAN IN AN AGGREGATE AMOUNT NOT TO EXCEED \$11,500,000 FROM THE FLORIDA RURAL UTILITY FINANCING COMMISSION FOR THE PURPOSE OF FINANCING THE COST OF IMPROVEMENTS TO THE CITY OF MARATHON'S WASTEWATER SYSTEM AND STORMWATER SYSTEM; APPROVING THE EXECUTION OF A LOAN AGREEMENT BETWEEN THE CITY OF MARATHON, FLORIDA AND THE FLORIDA RURAL UTILITY FINANCING COMMISSION TO PROVIDE INTERIM FINANCING TO THE CITY OF MARATHON; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, certain participating counties (the "Members") have created the Florida Rural Utility Financing Commission (the "Commission") pursuant to a certain Interlocal Agreement and Chapter 163, Part I, Florida Statutes, for the purpose of issuing its notes to make loans to governmental units for qualified projects; and

WHEREAS, the City of Marathon, Florida (the "City") desires to obtain such a loan; and

WHEREAS, for the benefit of the inhabitants, the City finds, determines and declares that it is necessary for the continued preservation of the health, welfare, convenience and safety of the City and its inhabitants to construct improvements to the wastewater system and the stormwater system (the "Project"); and

WHEREAS, it is necessary for the City to raise a portion of the cost of such undertaking by obtaining a commitment for permanent financing in the principal amount of at least Eleven Million Five Hundred Thousand Dollars (\$11,500,000). The City intends to obtain permanent financing through the Florida Department of Environmental Protection Agency Bureau of Clean Water State Revolving Loan Fund ("SRF"); and

WHEREAS, the City has secured a commitment letter from SRF. To ensure continued allowability of the Project costs for financing, the City must satisfy certain loan program requirements. The loan may be additionally secured by a lien upon a pledge of the net revenues to be derived by the City from the operation of the City's wastewater system; and

WHEREAS, it is necessary and urgent that funds be made immediately available in order to provide funds to continue construction of the Project at this time. The City intends to obtain interim financing from the Florida Rural Utility Financing Commission and has made application to the Commission for the purpose of borrowing monies to provide for the financing of the construction of the Project. In order to obtain such monies, the City is required to enter into a Loan Agreement with the Commission;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MARATHON, FLORIDA, THAT:

SECTION 1. This Resolution is adopted pursuant to the provisions of the Constitution of Florida, the Charter of the City of Marathon, Florida, as amended, Chapter 166, Florida Statutes, and other applicable provisions of law.

SECTION 2. The above recitals are true and correct and incorporated herein.

SECTION 3. The financing of the acquisition, construction and erection of the Project is hereby approved.

SECTION 4. The Mayor and City Clerk or any other appropriate officers of the City are hereby authorized to execute and deliver a Loan Agreement, to be entered into by and between the City and the Commission in substantially the form attached hereto as Exhibit "A" with such additional changes, insertions and omissions thereto as may be approved by the Mayor, the City Clerk and the City Attorney, the execution thereof being conclusive evidence of such approval. Such Loan Agreement shall be secured in the manner set forth therein. The Mayor, City Manager, City Clerk or any other appropriate officers of the City are hereby authorized to execute and deliver on the City's behalf such instruments, documents or certificates required by this Resolution, the Loan Agreement or any other document required by the Commission as a prerequisite or precondition to making the Loan, and any such representation made therein shall be deemed to be made on behalf of the City. All action taken to date by the officers of the City in furtherance of the Loan is hereby approved, confirmed and ratified.

SECTION 5. The Mayor is hereby authorized to arrange the interim financing to pay the costs of the Project in anticipation of the issuance of the long-term financing. The Mayor, City Manager, City Clerk or any other appropriate officers of the City are hereby authorized to execute and deliver on the City's behalf such instruments, documents or certificates required by this Resolution, the Loan Agreement or any other document required by the Commission as a prerequisite or precondition to making the Loan, and any such representation made therein shall be deemed to be made on behalf of the City. All action taken to date by the officers of the City in furtherance of the Loan is hereby approved, confirmed and ratified.

SECTION 6. The Mayor is authorized to approve the interest rate, maturity of the financing and any other terms of the financing, without further approval of the City Commission, upon satisfaction of the following conditions: (i) the issuance of not exceeding \$11,500,000 aggregate principal amount of the Loan at a interest rate not to exceed 6.0%, (ii) the final maturity of the Loan shall be not later than December 1, 2010 and (iii) the Loan may be secured by the net revenues derived yearly from the operation of the City's wastewater system.

SECTION 7. No such Loan Agreement shall be executed until the City shall have received all disclosure information required by Chapter 218, Florida Statutes.

SECTION 8. In accordance with the provisions of Section 218.385, Florida Statutes, the City hereby determines that a negotiated sale is in the best interest of the City and hereby approves the negotiation of the Loan with the Commission. Negotiation of the Loan will allow the City to access markets not otherwise accessible to the City at total costs and rates favorable to the City.

SECTION 9. The City expects to expend the proceeds of the Loan within five (5) years from the date of receipt of such proceeds.

SECTION 10. If any one or more of the provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reasons whatsoever be held invalid, then such provisions shall be null and void and shall be deemed separate from the remaining provisions, and in no way affect the validity of all the other provisions of this Resolution.

SECTION 11. This Resolution shall take effect immediately upon its adoption.


PASSED AND APPROVED by the City Council of the City of Marathon, Florida, this 25th day of July, 2007.

THE CITY OF MARATHON, FLORIDA


Christopher M. Bull, Mayor


AYES: Cinque, Tempest, Vasil, Worthington, Bull
NOES: None
ABSENT: None
ABSTAIN: None

ATTEST:


Diane Clavier
City Clerk

(City Seal)

APPROVED AS TO FORM AND LEGALITY FOR THE USE AND RELIANCE OF THE CITY OF MARATHON, FLORIDA ONLY:


City Attorney

LOAN AGREEMENT

by and between

FLORIDA RURAL UTILITY FINANCING COMMISSION

and

CITY OF MARATHON, FLORIDA

Dated as of August 1, 2007

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LOAN AGREEMENT

THIS LOAN AGREEMENT (this "Loan Agreement") is made and entered into as of August 1, 2007, by and between the Florida Rural Utility Financing Commission, a legal entity and a public body corporate and politic created pursuant to Chapter 163, Florida Statutes (the "Commission"), and the City of Marathon, Florida (the "Governmental Unit").

WITNESSETH

WHEREAS, the Commission has established its Public Projects Construction Financing Program (the "Program") designed to provide financing of construction to governmental entities under which the Commission has determined to issue under its Revenue Notes (Public Projects Construction), Series 2007, dated August 24, 2007 (the "Notes") pursuant to a Trust Indenture, dated as of August 1, 2007 (the Indenture"), by and between the Commission and Regions Bank, as trustee (the "Trustee"), the net proceeds of which will be applied for the benefit of such governmental entities by making Loans, pursuant to Loan Agreements, for construction of their Projects, in order to provide a centralized source of interim construction financing and to reduce interest costs financing expenses of such governmental entities;

WHEREAS, the Governmental Unit has obtained a commitment for Permanent Financing for its Project from a Permanent Lender;

WHEREAS, the Governmental Unit has determined that it is necessary and desirable to acquire, construct, and finance the Project, and the Commission has determined that the Project is a project within the meaning of the Act and the Indenture, thereby qualifying for financial assistance from the Commission;

WHEREAS, the Permanent Lender has or will appropriate funds in amounts sufficient to enable it to honor said commitments for Permanent Financing of such Project;

WHEREAS, the Commission has found and determined that the construction of the Project will be in furtherance of the purposes of the Commission and the Governmental Unit under the Act;

WHEREAS, pursuant to this Loan Agreement, the Governmental Unit has commenced and will proceed with the construction of the Project;

WHEREAS, pursuant to this Loan Agreement, the Governmental Unit will irrevocably assign to the Trustee, for the benefit of the Commission, all right, title and interest in and to monies to be received pursuant to the Permanent Financing, which monies will be used by the Trustee to pay principal of and interest on the Notes;

WHEREAS, the Commission is willing to cooperate with the Governmental Unit in making available the Loan pursuant to the Act and the Indenture to be applied to the Project

upon the conditions hereinafter enumerated and the covenants by the Governmental Unit herein contained; and

WHEREAS, the Commission and the Governmental Unit have determined to enter into this Loan Agreement pursuant to the terms of the Act and the Indenture and to set forth their respective duties, rights, covenants, and obligations with respect to the construction and financing of the Project, subject to the repayment of the Loan and the interest thereon and subject to the terms of the commitment for Permanent Financing;

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE MUTUAL COVENANTS HEREIN SET FORTH, THE LOAN HEREBY EFFECTED AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED BY EACH PARTY, THE PARTIES HERETO MUTUALLY COVENANT AND AGREE, EACH WITH THE OTHER AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. All of the terms utilized in this Loan Agreement will have the same definitions and meaning as ascribed to them in the Act and the Indenture, which Act and Indenture are hereby incorporated in this Loan Agreement by reference, the same as if set forth hereby verbatim provided, however, that those definitions utilized in the Act and the Indenture having general application are hereby modified in certain instances to apply specifically to the Governmental Unit and its Project.

"Act" means collectively, Part I of Chapter 163, Part I of Chapter 125, Part II of Chapter 166 or Part I of Chapter 159, Florida Statutes, as amended and other applicable provisions of law.

"Administrative Cost" means (i) Operating Costs and (ii) any other costs and expenses of the Program.

"Authorized Officer" means the Mayor or City Manager of the Governmental Unit, and any other of its members, officers, agents, or employees duly authorized by resolution or ordinance of the Commission to perform the act or sign document in question.

"Business Day" means any day other than a Saturday, Sunday or other legal holiday on which the main corporate trust office of the Trustee is closed or the New York Stock Exchange is closed.

"Code" means the Internal Revenue Code of 1986, including temporary, proposed and final regulations relating thereto.

"Commitment Letter" means the Permanent Lender commitment letter evidencing the approval by the Permanent Lender of Permanent Financing for the Project.

"Commission" means the Florida Rural Utility Financing Commission, a legal entity and a public body corporate and politic created pursuant to the Interlocal Agreement.

Costs of Issuance" means the costs of issuing the Notes, as designated by the Commission, including, but not limited to, the fees and charges of the underwriters, bond counsel, trustee, rating agencies, bond and official statement printers, credit enhancement charges, and such other fees and expenses normally attendant to an issue of the Commission's Notes.

"County" means the political subdivisions of the State of Florida.

"Fiduciaries" means the Trustee, any Paying Agent, Registrar or any of them, as may be appropriate.

"Engineers" means the firms of consulting engineers employed by the Governmental Unit in connection with the Project.

"Governmental Unit" means any Public Agency, Municipality or County, or any combination thereof, participating in the Program. Notwithstanding the foregoing, Public Agencies, Municipalities, Counties and public purpose non-profit corporations may participate in the Program and borrow proceeds of the notes, regardless of whether such Governmental Units become members of the Commission; and for the purposes of this Loan Agreement means the Governmental Unit designated in the first paragraph herein.

"Governmental Unit's Account" means the separate accounts within the Program Fund under the Indenture, established for each particular Project.

"Indenture" means the Trust Indenture dated as of August 1, 2007, between the Commission and the Trustee, outstanding to which the Notes have been issued and are secured.

"Interlocal Agreement" means the First Amended and Restated Interlocal Agreement, dated as of February 1, 2001, by and among Jackson County, Florida, Gadsden County, Florida and Wakulla County, Florida, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

"Investment Earnings" means interest earned on amounts on deposit in the Governmental Unit's Account established for the Governmental Unit.

"Loan" means the loan effected under this Loan Agreement from the Commission to the Governmental Unit in the principal amount set forth in Section 3.2 hereof, for the purpose of defraying the costs incidental to the construction of the Project.

"Loan Agreement" means this agreement made and entered into by and between a Governmental Unit and the Commission, providing for a Loan to the Governmental Unit by the Commission, and for the repayment thereof to the Commission by the Governmental Unit.

"Loan Note" means the note of the Governmental Unit to the Commission dated as of its date assigned to the Trustee representing the loan obligations of the Governmental Unit set forth in this Loan Agreement.

"Loan Payment Date" means the Business Day agreed to by the Trustee which day shall be the earlier of the date which is no more than three Business Days after receipt by the Governmental Unit of the proceeds of the Permanent Financing or the Maturity Date.

"Loan Payments" means all payments to the Commission by the Governmental Unit under this Loan Agreement and the Loan Note.

"Maturity Date" means August 1, 2010.

“Municipality” means a duly constituted municipality in the State of Florida.

“Notes” means the Florida Rural Utility Financing Commission Revenue Notes (Public Projects Construction), Series 2007, authenticated and delivered under the Indenture.

“Operating Costs” means, as of any particular date, the Commission’s operating expenses and all other expenses, if any, of carrying out and administering the Program under the Indenture and shall include, without limiting the generality of the foregoing, salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus, insurance premiums, legal, accounting, management, consulting and banking services and expenses, the fees and expenses of the Fiduciaries, including Costs of Issuance, if any, other than Costs of Issuance paid from proceeds of Notes.

“Permanent Financing” means bonds or other obligations issued by the Governmental Unit and delivered to the Permanent Lender as purchaser.

“Permanent Lender” means (i) the Rural Development, (ii) SRF Lender, or (iii) any lender approved by Moody’s Investors Service and which has given written intent to provide Permanent Financing for the Governmental Unit’s Project.

“Person” means any individual, firm, partnership, association, corporation or Governmental Unit.

“Project” means, when used generally, a governmental undertaking approved by the governing body of a Governmental Unit for a public purpose and, when used in specific reference to the Governmental Unit, improvements to the Governmental Unit’s wastewater and stormwater system.

“Public Agency” shall have the same meaning as set forth in Section 163.01(3)(b), Florida Statutes, as amended from time to time.

“Rural Development” means the Rural Development of the United States Department of Agriculture or its successors or assigns.

“Requisition for Funds” means the form attached hereto as Exhibit A to be utilized by the Governmental Unit in obtaining disbursements of the Loan from the Commission as construction of the Project progresses.

“SRF Lender” means the State of Florida Department of Environmental Protection through its State Revolving Fund loan program.

“State” means the State of Florida.

“Trustee” means Regions Bank, Nashville, Tennessee, and its successor or successors, and any other corporation acting at any time as Trustee under the Indenture.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties of Commission. The Commission represents and warrants for the benefit of the Governmental Unit as follows:

(i) The Commission is a legal entity and a public body corporate and politic created pursuant to Chapter 163, Florida Statutes, has all necessary power and authority to enter into, and perform its obligations under, this Loan Agreement, and has duly authorized the execution and delivery of this Loan Agreement.

(ii) Neither the execution and delivery hereof, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions and provisions of any restriction or any agreement or instrument to which the Commission is now a party or by which the Commission is bound, or constitutes a default under any of the foregoing.

(iii) To the knowledge of the Commission, there is no litigation or proceeding pending or threatened against the Commission or any other person affecting the right of the Commission to execute or deliver this Loan Agreement or to comply with its obligations under this Loan Agreement. Neither the execution and delivery of this Loan Agreement by the Commission, nor compliance by the Commission with its obligations under this Loan Agreement, require the approval of any regulatory body, or any other entity, which approval has not been obtained.

(iv) The authorization, execution and delivery of this Loan Agreement and all actions of the Commission with respect thereto, are in compliance with the Act and any regulations issued thereunder.

Section 2.2. Representations and Warranties of Governmental Unit. The Governmental Unit hereby represents and warrants for the benefit of the Commission as follows:

(i) The Governmental Unit is a duly organized and validly existing Governmental Unit, as described in the Act, with full power to own its properties, conduct its affairs, enter into this Loan Agreement and consummate the transactions contemplated hereby.

(ii) The negotiation, execution and delivery of this Loan Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all requisite action of the governing body of the Governmental Unit.

(iii) This Loan Agreement and the Loan Note have been duly executed and delivered by the Governmental Unit and are valid and binding obligations of the Governmental Unit enforceable in accordance with their terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors' rights or remedies generally.

(iv) There is no controversy, proceedings or litigation of any nature pending or threatened, in any court or before any board, tribunal or administrative body, to challenge in any manner the authority of the Governmental Unit or its governing body to make payments under this Loan Agreement or to construct the Project, or to challenge in any manner the authority of the Governmental Unit or its governing body to take any of the actions which have been taken in the authorization or delivery of this Loan Agreement or the construction of the Project, or in any way contesting or affecting the validity of this Loan Agreement, or in any way questioning any proceedings taken with respect to the authorization or delivery by the Governmental Unit of this Loan Agreement, or the application of the proceeds thereof or the pledge or application of any monies or security provided therefor, or in any way questioning the due existence or powers of the Governmental Unit, or otherwise wherein an unfavorable decision would have an adverse impact on the transactions authorized in connection with this Loan Agreement, except as specifically described in writing to the Commission.

(v) There is no fact the Governmental Unit knows of which has not been specifically disclosed in writing to the Commission that materially and adversely affects or, except for pending or proposed litigation or regulations that are a matter of general public information affecting Governmental Units generally, that will materially affect adversely the properties, activities, prospects or condition (financial or otherwise) of the Governmental Unit or the ability of the Governmental Unit to perform its obligations under this Loan Agreement.

(vi) The authorization and delivery of this Loan Agreement and the consummation of the transactions contemplated hereby will not constitute an event of default or violation or breach, nor an event which, with the giving of notice or the passage of time or both, would constitute an event of default or violation or breach, under any contract, agreement, instrument, indenture, lease, judicial or administrative order, decree, rule or regulation or other document or law affecting the Governmental Unit or its governing body.

(vii) Attached hereto as Exhibit C is a true, accurate and complete copy of the resolution of the governing body of the Governmental Unit approving and authorizing the execution and delivery of this Loan Agreement. Such resolution was duly enacted or adopted at a meeting of the governing body of the Governmental Unit at which a quorum was present and acting throughout; such resolution is in full force

and effect and has not been superseded, altered, amended or repealed as of the date hereof; and such meeting was duly called and held in accordance with law.

(viii) All actions taken by the Governmental Unit in connection with this Loan Agreement, the Loan Note and the Loan described herein and the Project have been in full compliance with all laws, ordinances, governmental rules and regulations to which it is subject and which are material to its properties, operations, finances or status as a Governmental Unit.

(ix) The Governmental Unit has all licenses, permits and other governmental approvals required to own, occupy, operate and maintain the Project, and to enter into this Loan Agreement, is not in violation of and has not received any notice of an alleged violation of any zoning or land use laws applicable to the project, and has full right, power and authority to perform the acts and things as provided for in this Loan Agreement.

(x) Legal counsel to the Governmental Unit has duly executed and delivered the opinion of legal counsel substantially in the form set forth in Exhibit D hereto.

(xi) No event has occurred and no condition exists that constitutes an Event of Default, or which upon the execution and delivery of this Loan Agreement and/or passage of time or giving of notice or both, would constitute an Event of Default.

Section 2.3. Representations and Warranties of the Governmental Unit Concerning the Commitment Letter. The Governmental Unit additionally represents and warrants that the Governmental Unit has (i) received all preliminary approvals of the Permanent Lender required in connection with the construction of the Project, and (ii) received a commitment for Permanent Financing of its Project.

Section 2.4. Representations Concerning the Permanent Financing. The Governmental Unit acknowledges and agrees that the Commission has relied upon the commitment for the establishment of the Permanent Financing by the Governmental Unit and the Permanent Lender, and that the Commission and its officers, agents and employees have not made an independent investigation thereof or otherwise attempted to verify the circumstances regarding the Permanent Financing. The Governmental Unit further represents to the Commission that such Permanent Financing has been established by the Governmental Unit and the Permanent Lender with all due regard for the character and nature of the Project, including the potential impact of foreseeable occurrences that reasonably might be expected to delay the scheduled completion of the Project.

Section 2.5. Representations, Warranties and Covenants Concerning the Permanent Lender. The Governmental Unit further represents, warrants or covenants, as follows:

(i) The Governmental Unit will not breach or default under any of the provisions of the loan documents or any instruments, proceedings or other documentation authorizing the issuance of or securing the payment of the Permanent Financing.

(ii) The execution and delivery of the Permanent Lender loan documents and the compliance with the provisions thereof, will not in any material respect conflict with or constitute on the part of the Governmental Unit a breach of or default under any contract, agreement, instrument, indenture or proceedings or any law, regulation, court order or consent decree to which the Governmental Unit is now subject.

(iii) The Permanent Lender loan documents will be duly authorized, executed and delivered by the Governmental Unit and valid and binding obligations of the Governmental Unit.

(iv) The Permanent Financing will be duly authorized pursuant to law and shall constitute a valid and binding obligation of the Governmental Unit.

(v) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body known to be pending or threatened against the Governmental Unit in any way contesting or affecting any commitment for the issuance of or the validity of the Permanent Financing or in any way adversely affecting the transactions contemplated thereby.

(vi) The Governmental Unit will comply in all respects with the terms and provisions of the Permanent Lender loan documents.

(vii) The Governmental Unit will promptly remit, in accordance with the provisions of the Permanent Lender loan documents, each disbursement from its Governmental Unit's Account to the person or persons to whom payment is then due and owing.

(viii) The Governmental Unit will not unilaterally terminate, or enter into any agreement to terminate, any of the Permanent Lender loan documents and will give to the Commission and the Trustee prompt written notice, appropriately documented, of any amendment to or modification of any of the Permanent Lender loan documents.

ARTICLE III

COMMISSION'S AGREEMENT TO MAKE LOAN; TERMS

Section 3.1. Determination of Eligibility. Pursuant to the terms of the Act and the Indenture, the Commission has determined that the Governmental Unit's Project is a project under the Act and the Governmental Unit is entitled to receive a loan from the Commission in connection with financing the construction of the Project.

Section 3.2. Principal Amount Of Loan Established; Loan Payments; Disbursement of Funds. The principal amount of the Loan shall be \$11,500,000 (the "Loan Amount"). Principal shall be paid in full on or before the Loan Payment Date. The Loan shall bear interest at a per annum rate equal to 5.02%, and shall accrue from the loan closing date on the outstanding principal amount of the Loan and shall be payable on the Loan Payment Date.

A portion of the proceeds of the Loan in the amount of \$9,804,983.06 shall be deposited in a Governmental Unit's Account established under the Indenture for the Governmental Unit. Subject to the provisions of the Indenture (which the Governmental Unit hereby acknowledges and agrees to), the Commission shall disburse amounts from such Governmental Unit's Account as construction of the Project progresses upon the submission by the Governmental Unit of a Requisition for Funds in substantially the same form as Exhibit A hereto.

Payment of principal of the Loan shall be made at the principal corporate trust office of the Trustee on the Loan Payment Date. In addition to the payment of principal of and interest on the Loan, the Governmental Unit shall pay all Administrative Costs to the Commission, including any share of investment earnings required to be rebated to the United States of America pursuant to the Code, arising from the making of the Loan by the Commission to the Governmental Unit. The Governmental Unit shall receive a credit against its payment of the Loan hereunder in an amount equal to amounts remaining in its Governmental Unit's Account on the Loan Payment Date.

The Governmental Unit's obligation hereunder to repay amounts advanced pursuant to this Section 3.2, together with interest thereon, and any other payments required under this Loan Agreement, shall be evidenced by the execution by the Governmental Unit of this Loan Agreement and the Loan Note.

Section 3.3. Commencement of Loan Term. The Governmental Unit's obligations under this Loan Agreement shall commence on the date hereof unless otherwise provided in this Loan Agreement.

Section 3.4. Termination of Loan Term. The Governmental Unit's obligations under this Loan Agreement shall terminate after payment in full of all amounts due under this Loan Agreement and all amounts not theretofore paid shall be due and payable at the times and in the amounts set forth herein; provided, however, that all covenants and all obligations provided hereunder specified to so survive shall survive the termination of this Loan Agreement and the

payment in full of principal and interest hereunder. Upon termination of the Loan term and payment in full of the Loan and all other amounts due hereunder as provided herein, the Commission and the Trustee shall deliver, or cause to be delivered, to the Governmental Unit an acknowledgment thereof.

Notwithstanding the foregoing, the Governmental Unit shall not prepay the Loan in full or in part prior to August 1, 2008. Notwithstanding the foregoing, the Governmental Unit may pay such amounts as are required to pay the Loan in full (with accrued interest to August 1, 2010) to the Trustee to be held in irrevocable escrow on behalf of the Governmental Unit on or after August 1, 2008. Such amount required to pay the Loan in full shall be calculated on the date of payment. Any interest or portion thereof earned on the escrow account will be rebated back to the Governmental Unit.

Section 3.5. Rebate to Governmental Unit. Within 90 days following the payment in full of the Notes, the Commission shall rebate or cause to be rebated to the Governmental Unit such Governmental Unit's portion of the monies remaining in the accounts held by the Trustee under the Indenture after repayment of or provision for repayment of all necessary fees, costs and expenses of the Trustee and the Administrative Costs of the Program, including the Rebate Requirement (as defined in the Tax Certificate) and the Provisional Rebate Amount (as defined in the Compliance Agreement) (collectively, the "Rebate Amount"), on the following basis: all interest paid on the Loans, provided, however, that if the remaining Rebate Amount is not sufficient to rebate all interest paid on all Loans, the rebate will be equal to the remaining Rebate Amount multiplied by a ratio whose numerator is the Governmental Unit's Loan amount and whose denominator is the total Loan amounts on all Governmental Unit's Accounts; provided further, however, that no such amount shall be rebated to the Governmental Unit unless and until the Governmental Unit certifies that such amount shall only be expended on "capital projects" within the meaning of Section 163.01, Florida Statutes.

Section 3.6. Covenant Regarding Permanent Financing. The Governmental Unit does hereby separately covenant that if for any reason the Permanent Lender fails to provide the Permanent Financing by accepting delivery thereof on or before the Maturity Date, the Governmental Unit shall continue to pay interest on the Loan at the rate set forth in Section 3.2 from amounts in its Governmental Unit's Account, and if the Permanent Lender has not provided for the Permanent Financing by August 1, 2010, the Governmental Unit will use reasonable efforts to take in a timely manner all necessary actions and adopt all necessary proceedings in order to obtain other temporary or Permanent Financing or other borrowing of whatever nature in order to repay the Loan or to repay the Loan from any other legally available non-ad valorem funds of the Governmental Unit on the Loan Payment Date.

The Governmental Unit will give to the Commission and the Trustee prompt written notice, appropriately documented, of any modification, suspension, termination, annulment or other change in status of the Permanent Lender commitment for Permanent Financing. In such event the Commission shall provide express written instructions to the Trustee specifically

detailing to the Trustee the manner in which the duties of the Trustee under the Indenture will change as a result of such modification, suspension, annulment or other change.

ARTICLE IV

CONDITIONS PRECEDENT TO DISBURSEMENT; REQUISITION FOR FUNDS

Section 4.1. Loan Closing Submissions. Concurrently with the execution and delivery of this Loan Agreement, the Governmental Unit is providing to the Commission the following documents each dated the date of such execution and delivery unless otherwise provided below or unless waived by the Commission and the Trustee:

- (i) Certified resolution of the Governmental Unit;
- (ii) An opinion on the Governmental Unit's Counsel in the form of Exhibit D hereto to the effect that the Loan Agreement is duly authorized and executed, and is a valid, binding and enforceable obligation of the Governmental Unit and opining to such other matters as may be reasonably required by Bond Counsel;
- (iii) A certificate of the Authorized Officer of the Governmental Unit to the effect that the representations and warranties of the Governmental Unit are true and correct;
- (iv) The audited financial statements of the Governmental Unit for the past three fiscal years;
- (v) This executed Loan Agreement;
- (vi) An opinion (addressed to, and in form and substance acceptable to, the Commission and the Trustee) of Bond Counsel in the form of Exhibit E attached hereto;
- (vii) An incumbency certificate and a signature certificate in form and substance acceptable to the Commission and Bond Counsel;
- (viii) An executed Form 8038-G; and
- (ix) Such other certificates, documents and information as the Commission, the Trustee or Bond Counsel may require.

All opinions and certificates shall be dated the date of the closing of the Loan.

Section 4.2. Covenants of Governmental Unit and Conditions of Loan. By the execution of this Loan Agreement, the Governmental Unit agrees that prior to any requests for the disbursement of all or a portion of the Loan made hereunder, the Governmental Unit shall supply the Commission, if requested, appropriate documentation, satisfactory to the Commission, in its sole discretion, indicating the following:

(i) That the Commission and any appropriate regulatory agency of the State as may be designated by the Commission, and their respective duly authorized agents, shall have the right at all reasonable times, subject to prior notice to the Governmental Unit, to enter upon the Project and to examine and inspect same.

(ii) All real estate and interest in real estate and all personal property constituting the Project and the Project sites heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Unit.

(iii) In the event the Governmental Unit is required to provide financing for the Project from sources other than the Commission, the Commission shall have the right to receive such reasonable proofs as it may require of the ability of the Governmental Unit to finance the costs of construction of the Project over and above the Loan, prior to the disbursement by the Commission of any portion of the Loan.

(iv) The Governmental Unit shall do all things necessary to acquire all proposed and necessary sites, easements and rights of way necessary or required in respect of the Project and demonstrate its ability to construct the Project in accordance with the plans, design and specifications prepared for the Governmental Unit by its Engineers.

(v) Actual construction and installation incident to the Project shall be performed by either the lump-sum (fixed price) or unit price contract method, and adequate legal methods of obtaining public, competitive bidding will be employed prior to the awarding of the construction contract for the Project in accordance with Florida law.

(vi) Unless construction of the Project has already been initiated as of the date of this Loan Agreement, pursuant to due compliance with state law and applicable regulations, the Project will not be advertised or placed on the market for construction bidding by the Governmental Unit until the final plans, designs and specifications therefor have been approved by such state and federal agencies and authorities as may be legally required, and until written notification of such approvals has been received by the Governmental Unit and furnished to the Commission.

(vii) Duly authorized representatives of the Commission and such other agencies of the State as may be charged with responsibility will have reasonable access to the construction work whenever it is in preparation or progress, and the Governmental Unit will assure that the contractor or contractors will provide facilities for such access and inspection.

(viii) The construction contract or contracts shall require the contractor to comply with all provisions of federal and state law legally applicable to such work, and any amendments or modifications thereto, together with all other applicable provisions of law, to cause appropriate provisions to be inserted in subcontracts to insure

compliance therewith by all subcontractors subject thereto, and to be responsible for the submission of any statements required of subcontractors thereunder.

(ix) A work progress schedule utilizing a method of standard acceptance in the engineering community shall be prepared prior to the institution of construction in connection with each construction contract, or, if construction has already been initiated as of the date of this Loan Agreement, at the earliest practicable date, to indicate the proposed schedule as to completion of the Project, and same shall be maintained monthly thereafter to indicate the actual construction progress of the Project.

(x) All construction contracts will be so prepared that federal participation costs, if any, and state participation costs may be readily segregated from local participation costs, if any, and from each other, and in such manner that all materials and equipment furnished to the Governmental Unit may be readily itemized.

(xi) The construction, including the letting of contracts in connection therewith, will conform in all respects to applicable requirements of federal, state and local laws, ordinances, rules and regulations.

(xii) The Governmental Unit will proceed expeditiously with and complete the Project in accordance with the approved surveys, plans specifications and designs or amendments thereto, prepared by the Engineers to the Governmental Unit and approved by state and federal agencies, but only to the extent such approvals may be required.

(xiii) If requested, the Governmental Unit will erect at the Project sites, signs satisfactory to the Commission noting the participation of the Commission in the financing of the Project.

(xiv) Except as otherwise provided in this Loan Agreement, the Governmental Unit shall have the sole and exclusive charge of all details of the construction.

(xv) The Governmental Unit shall keep complete and accurate records of the costs of acquiring the Project sites and the costs of construction. The Governmental Unit shall permit the Commission, acting by and through its duly authorized representatives, and the duly authorized representatives of state and/or federal agencies to inspect all books, documents, papers and records relating to the Project at any and all reasonable times for the purpose of audit and examination, and the Governmental Unit shall submit to the Commission such documents and information as such public bodies may reasonably require in connection with the administration of any federal or state grants.

(xvi) The Governmental Unit shall require that any bid for any portion of the construction of the Project be accompanied by a bid bond, certified check or other negotiable instrument payable to the Governmental Unit, as assurance that the bidder

will, upon acceptance of such bid, execute the necessary contractual documents within the required time.

(xvii) The Governmental Unit shall require that each construction contractor or contractors furnish a performance and payment bond in an amount at least equal to 100% of the contract price or the portion of the project covered by the particular contract as security for the faithful performance of such contract.

(xviii) The Governmental Unit shall require that each of its contractors and all subcontractors maintain during the life of the construction contract, worker's compensation insurance, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Commission. Until the Project facilities are completed and accepted by the Governmental Unit, the contractor shall maintain builders risk insurance (fire and extended coverage) on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Commission, the Governmental Unit, the prime contractor, and all subcontractors, as their interests may appear.

(xix) The Governmental Unit shall provide and maintain competent and adequate engineering services covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the approved plans, specifications and designs prepared by the Engineers. Such engineer shall certify to the Commission, any involved state or federal agencies, and the Governmental Unit at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or, approved amendments thereto.

Section 4.3. Disbursements of Loan; Requisition for Funds. The Governmental Unit shall submit to the Trustee a Requisition for Funds during the first five days of each month (or such other designated period as is acceptable to the Trustee). The Requisition of Funds shall be in substantially the form as that attached to this Loan Agreement as Exhibit A and made a part hereof.

Subject to the provisions of the Indenture, upon the Commission's receipt of a Requisition for Funds, and such additional documentation as it may require, the Commission will promptly direct the Trustee to remit the amount requested to the Governmental Unit.

ARTICLE V

ASSIGNMENT AND GENERAL COVENANTS OF THE GOVERNMENTAL UNIT

Section 5.1. Pledge and Assignment. The Governmental Unit does hereby irrevocably assign and pledge to the Commission, and its successors or assigns, for the benefit of the owners of all Notes issued under the Indenture, all right, title and interest of the Governmental Unit in and to the proceeds of the Permanent Financing and all monies to be received from the Permanent Lender, as applicable, pursuant to the Permanent Lender's expressed intention to provide Permanent Financing for the Project. The Governmental Unit acknowledges and agrees that the Commission pursuant to the Indenture has assigned and pledged to the Trustee for the benefit and security of the owners of the Notes all of its rights under the provisions of this Loan Agreement and the Loan Note. Accordingly, this Loan Agreement shall not be terminated, modified or changed by the Commission or the Governmental Unit except with the consent of the Trustee in the manner and subject to the conditions permitted by the terms and provisions of the Indenture.

THE NOTES ARE LIMITED OBLIGATIONS OF THE COMMISSION PAYABLE BY THE COMMISSION SOLELY FROM AND SECURED BY THE TRUST ESTATE. THE NOTES ARE EQUALLY SECURED BY AN IRREVOCABLE PLEDGE OF THE TRUST ESTATE, WITHOUT PRIORITY FOR NUMBER, DATE OF SALE, DATE OF EXECUTION OR DATE OF DELIVERY. The Notes and the obligations and covenants of the Commission under the Indenture shall not be deemed to constitute a debt, liability, or obligation of the State, or any political subdivision or municipality thereof (excluding the governmental entities to the extent of their respective obligations under their respective Loan Agreements), or a pledge of the faith and credit of the State or any political subdivision or municipality thereof, but shall constitute special obligations payable solely from the pledge of those funds, accounts and sources as set forth in this Loan Agreement and the Indenture. The issuance of the Notes pursuant to the Act shall not directly, indirectly, or contingently obligate the Commission, the State or any other political subdivision or municipality thereof (excluding the governmental entities to the extent otherwise provided in their respective Loan Agreements) to levy or to pledge any form of taxation or assessments whatsoever therefor.

Section 5.2. Further Assurance. At any time and all times the Governmental Unit shall, so far as it maybe authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, assets and revenues herein pledged or assigned, or intended so to be, or which the Governmental Unit may hereafter become bound to pledge or assign.

Section 5.3. Completion of Project. The Governmental Unit hereby covenants and agrees to proceed expeditiously with and promptly complete the Project in accordance with the

plans, designs and specifications prepared by the Engineers for the Governmental Unit so that the Permanent Financing can be delivered on or prior to the Maturity Date.

Section 5.4. Tax Covenant. The Governmental Unit shall at all times do and perform all acts and things permitted by law and necessary or desirable in order to assure that interest paid by the Commission on the Notes shall, for the purposes of federal income taxation, be excludable from gross income under any valid provision of law, and shall take such actions as may be directed by the Commission in order to accomplish the foregoing. The Governmental Unit shall not permit (i) the proceeds of the Loan to be used directly or indirectly in any trade or business, (ii) its payments hereunder to be secured directly or indirectly by property to be used in a trade or business, (iii) any management agreement for the operation of the Project, or (iv) any federal guarantee of its obligations hereunder without the prior written consent of the Commission. The Governmental Unit will not acquire or pledge any obligations which would cause the Notes to be "arbitrage bonds" within the meaning of the Code.

Section 5.5. Accounts and Reports. The Governmental Unit shall at all times keep, or cause to be kept, proper books of record and account in accordance with generally accepted accounting principles in which complete and accurate entries shall be made of all its transactions relating to the Project, which shall at all reasonable times be subject to the inspection of the Commission.

Section 5.6. General. The Governmental Unit shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Governmental Unit under the provisions of any agreements regarding the Permanent Financing and under any provisions of the Act and this Loan Agreement in accordance with the terms of such provisions.

Section 5.7. Indemnity. To the extent permitted by law, the Governmental Unit will pay, and will protect, indemnify and save, the Commission, each member, officer, commissioner, employee and agent of any of the Commission, harmless from and against, any and all liabilities, losses, damages, costs and expenses (including reasonable attorneys' fees), suits, claims and judgments of whatsoever kind and nature (including those in any manner directly or indirectly arising or resulting from, out of, or in connection with, any injury to, or death of, any person or any damage to property resulting from the use or operation of the Project), whether arising directly or indirectly (in any case, whether or not by way of the Governmental Unit), its successors and assigns, agents, contractors, employees, licensees or otherwise of the Governmental Unit or resulting from, out of, or in connection with, the Project or this Loan Agreement as a result of the breach or violation of any agreement, covenant, representations or warranty by the Governmental Unit set forth in this Loan Agreement or any document delivered in connection herewith, but not including an action arising from the gross negligence or willful misconduct of the Commission or alleged invalidity of the Notes, except to the extent that such invalidity is caused by an act or omission of the Governmental Unit or is caused by the invalidity of this Loan Agreement. The Commission shall also use counsel reasonably acceptable to the Governmental Unit in carrying out its obligations under this

paragraph, except as a result of the breach or violation of any agreement, covenant, representations or warranty by the Governmental Unit set forth in this Loan Agreement or any document delivered pursuant hereto. The Commission shall give to the Governmental Unit prompt notice of any such suits or claims.

To the extent permitted by law, the Governmental Unit hereby agrees to indemnify and hold harmless the Trustee from and against any and all costs, liabilities, losses or damages whatsoever (including reasonable costs and fees of counsel, auditors or other experts), asserted or arising out of or in connection with the acceptance or administration of the trusts established pursuant to the Indenture, except costs, claims, liabilities, losses or damages resulting from the negligence or willful misconduct of the Trustee.

The foregoing notwithstanding, nothing herein contained shall be construed, and neither the Trustee, the Commission, the State or the owners of the Notes shall have the right to compel the exercise of the taxing power of the Governmental Unit in any form for the payment by the Governmental Unit of its obligations, if any, hereunder.

The provisions of this paragraph shall survive the termination of this Loan Agreement and the resignation or removal of the Trustee.

Section 5.8. Further Assurance. The Governmental Unit shall execute and deliver to the Trustee all such documents and instruments and do all such other acts and things as may be reasonably necessary to enable the Trustee to exercise and enforce its rights under this Loan Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be reasonably necessary or required by the Trustee to validate, preserve and protect the position of the Trustee under this Loan Agreement.

Section 5.9. Limited Obligations. Anything in this Loan Agreement to the contrary notwithstanding, it is understood and agreed that all obligations of the Governmental Unit hereunder shall be payable only from proceeds of Permanent Financing as provided for hereunder and nothing herein shall be deemed to pledge ad valorem taxation revenues or to permit or constitute a mortgage or lien upon any assets owned by the Governmental Unit and no Owner of any Note or any other person, including the Commission or the Trustee, may compel the levy of ad valorem taxes on real or personal property within the boundaries of the Governmental Unit. The obligations hereunder do not constitute an indebtedness of the Governmental Unit within the meaning of any constitutional, statutory or charter provision or limitation, and neither the Trustee, the Commission, or the Owner of any Note or any other person shall have the right to compel the exercise of the ad valorem taxing power of the Governmental Unit or taxation of any real or personal property therein for the payment by the Governmental Unit of its obligations hereunder. Except to the extent expressly set forth in this Loan Agreement, this Loan Agreement and the obligations of the Governmental Unit hereunder shall not be construed as a limitation on the ability of the Governmental Unit to pledge or

covenant to pledge said revenues or any revenues or taxes of the Governmental Unit for other legally permissible purposes.

ARTICLE VI

DEFEASANCE

This Loan Agreement shall continue to be obligatory and binding upon the Governmental Unit in the performance of the obligations imposed by this Loan Agreement and the repayment of all sums due by the Governmental Unit under this Loan Agreement shall continue to be secured by this Loan Agreement as provided herein until all of the indebtedness and all of the payments required to be made by the Governmental Unit shall be fully paid to the Commission or the Trustee; provided, however, if, at any time, the Governmental Unit shall have paid, or shall have made provision for payment of, the principal amount of the Loan, interest thereon and redemption premiums, if any, payable with respect to the Notes in connection with such payment and all other amounts due hereunder, then, and in that event, the pledge of and lien on the proceed of the Permanent Financing pledged to the Commission for the benefit of the Owners of the Notes shall be no longer in effect and all future obligations of the Governmental Unit under this Loan Agreement shall cease. For purposes of the preceding sentence, deposit of sufficient cash and/or United States Treasury obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Commission in respect to which such United States Treasury obligations, the principal and interest received will be sufficient to make timely payment of the principal amount of the Loan and interest thereon and redemption premiums, if any, on the outstanding Notes, shall be considered "provision for payment."

Nothing herein shall be deemed to require the Commission to call any of the outstanding Notes for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Commission in determining whether to exercise any such option for early redemption.

If the Governmental Unit shall make advance payments to the Commission in an amount sufficient to retire the Loan of the Governmental Unit, including redemption premium and accrued interest to the next succeeding redemption date of the Notes, all future obligations of the Governmental Unit under this Loan Agreement shall cease, except as otherwise provided herein.

The Governmental Unit shall give a 30 day notice to the Commission prior to the making of any advance payment on a date other than on the Maturity Date.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.1. Events of Default Defined. The following will be "Events of Default" under this Loan Agreement and the term "Event of Default" or "Default" will mean, whenever it is used in this Loan Agreement, any one or more of the following events:

(i) Failure by the Governmental Unit to pay any Loan Payments at the times specified herein including the principal and interest due on the Loan Note.

(ii) Failure by the Governmental Unit to observe or perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in subsection (i) of this Section, for a period of 30 days after written notice specifying such failure and requesting that it be remedied will have been given to the Governmental Unit by the Commission unless the Commission agrees in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Commission will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Governmental Unit within the applicable period and diligently pursued until such failure is corrected.

(iii) The dissolution or liquidation of the Governmental Unit, or the voluntary initiation by the Governmental Unit of any proceeding under any federal or state law relating to bankruptcy, insolvency, arrangement, reorganization, readjustment of debt or any other form of debtor relief, or the initiation against the Governmental Unit of any such proceeding which will remain undismissed for 60 days, or the entry by the Governmental Unit into an agreement of composition with creditors or the failure generally by the Governmental Unit to pay its debts as they become due.

Section 7.2. Remedies on Default. Whenever any Event of Default referred to in Section 7.1 has occurred and is continuing, the Commission may, without any further demand or notice, take one or any combination of the following remedial steps:

(i) Declare all payments due hereunder, as set forth in the Schedule of Payments to be immediately due and payable.

(ii) Exercise all the rights and remedies of the Commission set forth in the Act.

(iii) Take whatever action at law or in equity appear necessary or desirable to enforce its rights under this Loan Agreement.

Section 7.3. Appointment of Receiver. Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the

rights of the Commission under this Loan Agreement, the Commission shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the water system and stormwater system and all receipts therefrom on a junior lien basis, subject to outstanding existing debt with a first lien on such receipts, pending such proceedings, with such power as the court making such appointment shall confer; provided, however, that the Commission may, with or without action under this Section, pursue any available remedy to enforce the payment obligations hereunder, or to remedy any Event of Default.

Section 7.4. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Commission is intended to be exclusive, and every such remedy will be cumulative and will be in addition to every other remedy given hereunder and every remedy now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default will impair any such right or power and any such right and power may be exercised from time to time and as often as may be deemed expedient.

Section 7.5. Consent to Powers of Commission Under Act and this Loan Agreement. The Governmental Unit hereby acknowledges to the Commission its understanding of the provisions of the Act and this Loan Agreement, vesting in the Commission certain powers, rights and privileges in respect of the Project upon the occurrence of an Event of Default, and the Governmental Unit hereby covenants and agrees that if the Commission should in the future have recourse to said rights and powers, the Governmental Unit shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Commission in the due and prompt implementation of the provisions of this Loan Agreement.

Section 7.6. Waivers. In the event that any agreement contained herein should be breached by either party and thereafter waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach hereunder.

Section 7.7. Agreement to Pay Attorneys' Fees and Expenses. In the event that either party hereto is in default under any of the provisions hereof and the nondefaulting party employs attorneys or incurs other expenses for the enforcement of performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will pay on demand therefor to the nondefaulting party the fees of such attorneys and such other expenses so incurred by the nondefaulting party.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.1. Notices. All notices, certificates or other communication hereunder shall be sufficiently given and shall be deemed given when hand delivered or mailed by registered or certified mail, postage prepaid, to the parties at the following addresses:

Commission: Florida Rural Utility Financing Commission
2970 Wellington Circle W., Suite 101
Tallahassee, Florida 32308
Attn: Gary Williams, Executive Director

Trustee, Paying Agent
and Registrar: Regions Bank
315 Deaderick Street, 4th Floor
Nashville, Tennessee 37237
Attn: Corporate Trust Department

Governmental Unit: City of Marathon
10045-55 Overseas Highway
Marathon, Florida 33050
Attn: City Clerk

Any of the above parties may, by notice in writing given to the others, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 8.2. Approval not to be Unreasonably Withheld. Any approval of the Commission required by this Loan Agreement shall not be unreasonably withheld and shall be deemed to have been given on the 30th day following the submission of any matter requiring approval to the Commission, unless disapproved in writing prior to such 30th day. Any provision of this Loan Agreement requiring the approval of the Commission or the satisfaction or the evidence of satisfaction of the Commission shall be interpreted as requiring action by an authorized officer of the Commission granting, authorizing or expressing such approval or satisfaction, as the case may be, unless such provision expressly provides otherwise. Disbursements of proceeds of the Loan shall be governed by Section 4.3 of this Loan Agreement.

Section 8.3. Effective Date. This Loan Agreement shall become effective as of the date first set forth herein above and shall continue to full force and effect until the date the obligations of the Governmental Unit pursuant to the provisions of this Loan Agreement have been fully satisfied.

Section 8.4. Binding Effect. This Loan Agreement shall be binding upon, and shall inure to the benefit of the parties hereto, and to any person, officer, board, department, agency, municipal agency, or body politic and corporate succeeding by operation of law to the powers and duties of either of the parties hereto. This Loan Agreement shall not be revocable by either of the parties, nor assignable by either parties without the written consent of the other party. The Governmental Unit hereby consents to the assignment of this Loan Agreement by the Commission to the Trustee.

Section 8.5. Severability. In the event that any provision of this Loan Agreement will be held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision hereof.

Section 8.6. Execution in Counterparts. This Loan Agreement may be simultaneously executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

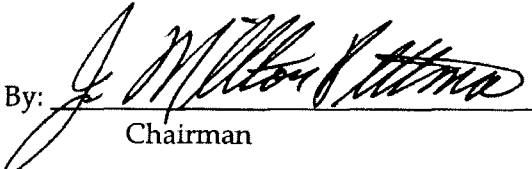
Section 8.7. Applicable Law. This Loan Agreement will be governed by and construed in accordance with the laws of the State.

Section 8.8. Captions. The captions or headings herein are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Loan Agreement.

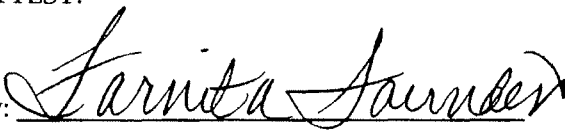
[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the day and year above written.

FLORIDA RURAL UTILITY
FINANCING COMMISSION


By: 
Chairman

ATTEST:

By: 
Secretary

LOAN AGREEMENT

CITY OF MARATHON, FLORIDA

By: 
Mayor

ATTEST:

By: 
City Clerk

Approved as to form and legality:

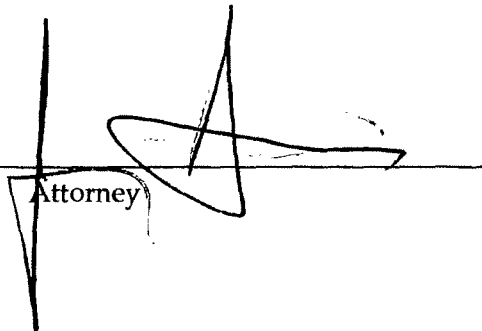
By: 
Attorney

EXHIBIT A

REQUEST FOR PAYMENT WITH RESPECT TO
FLORIDA RURAL UTILITY FINANCING COMMISSION
(PUBLIC PROJECTS CONSTRUCTION FINANCING PROGRAM)

Request No. _____

Dated _____

To: Regions Bank
315 Deaderick Street, 4th Floor
Nashville, Tennessee 37237
Attn: Corporate Trust Department

From: City of Marathon, Florida ("Governmental Unit")

Contact Person:

Address:

Ladies and Gentlemen:

The above identified Governmental Unit has entered into a Loan Agreement with the Florida Rural Utility Financing Commission (the "Commission") for the acquisition and construction of facilities described in the Loan Agreement as the "Project."

Pursuant to the Loan Agreement, the undersigned hereby certifies that it has incurred the following expenses in connection with the Project and that the Commission's funding share of these expenses is in the amount so denoted in this request totaling \$_____ and is set forth in Exhibit A attached hereto.

Respectfully submitted,

CITY OF MARATHON, FLORIDA

By: _____
Title: _____

Certificate of Consulting Engineers as to
Payment Request

The undersigned, a duly qualified and licensed Engineer hereby certifies that he or she represents the Governmental Unit submitting this request and that all expenses represented in this request were duly incurred for the Construction of the "Project," and that such expenses have not been the subject of any request for disbursement previously submitted.

Engineer/Consultant

Firm Name: _____

By: _____

Title: _____

APPROVED:

State of Florida Department of Environmental
Protection through its State Revolving Fund

By: _____

Title: _____

EXHIBIT B

FORM OF LOAN NOTE

UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF MONROE
CITY OF MARATHON
LOAN NOTE

Dated: _____ \$ _____

For value received, the City of Marathon, Florida (the "Issuer"), acting by and through its City Commission (the "Governing Body"), hereby acknowledges itself indebted to and promises to pay to the order of:

FLORIDA RURAL UTILITY FINANCING COMMISSION

the principal sum of

_____ (\$ _____) on or before _____, 200__
with interest thereon payable on the date of maturity (or prior prepayment) from the dated date hereof at the rate of ____% per annum.

This Note represents the authorized aggregate principal amount of \$ _____ authorized to be issued by the Issuer for the purpose of obtaining funds to finance on an interim basis the cost (not otherwise provided) of the construction of extensions, additions and improvements to the existing [water] system (the "Project") of the Issuer, pending the issuance and delivery of \$ _____ of SRF Fund monies (the "Permanent Financing"), authorized by resolution of the Governing Body of the Issuer, adopted on _____, 2007 (the "Resolution").

Disbursements of the proceeds of this Note shall be made in accordance with the Loan Agreement by and between the Issuer and the Florida Rural Utility Financing Commission dated the date hereof. Interest shall accrue on the principal amount of this Note from the date of this Note until the date of maturity of this Note.

This Note is a special obligation of the Issuer, payable solely from the proceeds of the Permanent Financing, which current Permanent Financing proceeds are hereby irrevocably pledged to the payment of this Note.

This Note is issued pursuant to Chapter 166, Florida Statutes (the "Act") and in anticipation of the issuance of the aforesaid Permanent Financing and neither this Note, nor the interest hereon, constitutes or evidences an indebtedness of the Issuer.

It is hereby certified that the proceeds of this Note will be disbursed in accordance with the Resolution, authorizing the issuance of the Loan, and that the proceeds of this Note will be subject to all of the conditions of said Resolution.

It is further certified that the undersigned is the Mayor of said Issuer, that he is duly authorized to execute this Note on behalf of said Issuer, and that this Note represents a liability of said Issuer only, payable out of the first proceeds of said sources, herein above mentioned, and that the undersigned, by executing this Note, does not become personally and/or individually liable hereon as his personal or individual debt.

IN WITNESS WHEREOF, said City of Marathon, in the State of Florida, by its Governing Body, has caused this Note to be executed by the Mayor of said Issuer and its Seal to be hereunto affixed, on the date of this Note, which is _____, 2007.

CITY OF MARATHON, FLORIDA

By: _____
Mayor

(Seal of Issuer)

EXHIBIT C

FORM OF RESOLUTION

See Document No. 33 (b) in the Transcript

EXHIBIT D

FORM OF OPINION OF COUNSEL

[Letterhead of Counsel to Governmental Unit]

_____, 2007

Florida Rural Utility Financing Commission
Tallahassee, Florida

Loan Agreement by and between Florida Rural Utility Financing Commission
and the City of Marathon, Florida dated as of _____, 2007

Ladies and Gentlemen:

The undersigned is an attorney at law duly admitted to the practice of law in the State of Florida and is legal counsel to the City of Marathon, Florida (the "Governmental Unit"). I am familiar with the organization and existence of the Governmental Unit and the laws of the State of Florida applicable thereto. Additionally, I am familiar with the project (the "Project") with respect to which the Loan Agreement (the "Loan Agreement") by and between the Florida Rural Utility Financing Commission ("Commission") and the Governmental Unit is being authorized, executed and delivered and the Loan Note (the "Loan Note") from the Governmental Unit to the Commission is being authorized, and which may be executed and delivered.

I have reviewed the form of Loan Agreement, the Loan Note, the resolution of the Governmental Unit authorizing the execution and delivery of said Loan Agreement and Loan Note and the plans, designs and specifications prepared by the Engineers for the Governmental Unit with respect to the Project.

Based upon my review I am of the opinion that:

(1) The Governmental Unit is a duly organized and existing political subdivision or body politic of the State of Florida validly existing under the Constitution and statutes of the State of Florida.

(2) The Loan Agreement and the Loan Note have been duly executed and delivered by the Governmental Unit and are a valid and binding obligations of the Governmental Unit enforceable in accordance with their terms, except to the extent that the enforceability thereof may be limited by equitable principles and by bankruptcy, reorganization, moratorium, insolvency or similar laws heretofore or hereafter enacted relating to or affecting the enforcement of creditors rights or remedies generally.

(3) The Governmental Unit has all necessary power and authority to enter into, perform and consummate all transactions contemplated by the Loan Agreement and the Loan Note, and to execute and deliver the documents and instruments to be executed and delivered by it in connection with the construction of the Project.

(4) The execution and delivery of the Loan Agreement and the Loan Note and the performance by the Governmental Unit of its obligations thereunder does not and will not conflict with, violate or constitute a default under any court or administrative order, decree or ruling, or any law, statute, ordinance or regulation, or any agreement, indenture, mortgage, lease, note or other obligation or instrument, binding upon the Governmental Unit, or any of its properties or assets. The Governmental Unit has obtained each and every authorization, consent, permit, approval or license of, or filing or registration with, any court or governmental department, commission, board, bureau, unit or instrumentality, or any specifically granted exemption from any of the foregoing, that is necessary to the valid execution, delivery or performance by the Governmental Unit of the Loan Agreement and the Loan Note.

(5) To the best of my knowledge after due inquiry there is no action, suit, proceedings or investigation at law or in equity before any court, public board or body pending or threatened against, affecting or questioning (i) the valid existence of the Governmental Unit, (ii) the right or title of the members and officers of the Governmental Unit to their respective positions, (iii) the authorization, execution, delivery or enforceability of the Loan Agreement, the Loan Note or the application of any monies or security therefor, (iv) the construction of the Project, or (v) that would have a material adverse impact on the ability of the Governmental Unit to perform its obligations under the Loan Agreement or the Loan Note.

(6) None of the proceedings taken by the Governmental Unit for the authorization, execution or delivery of the Loan Agreement or the Loan Note has or have been repealed, rescinded, or revoked.

(7) All proceedings and actions of the Governmental Unit with respect to which the Loan Agreement or the Loan Note is to be delivered were had or taken at meetings properly convened and held in substantial compliance with the applicable provisions of the laws of the State of Florida.

Very truly yours,

EXHIBIT E

FORM OF OPINION OF BOND COUNSEL

[Letterhead of Bond Counsel to Governmental Unit]

_____, 2007

Loan Agreement by and between Florida Rural Utility Financing Commission
and the City of Marathon, Florida dated as of _____, 2007

We hereby certify that we have reviewed and are familiar with the proceedings of the City Commission (the "Governing Body") of the City of Marathon, Florida (the "Governmental Unit"), in connection with the authorization, execution and delivery of a Loan Agreement between the Florida Rural Utility Financing Commission, (the "Commission") and the Governmental Unit, dated _____, 2007 (the "Loan Agreement") and the form of the Loan Note from the Governmental Unit to the Commission (the "Loan Note") evidencing the loan in the amount not to exceed \$_____ being issued by the Commission to the Governmental Unit pursuant to the Loan Agreement and the Loan Note to provide interim financing (the "Loan") for the construction of a project (the "Project") consisting of improvements to the [water and sewer] system of the Governmental Unit (the "System"); and the proposed issuance of bonds by the Governmental Unit in the amount of \$_____ to be dated the date of the issuance thereof (the "Bonds") to repay the Loan and provide permanent financing for the Project.

Our examination of such proceedings includes (a) the proceedings of the Governing Body held on _____, _____, adopting an resolution authorizing the Loan Agreement (the "Resolution"), (b) the proceedings of the Governing Body held on _____, _____, adopting legislation authorizing the Bonds (the "Bond Resolution"), and (c) the proceedings of the Governing Body held on _____, _____, accepting the conditions for permanent financing from the _____ (the "Permanent Lender") for the purchase of the Bonds.

Based upon our examination of the aforesaid proceedings, we are of the opinion that the Governmental Unit has a valid commitment with the Permanent Lender, in which the Governmental Unit will receive Permanent Financing from the Permanent Lender.

Based upon our review of such proceedings and applicable laws, it is our opinion that the Loan Agreement has been validly authorized, executed and delivered by and on behalf of the Governmental Unit.

The rights and remedies of the Commission under the Loan Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, or similar laws, or judicial decisions

affecting the rights of creditors generally, and by the application of equitable principles where equitable remedies are sought.

This opinion letter is issued to, and solely for the benefit and reliance of, the Commission and may not be relied upon by any persons other than the Commission.

Respectfully Submitted,