

RESOLUTION NO. 13-15

A RESOLUTION SUPPLEMENTING RESOLUTION NO. 03-55 OF THE CITY OF MARCO ISLAND, FLORIDA, AS PREVIOUSLY AMENDED AND SUPPLEMENTED; AUTHORIZING AND APPROVING THE NEGOTIATED SALE OF NOT TO EXCEED \$69,000,000 CITY OF MARCO ISLAND, FLORIDA UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2013 TO REFUND CERTAIN UTILITY SYSTEM DEBT OF THE CITY ATTRIBUTABLE TO THE WATER AND SEWER SYSTEM, AND TO PAY TRANSACTION COSTS, ALL SUBJECT TO THE SATISFACTION OF CERTAIN CONDITIONS CONTAINED HEREIN AND SUBJECT TO THE TERMS AND CONDITIONS OF A BOND PURCHASE CONTRACT; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF SUCH BOND PURCHASE CONTRACT, A CONTINUING DISCLOSURE CERTIFICATE, A REGISTRAR AND PAYING AGENT AGREEMENT, AND AN ESCROW DEPOSIT AGREEMENT; DELEGATING TO THE CHAIRMAN THE AUTHORITY TO AWARD THE SALE OF SUCH BONDS TO MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED, ON BEHALF OF ITSELF, CITIGROUP GLOBAL MARKETS INC. AND RBC CAPITAL MARKETS, LLC, PURSUANT TO A NEGOTIATED SALE AND SUBJECT TO THE CONDITIONS AND TERMS SET FORTH HEREIN AND IN THE PURCHASE CONTRACT; AUTHORIZING THE CITY TO OPT TO INSURE ALL, A PORTION OF OR NONE OF THE BONDS WITH A POLICY OF FINANCIAL GUARANTY INSURANCE, WHICHEVER IS IN THE BEST FINANCIAL INTEREST OF THE CITY; APPROVING THE FORM AND DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND APPROVING THE EXECUTION AND DELIVERY OF A FINAL OFFICIAL STATEMENT; APPOINTING THE PAYING AGENT, REGISTRAR AND ESCROW HOLDER; PROVIDING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City Council (the "City Council") of the City of Marco Island, Florida (the "Issuer") adopted Resolution No. 03-55 on September 29, 2003 (the "Original Resolution") to authorize the issuance of not to exceed \$105,000,000 City of Marco Island, Florida Utility System Revenue Bonds, Series 2003 (the "Series 2003 Bonds") and the issuance thereafter of "Additional Parity Obligations," as such term is defined therein; and

WHEREAS, pursuant to the Original Resolution, on November 6, 2003, the Issuer issued \$101,115,000 in original principal amount of its Utility System Revenue Bonds, Series 2003 (the "Series 2003 Bonds"); and

WHEREAS, the City Council of the Issuer adopted Resolution No. 05-71 on October 17, 2005 (together with the Original Resolution, the "Bond Resolution") to amend certain provisions of the Original Resolution; and

WHEREAS, all capitalized undefined terms shall have the meaning ascribed thereto in the Bond Resolution; and

WHEREAS, Section 20(Q) of the Bond Resolution provides that Additional Parity Obligations may be issued under the Bond Resolution, subject to the conditions set forth therein; and

WHEREAS, pursuant to the Bond Resolution, on December 5, 2006, the Issuer issued \$5,500,000 in original principal amount of its Utility System Revenue Bond, Series 2006 (the "Series 2006 Bond") as an Additional Parity Obligation thereunder; and

WHEREAS, pursuant to the Bond Resolution, on March 7, 2008, the Issuer issued \$7,477,241.15 in original principal amount of its Utility System Revenue Bond, Series 2008 (the "Series 2008 Bond") as an Additional Parity Obligation thereunder; and

WHEREAS, pursuant to the Bond Resolution, on November 20, 2008, the Issuer issued \$11,000,000 in original principal amount of its Utility System Revenue Bond, Series 2008B (the "Series 2008B Bond") as an Additional Parity Obligation thereunder; and

WHEREAS, pursuant to the Bond Resolution, on September 22, 2009, the Issuer issued \$11,000,000 in original principal amount of its Taxable Utility System Revenue Bond, Series 2009A (the "Series 2009A Bond") as an Additional Parity Obligation thereunder; and

WHEREAS, pursuant to the Bond Resolution, on September 22, 2009, the Issuer issued \$6,594,600 in original principal amount of its Taxable Utility System Revenue Bond, Series 2009B (the "Series 2009B Bond," and together with the Series 2009A Bond, the "Series 2009 Bonds") as an Additional Parity Obligation thereunder; and

WHEREAS, the proceeds of the Series 2009A Bond refinanced and retired the Series 2008B Bond; and

WHEREAS, pursuant to the Bond Resolution, on April 1, 2010, the Issuer issued its \$50,475,000 City of Marco Island, Florida Tax-Exempt Utility System Improvement and Refunding Revenue Bonds, Series 2010A (the "Series 2010A Bonds"), and \$7,365,000 City of Marco Island, Florida Taxable Utility System Refunding Revenue Bonds, Series 2010B (the "Series 2010B Bonds," and together with the Series 2010A Bonds, the "Series 2010 Bonds"), as Additional Parity Obligations thereunder; and

WHEREAS, the proceeds of the Series 2010A Bonds, amongst other things, refinanced and retired the Series 2009A Bond, and proceeds of the Series 2010B Bonds refinanced and retired the Series 2009B Bond; and

WHEREAS, pursuant to the Bond Resolution, on August 23, 2011, the Issuer issued its \$26,253,513.01 City of Marco Island, Florida Tax-Exempt Utility System Refunding Revenue Bond, Series 2011 (the "Series 2011 Bond"), as an Additional Parity Obligation thereunder; and

WHEREAS, the proceeds of the Series 2011 Bond refunded a portion of the then Outstanding Series 2003 Bonds; and

WHEREAS, the Issuer has determined to supplement the Bond Resolution to issue not to exceed \$69,000,000 City of Marco Island, Florida Utility System Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds"), as Additional Parity Obligations; and

WHEREAS, the Series 2013 Bonds are being issued to (i) currently refund all of the remaining Outstanding Series 2003 Bonds (the "Refunded 2003 Bonds") and the Series 2008 Bond (the "Refunded 2008 Bond," and together with the Refunded 2003 Bonds, the "Refunded Bonds"), and (ii) pay the costs of issuance of the Series 2013 Bonds; and

WHEREAS, the Issuer has determined it to be in the best interests of the rate payers of the Issuer and to serve a public purpose to provide in this Resolution for the issuance of the Series 2013 Bonds for the purposes heretofore stated to realize significant present value net debt service savings, and this Resolution shall constitute a Supplemental Resolution for purposes of the Bond Resolution; and

WHEREAS, the Series 2013 Bonds shall be secured by the Pledged Revenues on parity and with an equal lien as to the Series 2006 Bond, the Series 2010 Bonds and the Series 2011 Bond; and

WHEREAS, pursuant to the Bond Resolution, the Issuer is permitted to incur "Subordinated Debt" which are obligations payable from Pledged Revenues on a junior, inferior and subordinate basis to the Series 2006 Bond, the Series 2010 Bonds, the Series 2011 Bond, the Series 2013 Bonds and any Additional Parity Obligations issued in the future; and

WHEREAS, pursuant to the Bond Resolution, on May 22, 2007, the Issuer issued not to exceed \$20,000,000 in original principal amount of its Subordinate Wastewater Improvement Revenue Note, Series 2007 (the "Series 2007 Wastewater Note"), as Subordinated Debt in the form of a line of credit; and

WHEREAS, pursuant to the Bond Resolution, on August 5, 2008, the Issuer issued not to exceed \$18,500,000 in original principal amount of its Subordinate Wastewater Improvement

Revenue Note, Series 2008 (the "Series 2008 Wastewater Note"), as Subordinated Debt in the form of a line of credit; and

WHEREAS, pursuant to the Bond Resolution, on August 5, 2008, the Issuer issued not to exceed \$4,000,000 in original principal amount of its Subordinate Water Improvement Revenue Note, Series 2008 (the "Series 2008 Water Note"), as Subordinated Debt in the form of a line of credit; and

WHEREAS, pursuant to the Bond Resolution, on March 3, 2009, the Issuer issued not to exceed \$14,155,000 in original principal amount of its Subordinate Wastewater Improvement Revenue Note, Series 2009 (the "Series 2009 Wastewater Note"), as Subordinated Debt in the form of a line of credit; and

WHEREAS, pursuant to the Bond Resolution, on April 6, 2010, the Issuer issued not to exceed \$5,955,000 in original principal amount of its Subordinate Wastewater Improvement Revenue Note, Series 2010 (the "Series 2010 Wastewater Note"), as Subordinated Debt in the form of a line of credit; and

WHEREAS, on or about July 29, 2009, the Issuer retired the Series 2007 Wastewater Note; and

WHEREAS, on or about April 6, 2010, the Issuer retired the Series 2008 Wastewater Note; and

WHEREAS, on or about September 23, 2011, the City retired the Series 2008 Water Note; and

WHEREAS, on or about March 1, 2012, the City retired the Series 2009 Wastewater Note; and

WHEREAS, on March 18, 2013, the maturity date of the Series 2010 Wastewater Note was extended from April 6, 2013 to October 6, 2013; and

WHEREAS, prior to the issuance of the Series 2013 Bonds and prior to October 6, 2013, the Issuer intends to retire the Series 2010 Wastewater Note from proceeds of debt and/or other legally available funds; provided, however, that such refunding indebtedness will not be secured by Pledged Revenues; and

WHEREAS, pursuant to the Bond Resolution, on December 7, 2005, the Issuer entered into the Clean Water State Revolving Fund Loan Agreement WW71503P with the State of Florida Department of Environmental Protection (as amended, the "2005 FDEP Loan Agreement"); and

WHEREAS, the 2005 FDEP Loan Agreement is Subordinated Debt and is payable from net revenues of the System on a junior, inferior and subordinate basis to the Bonds; and

WHEREAS, pursuant to the 2005 FDEP Loan Agreement, the Issuer borrowed \$1,657,448; and

WHEREAS, pursuant to the Bond Resolution, on May 26, 2011, the Issuer entered into the Drinking Water State Revolving Fund Construction Loan Agreement DW110301 with the State of Florida Department of Environmental Protection (as amended, the 2011 FDEP Loan Agreement); and

WHEREAS, the 2011 FDEP Loan Agreement is Subordinate Debt and is payable from net revenues of the System on a junior, inferior and subordinate basis to the Bonds; and

WHEREAS, pursuant to the 2011 FDEP Loan Agreement, the Issuer borrowed \$5,309,320; and

WHEREAS, pursuant to the Bond Resolution, the Issuer may incur additional Subordinate Debt in the future, subject to satisfaction of certain requirements therein and in the FDEP Loan Agreement; and

WHEREAS, the Series 2013 Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of the Constitution of the State, but shall be payable solely from and secured by a first lien upon and pledge of the Pledged Revenues in the manner and to the extent provided herein and in the Bond Resolution, and no Holder or Holders of Series 2013 Bonds issued hereunder and under the Bond Resolution shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer or taxation in any form of any real or personal property therein, or to compel the Issuer to pay such principal and interest from any other funds of the Issuer; and

WHEREAS, except as described above, the Pledged Revenues are not pledged or encumbered in any manner; and

WHEREAS, Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself, Citigroup Global Markets Inc. and RBC Capital Markets, LLC (collectively, the "Underwriters") have indicated that they are willing to enter into the hereinafter defined Purchase Contract with the Issuer pursuant to which the Underwriters will agree to purchase the Series 2013 Bonds; and

WHEREAS, due to the present volatility of the market, the characteristics of the Series 2013 Bonds, the need to access the market very quickly, the willingness of the Underwriters to purchase the Series 2013 Bonds at interest rates favorable to the Issuer, and the critical importance of timing of the sale of the Series 2013 Bonds, the Issuer desires to sell the Series

2013 Bonds through a negotiated sale to the Underwriters pursuant to the terms of a Bond Purchase Contract, the form of which is attached hereto as Exhibit A (the "Purchase Contract"), if certain conditions set forth in this Resolution are satisfied; and

WHEREAS, due to the present volatility of the market and conditions surrounding the current credit ratings of the various municipal bond insurance companies, the Issuer desires to opt to insure some, all or none of the Series 2013 Bonds, whichever is in the best financial interests of the Issuer based on the advice of the Financial Advisor, with a Bond Insurance Policy, and to authorize the Chairman, based on the advice of the Financial Advisor, to take any actions and do all things necessary in order to accept any such policy in connection with the issuance of the Series 2013 Bonds; and

WHEREAS, prior to acceptance by the Issuer of the offer of the Underwriters to purchase the Series 2013 Bonds, the Underwriters will provide the Issuer with all applicable disclosure information required by Section 218.385, Florida Statutes, to be attached to, or otherwise included as part of, the Purchase Contract; and

WHEREAS, in connection with the offering and sale of the Series 2013 Bonds, the Issuer desires to approve the distribution of the Preliminary Official Statement, a form of which is attached hereto as Exhibit B, to delegate to the Finance Director the authority to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), and to delegate to the Chairman, the City Manager and the Finance Director the authority to execute and deliver a final Official Statement with respect to the Series 2013 Bonds (the "Official Statement"); and

WHEREAS, the Issuer desires to appoint the Registrar and Paying Agent with respect to the Series 2013 Bonds and authorize the execution and delivery of a Registrar and Paying Agent Agreement, a form of which is attached hereto as Exhibit C (the "Registrar and Paying Agent Agreement"); and

WHEREAS, in connection with its continuing disclosure obligations under the Rule, the Issuer desires to approve the form of, and authorize the execution and delivery of, a Continuing Disclosure Certificate, a form of which is attached hereto as Exhibit D (the "Continuing Disclosure Certificate"); and

WHEREAS, the Issuer desires to appoint the Escrow Holder with respect to the Refunded Bonds and authorize the execution and delivery of an Escrow Deposit Agreement, a form of which is attached hereto as Exhibit E (the "Escrow Deposit Agreement").

NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MARCO ISLAND, FLORIDA, AS FOLLOWS:

SECTION 1. Authorization of Refunding; Approval of Issuance of Series 2013 Bonds; Terms of Series 2013 Bonds; Execution of Series 2013 Bonds. The refunding of the Refunded Bonds is hereby authorized. The Series 2013 Bonds are hereby authorized to be issued to refund the Refunded Bonds subject to the terms and conditions set forth herein.

The Series 2013 Bonds are hereby authorized to be issued in the aggregate principal amount of not to exceed \$69,000,000. The Series 2013 Bonds are hereby authorized to be issued in fully registered form without coupons; may be Serial Bonds or Term Bonds; shall be dated; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R"; shall be in the denomination of \$5,000 each, or integral multiples thereof; shall bear interest at such rate or rates not exceeding the maximum rate allowed by State law, the actual rate to be approved based on the parameters set forth herein; such interest to be payable semiannually at such times as are described below, and shall mature annually on such date in such years and such amounts as will be fixed by the Purchase Contract.

Each Serial or Term Bond shall bear interest from the interest payment date next preceding the date on which it is authenticated, unless authenticated on an interest payment date, in which case it shall bear interest from such interest payment date, or, unless authenticated prior to the first interest payment date, in which case it shall bear interest from its date; provided, however, that if at the time of authentication, payment of any interest which is due and payable has not been made, such Serial or Term Bond shall bear interest from the date to which interest shall have been paid.

The principal of and the interest and redemption premium, if any, on the Series 2013 Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. Interest on the Series 2013 Bonds will be payable semiannually on April 1 and October 1, commencing on April 1, 2014, or such other date as set forth in the Purchase Contract. The interest on the Serial or Term Bonds shall be payable by the Paying Agent on each interest payment date, or the first business day following an interest payment date if such interest payment date is not a business day, to the person appearing on the registration books of the Issuer hereinafter provided for as the registered Holder thereof, by check or draft mailed to such registered Holder at his address as it appears on such registration books or by wire transfer to Holders of \$1,000,000 or more in principal amount of the Series 2013 Bonds. Payment of the principal of all Serial or Term Bonds (reduced by any Amortization Installments previously paid by the Issuer on any Term Bonds) shall be made upon the presentation and surrender of such Series 2013 Bonds as the same shall become due and payable.

As long as any Series 2013 Bonds are Outstanding in book-entry form, the provisions of the Bond Resolution and this Resolution inconsistent with such system of book-entry registration shall not be applicable to such Series 2013 Bonds, and the Issuer covenants to cause adequate records to be kept with respect to the ownership of the Series 2013 Bonds issued in book-entry form or the beneficial ownership of bonds issued in the name of a nominee.

The Issuer hereby delegates to the Chairman the authority to determine the final terms of the Series 2013 Bonds, including (i) the dated date, (ii) the principal amount and whether the Series 2013 Bonds shall be issued as Serial Bonds and/or Term Bonds, (iii) the maturity dates and amounts, (iv) the interest rates, prices and yields, (v) the optional redemption features, if any, (vi) the Amortization Installments and other mandatory redemption features, if any, (vii) the sale date and the delivery date, (viii) all other details of the Series 2013 Bonds, and to take such further action as shall be required for carrying out the purposes of this Resolution all with respect to the Series 2013 Bonds.

The proceeds of the Series 2013 Bonds shall be applied in accordance with Section 6 of this Resolution and as provided in a certificate of the Chairman and Finance Director delivered upon issuance and delivery of the Series 2013 Bonds. The issuance of the Series 2013 Bonds authorized by this Resolution shall be subject to all of the terms and conditions which are set forth in Section 20(Q) of the Bond Resolution, and shall any condition set forth in Section 20(Q) not be met, the Chairman shall not deliver the Series 2013 Bonds herein authorized. As required by Section 20(Q)(10) of the Bond Resolution, all covenants contained in the Bond Resolution with respect to the Bonds shall be applicable to the Series 2013 Bonds.

The Series 2013 Bonds, in substantially the form approved pursuant to the Bond Resolution, shall be signed by, or bear the facsimile signature of the Chairman and shall be attested and countersigned by, or bear the facsimile signature of, the City Clerk, shall be approved as to form by the signature of, or bear the facsimile signature of, the City Attorney, and a facsimile of the official seal of the Issuer shall be imprinted on the Series 2013 Bonds.

In case any officer whose signature or a facsimile of whose signature shall appear on any Series 2013 Bonds shall cease to be such officer before the delivery of such Series 2013 Bonds, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if such Person remained in office until such delivery. Any Series 2013 Bond may bear the facsimile signature of or may be signed by such persons who, at the actual time of the execution of such Series 2013 Bond, shall be the proper officers to sign such Series 2013 Bonds although, at the date of such Series 2013 Bond, such persons may not have been such officers.

SECTION 2. Award of Sale of the Series 2013 Bonds; Execution of Purchase Contract. Due to the present volatility of the market, the characteristics of the Series 2013 Bonds, the need to access the market very quickly, the willingness of the Underwriters to purchase the Series 2013 Bonds at interest rates favorable to the Issuer, and the critical importance of timing of the sale of the Series 2013 Bonds, the Issuer hereby determines to sell the Series 2013 Bonds through a negotiated sale to the Underwriters, and it is hereby determined that it is in the best interest of the public and the Issuer to delegate to the Chairman the authority to fix the final details of the Series 2013 Bonds and accept the offer of the Underwriters to purchase the Series 2013 Bonds at a negotiated sale pursuant to the terms of a Purchase Contract, the form of which is attached hereto as Exhibit A, if certain conditions set forth in this Resolution are satisfied; provided,

however, that the Chairman shall not have the authority to execute and deliver the Purchase Contract, unless the Chairman shall have received from the Underwriters (i) all applicable disclosure information required by Section 218.385, Florida Statutes, and (ii) such other information as the Chairman shall deem necessary, upon the advice of the Issuer's Financial Advisor, which demonstrates to the Chairman that (A) the aggregate principal amount of the Series 2013 Bonds is not in excess of \$69,000,000, (B) the final maturity of the Series 2013 Bonds is not later than October 1, 2033, (C) the underwriting discount is not greater than 0.30% of the original principal amount of the Series 2013 Bonds, (D) the true interest cost rate on the Series 2013A Bonds is not greater than 5.50%, and (E) net present value debt service savings is not less than 3% of the par amount of the Refunded Bonds.

All actions of the Chairman taken pursuant to the authority contained in Sections 1 and 2 of this Resolution shall be evidenced by the execution and delivery of the Purchase Contract, which shall be filed with the City Clerk. The execution and delivery of the Purchase Contract shall constitute complete evidence of the actions of the Chairman and shall constitute the action of the Issuer. Subject to satisfaction of the conditions in this Section 2, the Chairman is hereby authorized and directed to execute and deliver, the City Clerk is hereby authorized to attest under seal, and the City Attorney is hereby authorized to approve as to form, the Purchase Contract. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Purchase Contract by the Issuer, including any changes to the form attached hereto as Exhibit A, and shall be deemed to be a part of this instrument as fully and to the same extent as if incorporated verbatim herein.

SECTION 3. Application of Series 2013 Bond Proceeds.

(A) The proceeds received from the sale of any or all of the Series 2013 Bonds shall be applied by the Issuer simultaneously with the delivery of the Series 2013 Bonds to the Underwriters, together with any other legally available funds of the Issuer, as follows:

(1) The Issuer shall pay and/or reimburse all costs and expenses in connection with the preparation, issuance and sale of the Series 2013 Bonds, including, but not limited to legal, financial advisory, accounting, engineering, financial feasibility and underwriting fees and expenses and premium for a Bond Insurance Policy, if any.

(2) A sum specified in the Escrow Deposit Agreement that, together with other legally available funds of the Issuer and taking into account investments, if any, shall be sufficient to pay the principal of and interest on the Refunded Bonds, shall be deposited with the Escrow Holder pursuant to the hereinafter defined Escrow Deposit Agreement and used in the manner described therein.

Simultaneously with the delivery of the Series 2013 Bonds to the Underwriters, the Issuer shall enter into the Escrow Deposit Agreement with Wells Fargo Bank, National Association (the "Escrow Holder") which shall provide for the deposit of sums

and, if applicable, for the investment of moneys in appropriate Acquired Obligations so as to produce sufficient funds to make all the payments described in the Escrow Deposit Agreement. The Escrow Deposit Agreement is to be in substantially the form set forth in Exhibit E attached hereto, together with such changes as shall be approved by the Chairman, such approval to be conclusively evidenced by the execution thereof by the Chairman. The execution of the Escrow Deposit Agreement is hereby approved, and the execution of the Escrow Deposit Agreement by the Chairman is hereby authorized, to be attested by the City Clerk, the form and correctness of which to be approved by the City Attorney. At the time of execution of the Escrow Deposit Agreement, the Issuer shall furnish to the Escrow Holder named therein appropriate documentation to demonstrate that the sums being deposited and the investments to be made will be sufficient for such purposes.

Notwithstanding anything herein to the contrary, as an alternative to legally defeasing the Refunded 2008 Bond, the Issuer is authorized to instead redeem the Refunded 2008 Bond on the date the Series 2013 Bonds are issued if deemed by the Financial Advisor to be more financially advantageous to the Issuer.

Subject to the execution and delivery of the Series 2013 Bond for the purpose of refunding the Refunded 2008 Bond, the Issuer hereby irrevocably calls the Refunded 2008 Bonds for early redemption on October 1, 2013, or such other date as determined by the Chairman in the Escrow Deposit Agreement or by certificate.

Subject to the execution and delivery of the Series 2013 Bond for the purpose of refunding the Refunded 2003 Bonds, the Issuer hereby irrevocably calls the Refunded 2003 Bonds for early redemption on October 15, 2013, or such other date as determined by the Chairman in the Escrow Deposit Agreement. Not less than thirty (30) days prior to such redemption date, the Issuer hereby directs Wells Fargo Bank, National Association, in its capacity as Registrar for the Series 2003 Bonds, to mail a notice of the redemption of the Refunded 2003 Bonds to each holder thereof in accordance with the requirements of Section 14 of the Bond Resolution. Furthermore, upon issuance of the Series 2013 Bond for the purposes of refunding the Refunded 2003 Bonds, the Issuer hereby directs Wells Fargo Bank, National Association to mail a notice of defeasance to each holder of the Refunded 2003 Bonds.

On the date of issuance of the Series 2013 Bonds, the Issuer may transfer moneys on deposit in the funds and accounts created for the benefit of the Refunded Bonds to the Escrow Holder to be held on behalf of the Issuer and to be used pursuant to the terms of the Escrow Deposit Agreement or may use such released funds to make improvements to the System.

Unless the Financial Advisor advises the Issuer to hold funds uninvested, the Issuer may reinvest certain proceeds of the Series 2013 Bonds, together with other legally

available funds, in U.S. Treasury Obligations—State and Local Government Series for deposit pursuant to the Escrow Deposit Agreement, to the extent possible. If not possible, the Issuer may cause the Escrow Holder to purchase, on behalf of and for the benefit of the Issuer, certain direct and general obligations of the United States of America, or those obligations which are unconditionally guaranteed as to the timely payment of principal and interest by the same, in a manner which Bryant Miller Olive P.A., as Bond Counsel determines is required by applicable federal tax law, which may include the necessity that a competitive bidding process be utilized. If a competitive bidding process is required, PFM Asset Management, LLC is hereby authorized to conduct such process for a bidding agent fee in accordance with a separate letter agreement. Such fee is separate and apart from the fees and expenses charged by the Financial Advisor pursuant to its existing services contract with the Issuer. The Issuer authorizes Bond Counsel, the Financial Advisor, the Escrow Holder, the Chairman, the City Manager, the Finance Director, the City Attorney, the City Clerk or any other appropriate officers of the Issuer, to do all things and take any actions which are necessary to accomplish the foregoing, including without limitation the execution and delivery or consents or approvals.

(B) Any remaining moneys from the proceeds of the sale of the Series 2013 Bonds shall be deposited as provided in a Supplemental Resolution of the Issuer, but shall only be used for the purposes permitted by law.

(C) The cash required to be accounted for in each of the funds and accounts described in this Section 3 and in the Bond Resolution may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein for the various purposes of such funds and accounts as herein provided. The designation and establishment of the various funds in and by the Bond Resolution and this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the System for certain purposes and to establish certain priorities for application of such revenues and assets as herein provided.

The Issuer may at any time and from time to time appoint one or more depositories to hold, for the benefit of the Series 2013 Bondholders, any one or more of the funds, accounts and subaccounts established hereby and by the Bond Resolution. Such depository or depositories shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such funds and accounts as herein set forth and as set forth in the Bond Resolution, and all records of such depository in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agent and employees. Any such depository shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and having a combined capital, surplus and undivided profits aggregating not less than fifty million dollars (\$50,000,000).

SECTION 4. Approval of Distribution of Preliminary Official Statement and Authorization of Final Official Statement. The preparation and distribution of the Preliminary Official Statement relating to the Series 2013 Bonds, in the form attached hereto as Exhibit B, is hereby approved and authorized, as is the use thereof by the Underwriters in connection with the sale of the Series 2013 Bonds. The Finance Director is hereby authorized to execute and deliver a certificate of the Issuer which deems such Preliminary Official Statement "final" within the contemplation of the Rule. The distribution of the final Official Statement relating to the Series 2013 Bonds is hereby authorized, and the execution of such Official Statement by the Chairman, the City Manager and the Finance Director is hereby authorized, which execution and delivery shall constitute complete evidence of the approval of such final Official Statement by the Issuer.

SECTION 5. Series 2013 Bonds Not Secured by Reserve Fund. The Series 2013 Bonds are not secured by the Reserve Fund or any subaccount therein created.

SECTION 6. Appointment of Registrar and Paying Agent; Authorization of Execution and Delivery of Registrar and Paying Agent Agreement. Wells Fargo Bank, National Association is hereby appointed Registrar and Paying Agent relating to the Series 2013 Bonds. The Registrar and Paying Agent Agreement, in the form attached hereto as Exhibit C, is hereby approved and authorized. The Chairman is hereby authorized and directed to execute and deliver, the City Clerk is hereby authorized to attest under seal, and the City Attorney is hereby authorized to approve as to form, the Registrar and Paying Agent Agreement. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Registrar and Paying Agent Agreement by the Issuer, 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 7. Continuing Disclosure. The Issuer hereby covenants and agrees that, in order to assist the Underwriters in complying with the continuing disclosure requirements of the Rule with respect to the Series 2013 Bonds, it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate, the form of which is attached hereto as Exhibit D, to be executed by the Issuer prior to the time the Issuer delivers the Series 2013 Bonds to the Underwriters, as it may be amended from time to time in accordance with the terms thereof.

The Issuer hereby approves the Continuing Disclosure Certificate, in the form attached hereto. The Chairman is hereby authorized and directed to execute and deliver, the City Clerk is hereby authorized to attest under seal, and the City Attorney is hereby authorized to approve as to form, the Continuing Disclosure Certificate. The execution and delivery thereof in the manner described in the preceding sentence shall constitute complete approval of such Continuing Disclosure Certificate by the Issuer, 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.

Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with such Continuing Disclosure Certificate shall not be considered an Event of Default under the Bond Resolution. However, the Continuing Disclosure Certificate shall be enforceable by the Series 2013 Bondholders in the event that the Issuer fails to cure a breach thereunder within a reasonable time after written notice from a Series 2013 Bondholder to the Issuer that a breach exists. Any rights of the Series 2013 Bondholders to enforce the provisions of the Continuing Disclosure Certificate shall be on behalf of all Series 2013 Bondholders and shall be limited to a right to obtain specific performance of the Issuer's obligations thereunder.

SECTION 8. General Authority. The Chairman, the City Manager, the City Clerk, the Finance Director, the City Attorney or any other appropriate officers of the Issuer are hereby authorized and directed to execute any and all certifications or other instruments or documents required by the Bond Resolution and this Resolution, the Purchase Contract or any other document referred to above as a prerequisite or precondition to the issuance of the Series 2013 Bonds and any such representation made therein shall be deemed to be made on behalf of the Issuer. All action taken to date by the officers of the Issuer in furtherance of the issuance of the Series 2013 Bonds is hereby approved, confirmed and ratified.

SECTION 9. Optional Financial Guaranty Insurance. The Issuer is hereby authorized to insure all, some or none of the Series 2013 Bonds, whichever is in the best financial interests of the Issuer based on the advice of the Financial Advisor, with a Bond Insurance Policy, and further authorizes the Chairman to take any actions and do all things necessary in order to accept such policy in connection with the issuance of the Series 2013 Bonds, including without limitation, the execution and delivery of a credit enhancement agreement.

SECTION 10. No Third Party Beneficiaries. Except as may be expressly described herein or in a Supplemental Resolution, nothing in the Bond Resolution or this Resolution, or in the Series 2013 Bonds, expressed or implied, is intended or shall be construed to confer upon anyone of another entity other than the Issuer, the Holders and the insurer with respect to the Series 2013 Bonds which are insured, if any, any right, remedy or claim, legal or equitable, under and by reason of this Resolution or any provision hereof or the Bond Resolution or any provision thereof, or of the Series 2013 Bonds, all provisions hereof and thereof being intended to be and being for the sole and exclusive benefit of the Issuer, the Holders from time to time and the insurer with respect to the Series 2013 Bonds which are insured, if any.

SECTION 11. Severability. If any one or more of the covenants, agreements or provisions of the Bond Resolution or this Resolution shall 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 reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the

remaining covenants, agreements and provisions of the Bond Resolution or this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof, thereof or of the Series 2013 Bonds issued under the Bond Resolution or this Resolution.

SECTION 12. No Personal Liability. Neither the members of the City Council, nor any officials or employees of the Issuer, nor any person executing the Series 2013 Bonds shall be personally liable therefor or be subject to any personal liability or accountability by reason of the issuance thereof.

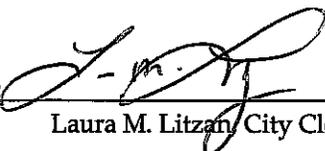
SECTION 13. Repeal Of Inconsistent Instruments. All prior resolutions of the Issuer inconsistent with the provisions of this Resolution are hereby repealed to the extent of such conflict and, except as otherwise repealed hereby, shall remain in full force and effect.

SECTION 14. Effective Date. This Resolution shall take effect immediately upon its adoption

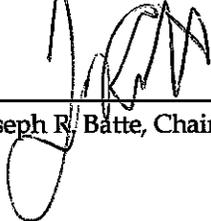
Passed in open and regular session through roll call vote by the City Council of the City of Marco Island, Florida this 5th day of August, 2013.

(SEAL)

ATTEST:

By: 
Laura M. Litzan, City Clerk

CITY OF MARCO ISLAND, FLORIDA

By: 
Joseph R. Batte, Chairman

Approved as to Form:

By: 
Burt L. Saunders, City Attorney

EXHIBIT A
FORM OF
PURCHASE CONTRACT

CITY OF MARCO ISLAND, FLORIDA

**§ _____
UTILITY SYSTEM REFUNDING REVENUE BONDS,
SERIES 2013**

BOND PURCHASE CONTRACT

_____, 2013

City Council of the City of
Marco Island, Florida
50 Bald Eagle Drive
Marco Island, Florida 34145

Ladies and Gentlemen:

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Representative"), on behalf of itself, Citigroup Global Markets Inc. and RBC Capital Markets, LLC (collectively, the "Underwriters") offers to enter into the following agreement with the City of Marco Island, Florida (the "City") which, upon your acceptance of this offer, will be binding upon the City and upon the Underwriters. This offer is made subject to your acceptance on or before 5:00 P.M., New York Time, on the date hereof, and if not so accepted, will be subject to withdrawal by the Representative upon notice to the City at any time prior to the acceptance hereof by the City. The Representative hereby warrants that it is authorized to enter into this Bond Purchase Contract on behalf of the Underwriters and to take any other actions that may be required on behalf of the other Underwriters. All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the hereinafter defined Resolution.

1. Purchase and Sale. Subject to the terms and conditions and in reliance upon the representations, warranties, and agreements set forth in this Bond Purchase Agreement, the Underwriters hereby agree to purchase from the City for offering to the public and the City hereby agrees to sell and deliver to the Underwriters for such purpose, all (but not less than all) of the [§ _____] aggregate principal amount of the City of Marco Island, Florida Utility System Improvement and Refunding Revenue Bonds,

Series 2013 (the "Series 2013 Bonds"). The Series 2013 Bonds shall be dated the date of delivery, shall be issued in such amounts of serial Bonds and term Bonds, shall be issued in such original principal amounts, bear such rates of interest and/or be redeemable upon such terms as set forth in Exhibit A attached hereto. Interest on the Series 2013 Bonds shall be payable on April 1, 2014, and on each April 1 and October 1 thereafter to maturity or earlier redemption. The aggregate purchase price of the Series 2013 Bonds shall be [\$ _____] (which equals the principal amount, less a net original issue discount of [\$ _____] and less an Underwriters' discount of [\$ _____]). The Series 2013 Bonds shall initially be offered to the public at such prices or yields as indicated on Exhibit A attached hereto. The Series 2013 Bonds shall be issued pursuant to and under the authority of Chapter 166, Part II, Florida Statutes, Chapter 159, Part I, Florida Statutes, the charter of the City and other applicable provisions of law (collectively, the "Act"), and under and pursuant to Resolution No. 03-55, adopted by the City Council of the City on September 29, 2003, as amended and supplemented, as amended by Resolution No. 05-71, adopted by the City Council on October 17, 2005, and as particularly supplemented by Resolution No. [13-__] adopted by the City Council of the City on [_____, 2013] (collectively, the "Resolution").

The Series 2013 Bonds are being issued for the purposes of: (i) currently refunding the City's outstanding Utility System Revenue Bonds, Series 2003, originally issued and currently outstanding in the principal amount of \$60,945,000 (the "Refunded 2003 Bonds"); (ii) currently refunding the City's outstanding Utility System Revenue Bond, Series 2008, currently outstanding in the principal amount of \$6,413,054 (the "Refunded 2008 Bonds," and together with the Refunded Series 2003 Bonds, the "Refunded Bonds"); and (iii) paying the allocable costs of issuance of the Series 2013 Bonds. The Series 2013 Bonds are special and limited obligations of the City, payable solely from and secured by the Pledged Revenues in the manner and to the extent provided in the Resolution.

The Series 2013 Bonds will be payable solely from, and secured by, a pledge of and lien on the Pledged Revenues on a parity with the City's outstanding Utility System Revenue Bond, Series 2006, Tax-Exempt Utility System Improvement and Refunding Revenue Bonds, Series 2010A, Taxable Utility System Refunding Revenue Bonds, Series 2010B, and Utility System Refunding Revenue Bond, Series 2011 (collectively, the "Parity Obligations") heretofore issued under the Resolution in the manner to the extent provided in the Resolution.

2. Good Faith Deposit. Delivered to you herewith, as a good faith deposit, is a corporate check of the Representative payable to the order of the City in the amount of [\$ _____] as security for the performance by the Underwriters of their obligation to accept and pay for the Series 2013 Bonds at Closing (as such term is hereinafter defined) in accordance with the provisions hereof. In the event that you accept this offer, said check will be held uncashed by the City as a good faith deposit. At the Closing, the

check will be returned to the Representative. In the event you do not accept this offer, the check shall be immediately returned to the Representative. If the Underwriters fail (other than for a reason permitted hereunder) to accept and pay for the Series 2013 Bonds at the Closing as provided herein, the check may be cashed by you and the proceeds retained by the City as and for full liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriters, and the retention of such amounts shall constitute a full release and discharge of all claims and damages for such failure and for any and all such defaults hereunder on the part of the Underwriters.

In the event that the City fails to deliver the Series 2013 Bonds at the Closing, or if the City is unable at or prior to the date of Closing to satisfy or cause to be satisfied the conditions to the obligations of the Underwriters contained in this Bond Purchase Contract, or if the obligations of the Underwriters contained herein shall be cancelled or terminated for any reason permitted by this Bond Purchase Contract, the City shall be obligated to immediately return the check to the Representative and such return shall constitute a full release and discharge of all claims by the City and the Underwriters arising out of the transaction contemplated herein except for the respective obligations of the City and the Underwriters set forth in Section 10 below.

3. Offering. It shall be a condition of your obligation to sell the Series 2013 Bonds to the Underwriters and deliver the Series 2013 Bonds to the Representative, and the joint and several obligation of the Underwriters to purchase and accept delivery of the Series 2013 Bonds, that the entire aggregate principal amount of the Series 2013 Bonds shall be sold and delivered by you and accepted and paid for by the Underwriters at the Closing.

The Underwriters agree to make a public offering of all of the Series 2013 Bonds at the prices no greater than or yields no less than the initial offering prices or yields set forth in Exhibit A attached hereto; provided, however, the Underwriters reserve the right to make concessions to dealers and to change such initial offering prices as the Underwriters shall deem necessary in connection with the marketing of the Series 2013 Bonds.

The City acknowledges and agrees that: (i) the primary role of the Underwriters, as underwriters, is to purchase securities, for resale to investors, in an arm's length commercial transaction between the City and the Underwriters and the Underwriters have financial and other interests that differ from those of the City; (ii) the Underwriters are acting solely as principals and are not acting as municipal advisors, financial advisors or fiduciaries to the City and have not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriters have provided other services or are currently providing other services to the City on other matters); (iii) the only obligations the Underwriters have to the City with respect to the

transaction contemplated hereby expressly are set forth in this Purchase Agreement; and (iv) the City has consulted its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it has deemed appropriate.

4. Preliminary Official Statement and Official Statement. The City hereby confirms that it has heretofore made available to the Underwriters a Preliminary Official Statement of the City relating to the Series 2013 Bonds, dated [_____, 2013] (which, together with the cover page and appendices contained therein and any amendments thereto, is herein called the "Preliminary Official Statement"), and authorizes and ratifies the distribution thereof to prospective purchasers and investors. Within seven business days of the acceptance hereof by the City and at least three business days prior to the date of Closing, the City shall cause to be delivered the final Official Statement, dated the date hereof in substantially the form of the Preliminary Official Statement with all "permitted omissions" (as defined in the hereinafter described Rule) completed (which, together with the cover page and appendices contained therein and any amendments thereto, is herein called the "Official Statement"), executed on behalf of the City by the Chairman of the Board of County Commissioners, the City Manager and the Finance Director and such reasonable numbers of conformed copies as the Underwriters shall request, which shall be sufficient in number to comply with Rule 15c2-12 of the Securities and Exchange Commission (17 CFR 240.15c2-12) under the Securities Exchange Act of 1934 (the "Rule") and with Rule G-32 and all other applicable rules of the Municipal Securities Rulemaking Board (the "MSRB"). The City, by its acceptance hereof, ratifies and approves the Preliminary Official Statement and deems it "final" as of its date for purposes of the Rule and approves and authorizes the Underwriters to use the Official Statement and all documents described therein in connection with the public offering and the sale of the Series 2013 Bonds.

In order to assist the Underwriters in complying with the Rule, the City will undertake, pursuant to a Continuing Disclosure Certificate, to be dated as of the date of the herein defined Closing (the "Disclosure Certificate"), to provide annual financial information and notices of the occurrence of certain enumerated events. A description of the Disclosure Certificate is set forth in, and the form of the Disclosure Certificate is attached as APPENDIX E to, the Preliminary Official Statement and the Official Statement.

In accordance with Section 218.385, Florida Statutes, the Representative hereby discloses the information required by such Section, including a truth-in-bonding statement, as provided in Exhibit B attached hereto.

5. Use of Documents. The City hereby authorizes the use by the Underwriters of (a) the Resolution, (b) the Preliminary Official Statement, (c) the Official Statement (including any supplements or amendments thereto), (d) the Continuing Disclosure Certificate, and (e) any other documents related to the transactions

contemplated in the Official Statement in connection with the public offering, sale and distribution of the Series 2013 Bonds.

6. Representations, Warranties and Agreements. The City by its acceptance of this Bond Purchase Agreement hereby represents, warrants to each of the Underwriters, as of the date hereof, and agrees as follows:

(a) As of the date of the Official Statement and at all times after the date of the Official Statement up to and including the date of Closing, the statements and information contained in the Official Statement will be true, correct and complete in all material respects and the Official Statement will not omit any statement or information which should be included therein for the purposes for which the Official Statement is to be used or which is necessary to make the statements or information contained therein, in light of the circumstances under which they were made, not misleading (provided, however, that no representation or warranty is being provided with respect to Depository Trust Company ("DTC") and its book-entry only system of registration).

(b) Between the date of this Bond Purchase Contract and the time of Closing, the City will not execute any bonds, notes or obligations for borrowed money, other than the Series 2013 Bonds or obligations which pledge neither the faith and credit of the City nor any portion of the Pledged Revenues, without giving prior written notice thereof to the Underwriters.

(c) The City is, and will be at the date of Closing, duly organized and validly existing as a municipal corporation of the State of Florida, with the powers and authority set forth in the Act.

(d) The City has full legal right, power and authority to: (i) enter into this Bond Purchase Contract, the Disclosure Certificate and all other agreements, certificates and other instruments executed in connection with the Series 2013 Bonds and the transactions contemplated hereby and thereby (collectively, the "City Documents"), (ii) adopt the Resolution and Resolution No. 10-32, adopted by the City on September 20, 2010, which established the current rates and fees for water and wastewater services in the City (the "Rate Resolution"), (iii) sell, issue and deliver the Series 2013 Bonds to the Underwriters as provided herein, (iv) refund the Refunded Bonds, (v) execute the Official Statement and (vi) carry out and consummate the transactions contemplated by the City Documents, the Resolution and the Official Statement. The City has complied, and at the Closing will be in compliance, in all respects, with the terms of the Act and with the obligations on its part in connection with the issuance of the Series 2013 Bonds contained in the Resolution, the Series 2013 Bonds and the City Documents.

(e) By all necessary official action, the City has duly adopted the Resolution and the Rate Resolution, has duly authorized and approved the Preliminary Official Statement and the Official Statement, has duly authorized and approved the execution

and delivery of, and the performance by the City, of the City Documents and all other obligations on its part in connection with the issuance of the Series 2013 Bonds and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Series 2013 Bonds; upon delivery of the Series 2013 Bonds, the Resolution, the Rate Resolution and the City Documents such foregoing documents will each constitute a legal, valid and binding obligation of the City, enforceable in accordance with their respective terms, subject to applicable bankruptcy, insolvency, and similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

(f) When delivered to the Representative and paid for by the Underwriters at the Closing in accordance with the provisions of this Bond Purchase Contract, the Series 2013 Bonds will have been duly authorized, executed, issued and delivered and will constitute valid and binding obligations of the City in conformity with the Act and the Resolution, and shall be entitled to the benefits of the Resolution, including a pledge of and lien upon the Pledged Revenues in the manner and to the extent provided by the Resolution, subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity.

(g) The adoption of the Resolution, the refunding of the Refunded Bonds and the authorization, execution and delivery of the City Documents and the Series 2013 Bonds, and compliance with the provisions hereof and thereof, will not conflict with, or constitute a breach of or default under any law, administrative regulation, consent decree, ordinance, resolution or any agreement or other instrument to which the City was or is subject, as the case may be, nor will such enactment, adoption, execution, delivery, authorization or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City, or under the terms of any law, administrative regulation, ordinance, resolution or instrument, except as expressly provided by the Resolution or the Series 2013 Bonds.

(h) At the time of Closing, the City will be in compliance in all respects with the covenants and agreements contained in the Resolution and no event of default and no event which, with the lapse of time or giving of notice, or both, would constitute an event of default under the Resolution will have occurred or be continuing.

(i) Except as provided in the Official Statement, all approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the City of its obligations hereunder and its obligations under the Resolution, the Rate Resolution and the City Documents have been obtained and are in full force and effect.

(j) The City is lawfully empowered to pledge and grant a lien upon the Pledged Revenues for payment of the principal of, redemption premium, if any, and interest on the Series 2013 Bonds in the manner and to the extent provided by the Resolution.

(k) Except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or threatened against the City, which could have a material adverse affect on the City's ability to pay debt service on the Series 2013 Bonds, the refunding of the Refunded Bonds or the sale, issuance or delivery of the Series 2013 Bonds or the collection and/or pledge of and lien on the Pledged Revenues created by the Resolution or contesting or affecting as to the City the validity or enforceability in any respect relating to the Series 2013 Bonds or the City Documents, or contesting the tax-exempt status of interest on the Series 2013 Bonds, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or contesting the powers of the City or City Council or any authority for the issuance of the Series 2013 Bonds, the adoption of the Resolution or the Rate Resolution or the execution and delivery by the City of the City Documents, or which would otherwise adversely affect the City's ability to perform its obligations with respect to the Series 2013 Bonds.

(l) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriters as the Underwriters may reasonably request in order to (i) qualify the Series 2013 Bonds for offer and sale under the "blue sky" or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may designate, and (ii) determine the eligibility of the Series 2013 Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Series 2013 Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(m) The City will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Series 2013 Bonds to be applied in a manner contrary to that provided for in the Resolution and as described in the Official Statement.

(n) The City is not and has not been in default on any bond, note or other obligations which it has issued, assumed or guaranteed as to payment of since December 31, 1975 that would be considered material by a reasonable investor. The City has not undertaken an independent review or investigation of securities for which it has served as a conduit issuer ("Conduit Securities"). The City does not believe that

disclosure of information about any default on such Conduit Securities is appropriate, or would be considered material by a reasonable investor in the Series 2013 Bonds because the City is not obligated to pay the principal, premium, if any, or interest on such Conduit Securities, except from payments made to the City from private companies on whose behalf such Conduit Securities were issued, and no funds of the City have been pledged or used to pay the principal, premium, if any, or interest on such Conduit Securities.

(o) The City has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

(p) As of its date, the Preliminary Official Statement has been deemed "final" by the City for purposes of the Rule except for omission of certain matters permitted thereby.

(q) If, after the date of this Bond Purchase Contract and until the earlier of (i) 90 days from the end of the "underwriting period" (as defined in the Rule) or (ii) the time when the Official Statement is available to any person from the MSRB (but in no case less than 25 days following the end of the underwriting period), any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (for purposes of this subparagraph, an "Event"), the City shall notify the Representative thereof, and, if in the reasonable opinion of the Representative such Event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its own expense (unless the Event was caused by the Underwriters) forthwith prepare and furnish to the Underwriters a sufficient number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to Counsel to the Underwriters) which will supplement or amend the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at such time, not misleading. The Representative shall notify the City in writing of the date on which the "underwriting period" ends.

(r) Except as expressly disclosed in the Official Statement, the City has not, in the last five (5) years, failed to comply with any prior continuing disclosure obligation arising out of the Rule.

(s) Subsequent to the respective dates as of which information is given in the Official Statement, and prior to the Closing, except as set forth in or contemplated by the Official Statement, unless consented to by the Underwriters, (i) the City has not incurred and shall not have incurred any material liabilities or obligations relating to the Utility

System, direct or contingent, except in the ordinary course of business, and has not entered into and will not have entered into any material transaction relating to the Utility System not in the ordinary course of business, (ii) there has not been and will not have been any material adverse change in the business or financial position or results of operations of the Utility System, (iii) no loss or damage (whether or not insured) to the property of the Utility System has been or will have been sustained which materially and adversely affects the operations of the Utility System, and (iv) no legal or governmental proceeding affecting the Utility System or the transactions contemplated by this Bond Purchase Contract has been or will have been instituted or threatened which is material.

(t) The financial statements and other historical financial and statistical information contained in the Official Statement fairly represent the financial position and results of the City's operations, specifically including the financial positions of the city's Utility System, as of the date and for the periods set forth in such financial statements and statistical information in accordance with generally accepted accounting principles applied consistently.

7. **Closing.** At or prior to [1:00 P.M.], local time, on [_____, 2013], or at such time on such earlier or later date as shall be agreed upon, you will deliver for the account of the Underwriters, through the facilities of DTC, the Series 2013 Bonds in definitive form (all such Series 2013 Bonds bearing proper CUSIP numbers), duly executed and authenticated, together with the other documents herein mentioned; and the Underwriters, will accept such delivery and pay at such location as may be agreed upon by the City and the Underwriters the purchase price of the Series 2013 Bonds as set forth in Section 1 hereof in immediately available funds, payable to the order of the City. This delivery and payment is herein called the "Closing." The Closing shall occur at the offices of the City in Marco Island, Florida, or such other place as shall have been mutually agreed to by the City and the Representative. The Series 2013 Bonds shall be prepared and delivered as fully registered bonds in the definitive form of one fully registered bond for each stated maturity of the Series 2013 Bonds and in the name in which the DTC requests that the Series 2013 Bonds be registered, and will be made available for inspection and checking by the Underwriters at the office of DTC in New York, New York, or at such other place as shall be mutually agreed upon, not later than 12:00 p.m., Eastern time, on the business day prior to the date of Closing.

8. **Closing Conditions.** The Underwriters have entered into this Bond Purchase Contract in reliance upon the representations and warranties of the City herein contained and the performance by the City of its obligations hereunder, both as of the date hereof and as of the time of Closing. The obligations of the Underwriters under this Bond Purchase Contract are and shall be subject to the following conditions:

(a) The representations, warranties and agreements of the City contained herein shall be true and correct and complied with as of the date hereof and as of the date of the Closing, as if made on the date of the Closing.

(b) At the time of the Closing, the Resolution and the Rate Resolution shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented, and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Representative.

(c) At the time of the Closing, the City Documents and the Series 2013 Bonds shall be in full force and effect in accordance with their respective terms and shall not have been amended, modified or supplemented in any material respect, except in each case as may have been agreed to by the Representative.

(d) At or prior to the date of the Closing, the Representative shall receive the following documents:

(i) The Resolution and the Rate Resolution, each certified by the Clerk of the City under seal as having been duly adopted by the City and as being in effect, with only such supplements, modifications or amendments as may have been agreed to by the Representative.

(ii) Fully executed counterparts of:

(A) the City Documents, as applicable; and

(B) the Official Statement and copies of conformed Official Statements sufficient to satisfy the requirements of Section 4 of this Bond Purchase Agreement.

(iii) A final approving opinion of Bryant Miller Olive, Bond Counsel to the City, addressed to the City, dated the date of the Closing, in substantially the form included in the Official Statement as Exhibit E.

(iv) A letter of Bryant Miller Olive, Bond Counsel to the City, addressed to the Underwriters, and dated the date of Closing, to the effect that their final approving opinion referred to in Section 8(d)(iii) hereof may be relied upon by the Underwriters to the same extent as if such opinion were addressed to the Underwriters.

(v) A supplemental opinion of Bryant Miller Olive, addressed to the City and the Underwriters, and dated the date of Closing, to the effect that:

(A) the information set forth in the Official Statement under the headings, "INTRODUCTORY STATEMENT," "PURPOSE OF THE 2013 BONDS," "THE REFUNDING PLAN," "DESCRIPTION OF THE SERIES 2013 BONDS" (other than the information under the subheading "Book-Entry Only System"), "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS," "FLOW OF FUNDS," "ENFORCEABILITY OF REMEDIES," and "APPENDIX B - FORM OF COMPOSITE RESOLUTION" (other than the financial and statistical information included under any such headings, as to which no opinion need be expressed), insofar as such information purports to be descriptions or summaries of the Resolution and the Series 2013 Bonds, constitute accurate and fair statements or summaries of the documents or information referred to therein, and the information under the heading "TAX MATTERS" and in "APPENDIX E - PROPOSED FORM OF OPINION OF BOND COUNSEL" is correct as to matters of law; and

(B) the Series 2013 Bonds are not required to be registered under the Securities Act of 1933, as amended, and it is not necessary to qualify the Resolution under the Trust Indenture Act of 1939, as amended.

(vi) An opinion of GrayRobinson, P.A., City Attorney, addressed to the City, the Underwriters and Bond Counsel, and dated the date of the Closing, substantially to the effect that:

(A) the City is a municipality of the State of Florida, duly organized and validly existing and has full legal right, power and authority to adopt and perform its obligations under the Resolution and the Rate Resolution, and to authorize, execute and deliver and to perform its obligations under the City Documents and the Series 2013 Bonds;

(B) the City has duly adopted the Resolution and the Rate Resolution and each has not been modified, amended or repealed except as disclosed in the Official Statement and has duly authorized, executed and delivered the Series 2013 Bonds and the City Documents and assuming the due authorization, execution and delivery of the City Documents by the other parties thereto, such instruments, the Series 2013 Bonds, the Resolution and the Rate Resolution constitute legal, binding and valid obligations of the City, enforceable in accordance with their respective terms; provided, however, the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights and subject, as to enforceability, to general principles of equity;

(C) the information in the Official Statement under the caption "LITIGATION" is true and complete in all material respects, and with respect to the other information in the Official Statement, as to legal matters, based upon their review of the Official Statement as City Attorney and without having undertaken to determine independently the accuracy or completeness of the contents of such other portions of the Official Statement, they have no reason to believe that such other portions of the Official Statement (except for the financial and statistical data contained therein and the information relating to DTC and its book-entry system of registration, as to which no view need be expressed) contains an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading;

(D) to the best of their knowledge, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, threatened, against the City, affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Series 2013 Bonds or the pledge of and lien on the Pledged Revenues, or contesting or affecting as to the City the validity or enforceability in any respect of the Series 2013 Bonds, the Resolution, the Rate Resolution or the City Documents, or contesting the exclusion from gross income of interest on the Series 2013 Bonds, or contesting the completeness or accuracy of the Official Statement or any supplement or amendment thereto, or contesting the powers of the City and City Council or any authority for the issuance of the Series 2013 Bonds, the adoption or enactment, as the case may be, of the Resolution or the Rate Resolution or the execution and delivery by the City of the City Documents or which could adversely affect the City's ability to perform its obligations with respect to the Series 2013 Bonds;

(E) the adoption of the Resolution and the Rate Resolution and the authorization, execution and delivery of the City Documents and the Series 2013 Bonds and compliance with the provisions hereof and thereof, will not conflict with, or constitute a material breach of or default under, any law or administrative regulation, or to the best of their knowledge, any consent decree, ordinance, resolution or any agreement or other instrument to which the City was or is subject, as the case may be, nor will such enactment, adoption, execution, delivery, authorization or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon

any of the property or assets of the City, or under the terms of any law, administrative regulation, ordinance, resolution or instrument, except as expressly provided by the Resolution;

(F) the use of the Preliminary Official Statement by the Underwriters for the purpose of offering the Series 2013 Bonds for sale has been duly authorized by the City; and

(G) the Official Statement has been duly authorized, executed and delivered by the City, and the City has consented to the use thereof by the Underwriters.

(vii) A certificate, which shall be true and correct at the time of Closing, signed by the Chairman of the City Council of the City, the City Manager of the City and the Finance Director, or such other officials satisfactory to the Underwriters, and in form and substance satisfactory to the Underwriters, to the effect that, to the best of their knowledge and belief:

(A) the representations, warranties and covenants of the City contained herein are true and correct in all material respects and are complied with as of the time of Closing;

(B) the Official Statement did not as of its date, and does not as of the date of Closing, contain any untrue statement of a material fact or omit to state a material fact which should be included therein for the purposes for which the Official Statement is to be used, or which is necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading (provided, that no opinion need be expressed regarding the information contained therein relating to DTC and its book-entry only system of registration);

(C) that, except as disclosed in the Official Statement, no litigation or other proceedings are pending or, to their knowledge, threatened against the City in any court or other tribunal of competent jurisdiction, State or federal, in any way (i) restraining or enjoining the issuance, sale or delivery of any of the Series 2013 Bonds, or (ii) questioning or affecting the validity of the Series 2013 Bonds, the Resolution, the Rate Resolution, the City Documents, or the pledge by the City of the Pledged Revenues, or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution, issuance or delivery of the Series 2013 Bonds or (iv) questioning or affecting (I) the organization or existence of the City or the title to office of the officers thereof, and (II) the refunding of the Refunded Bonds, or (III) the power or authority of the City to collect the Pledged Revenues or (v) asserting that the Preliminary Official

Statement or the Official Statement contains any untrue statement of a material fact or omits any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(D) since the date of the audited financial statements for the fiscal year ended September 30, 2012, included in the Official Statement as Appendix D thereto, (i) there has been no material adverse change in the financial condition of the City and (ii) the City has not incurred any material liabilities other than in the course of ordinary business, except as set forth or contemplated by the Official Statement;

(E) that no event affecting the City has occurred since the date of the Official Statement that should be disclosed in the Official Statement for the purposes for which it is to be used or that is necessary to be disclosed therein in order to make the statements and information therein not misleading in any material respect;

(F) to the best of our knowledge, the adoption of the Rate Resolution and the Resolution, and the authorization, execution and delivery of the City Documents and the Series 2013 Bonds, and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, any resolution or any agreement or other instrument to which the City was or is subject, as the case may be, nor will such enactment, adoption, execution, delivery, authorization or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City, or under the terms of any law, administrative regulation, ordinance, resolution or instrument, except as expressly provided by the Rate Resolution and the Resolution and all approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the City of its obligations under the Resolution have been obtained and are in full force and effect; and

(G) the unaudited financial information for the fiscal year ended September 30, 2012 as presented in the Official Statement fairly and accurately reflect the financial condition of the Utility System as of the date of such financial information and it is not expected that the audited financial statements to be prepared for the fiscal year ended September 30, 2012 will reflect any material differences from such unaudited financial information.

(viii) An opinion of GrayRobinson, P.A., Disclosure Counsel to the City, addressed to the City with a reliance letter thereon addressed to the Underwriters, and both dated the date of Closing, substantially to the effect that:

(A) the Series 2013 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended;

(B) based upon their participation and their review of the Official Statement as Disclosure Counsel for the City and without having undertaken to determine independently the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to their attention causing them to believe that the Official Statement contains any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except for the financial and statistical information contained in the Official Statement and the information related to DTC or its book-entry only system as to which no view need be expressed); and

(C) with respect to the issuance of the Series 2013 Bonds, the continuing disclosure undertaking of the City complies as to form in all material respects with the requirements for such an agreement in paragraph (b)(5) of the Rule.

(ix) The opinion of Counsel to the Underwriters covering such matters as the Representative may reasonably request;

(x) A certificate of an authorized representative of Wells Fargo Bank, National Association (the "Bank"), in its capacities as Registrar and Paying Agent and as Escrow Holder to the effect that:

(A) the Bank is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and is duly authorized to exercise trust powers in the State of Florida;

(B) the Bank has all requisite authority, power, licenses, permits and franchises, and has full corporate power and legal authority to execute and perform its functions under the Resolution, and the Registrar and Paying Agent Agreement (the "Paying Agent Agreement") and Escrow Deposit Agreement (the "Escrow Agreement") to be executed in connection with the issuance of the Series 2013 Bonds;

(C) the performance by the Bank of its functions under the Resolution, the Paying Agent Agreement and the Escrow Agreement will not result in any violation of the Articles of Association or Bylaws of the Bank, any court order to which the Bank is subject or any agreement, indenture or other obligation or instrument to which the Bank is a party or by which the Bank is bound, and no approval or other action by any governmental authority or agency having supervisory authority over the Bank is required to be obtained by the Bank in order to perform its functions under the Resolution, the Paying Agent Agreement and the Escrow Agreement;

(D) the Paying Agent Agreement and the Escrow Agreement constitute valid and binding obligations of the Bank in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and subject, as to enforceability, to general principles of equity; and

(E) to the best of such authorized representative's knowledge, there is no action, suit, proceeding or investigation at law or in equity before any court, public board or body pending or, to his or her knowledge, threatened against or affecting the Bank wherein an unfavorable decision, ruling or finding on an issue raised by any party thereto is likely to materially and adversely affect the ability of the Bank to perform its obligations under the Resolution, the Paying Agent Agreement and the Escrow Agreement.

(xi) An executed copy of the Bond Feasibility Report (the "Report") of Public Resources Management Group, Inc. (the "Feasibility Consultant"), in the form included as APPENDIX C to the Official Statement.

(xii) A certificate of the Feasibility Consultant, dated the date of Closing, to the effect that:

(A) the Feasibility Consultant has been retained by the City to prepare its portion of the information contained in the Report, dated [_____, 2013] included in the Official Statement as APPENDIX C and concurrence is given to the inclusion of such Report as an APPENDIX to the Official Statement;

(B) such Report was prepared in accordance with generally accepted feasibility consultant practices;

(C) in connection with the preparation of such Report, personnel of the Feasibility Consultant have participated in meetings with

representatives of the City, its counsel, the Underwriters, the City's Financial Advisor, Bond Counsel and the City's Disclosure Counsel in regard to the Utility System, and nothing has come to the attention of the Feasibility Consultant in connection with the preparation of such Report which would cause it to believe that such Report, as of its date, or any of the statements in the Official Statement specifically attributed to the Feasibility Consultant or relating to the information set forth in the Report, as of the date of the Official Statement, were inaccurate in any material respect; and

(D) they have reviewed the Official Statement and, in their opinion, the information presented therein which was furnished by them or attributed to them or which relates to the information set forth in the Report is accurately presented.

(xiii) A certificate, dated the date of the Closing, signed by the Director of Public Works to the effect that he has reviewed the information in the Official Statement under the headings "THE UTILITY SYSTEM," "WATER SYSTEM," "SEWER SYSTEM," "WASTEWATER TREATMENT" and "RATES, FEES AND CHARGES," such information is accurate and complete, and that the information under such headings does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(xiv) A signed copy of the letter of representations from the City to DTC.

(xv) A certificate of the Chairman of the City Council deeming the Preliminary Official Statement "final" as of its date for purposes of the Rule.

(xvi) A letter of Moody's Investors Service ("Moody's") to the effect that the Series 2013 Bonds have been assigned a rating no less favorable than ["__"] a letter of Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("S&P") to the effect that the Series 2013 Bonds have been assigned a rating no less favorable than ["__"] and a letter of Fitch Ratings ("Fitch") to the effect that the Series 2013 Bonds have been assigned a rating no less favorable than ["__"] all of which ratings shall be in effect as of the date of Closing.

(xvii) Evidence that the City has complied with the Resolution with respect to the issuance of the Series 2013 Bonds as Additional Parity Obligations.

(xviii) Internal Revenue Service Form 8038-G.

(xix) State of Florida Division of Bond Finance Form BF2003/2004-B.

(xx) A certificate from the City's Financial Advisor to the effect that all of the parameters set forth in Section 2 of [Resolution No. 13-__] have been satisfied.

(xxi) Evidence of prepayment of the Refunded Bonds.

(xxii) Such additional legal opinions, certificates, instruments and other documents as the Underwriters may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the City's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the City on or prior to the date of Closing of all the agreements then to be performed and conditions then to be satisfied by it.

If the City shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Series 2013 Bonds contained in this Bond Purchase Contract and the Underwriters do not waive such inability in writing, or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Series 2013 Bonds shall be terminated for any reason permitted by this Bond Purchase Contract, this Bond Purchase Contract shall terminate, the good faith deposit described in Section 2 hereof shall be returned to the Representative and neither the Underwriters nor the City shall be under any further obligation hereunder, except that the respective obligations of the City and the Underwriters set forth in Section 10 hereof shall continue in full force and effect.

9. Termination of Bond Purchase Agreement. The Representative may terminate this Bond Purchase Agreement, in its absolute discretion, without liability, by written notification to the City, if at any time subsequent to the date of this Bond Purchase Agreement and prior to the Closing:

(a) The marketability of the Series 2013 Bonds, in the reasonable opinion of the Representative, has been materially adversely affected by an amendment to the Constitution of the United States of America or by any legislation (other than any actions taken or proposed by either House of Congress on or prior to the date of this Bond Purchase Agreement): (i) enacted or adopted by the United States of America; (ii) recommended to the Congress or otherwise endorsed for passage, by press release, other form of notice or otherwise, by the President of the United States of America, the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, the Treasury Department of the United States of America or the Internal Revenue Service; or (iii) favorably reported out of the appropriate Committee for passage to either House of the Congress by any full Committee of such House to which such

legislation has been referred for consideration, or by any decision of any court of the United States of America or by any order, rule or regulation (final, temporary or proposed) on behalf of the Treasury Department of the United States of America, the Internal Revenue Service or any other authority or regulatory body of the United States of America, or by a release or announcement or communication issued or sent by the Treasury Department or the Internal Revenue Service of the United States of America, or any comparable legislative, judicial or administrative development adversely affecting the federal tax status of the City, its property or income, obligations of the general character of the Series 2013 Bonds, or any tax exemption of the Series 2013 Bonds; or

(b) Any legislation, rule, or regulation shall be introduced in, or be enacted or adopted by any department or agency in the State, or a decision by any court of competent jurisdiction within the State shall be rendered which, in the reasonable opinion of the Representative, materially adversely affects the market for the Series 2013 Bonds or the sale, at the contemplated offering prices, by the Underwriters of the Series 2013 Bonds to be purchased by them; or

(c) Any amendment or supplement to the Official Statement is proposed by the City or deemed necessary by Bond Counsel or Disclosure Counsel which, in the reasonable opinion of the Representative, materially adversely affects the market for the Series 2013 Bonds or the sale, at the prices stated in this Bond Purchase Agreement, by the Underwriters of the Series 2013 Bonds; or

(d) Legislation shall be enacted or adopted, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission (the "Commission") which, in the reasonable opinion of Counsel to the Underwriters, has the effect of requiring the contemplated distribution of the Series 2013 Bonds to be registered under the Securities Act of 1933, as amended, or any laws analogous thereto relating to governmental bodies, and compliance therewith cannot be accomplished prior to the Closing; or

(e) Legislation shall be introduced by amendment or otherwise in or be enacted by, the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a Court of the United States of America shall be rendered, or a stop order, ruling, release, regulation, official statement or no-action letter by or on behalf of the Commission or any other governmental agency having jurisdiction of the subject matter of the Series 2013 Bonds shall have been proposed, issued or made (which is beyond the control of the Representative or the City to prevent or avoid) to the effect that the issuance, offering or sale of the Series 2013 Bonds, including all the underlying obligations as contemplated by this Bond Purchase Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Series 2013 Bonds is or would be in violation of any of the federal securities laws at Closing, including the Securities Act of 1933, as amended and then in effect, the Securities Exchange Act of 1934, as amended and then in effect, or with the purpose or effect of

otherwise prohibiting the offering and sale of obligations of the general character of the Series 2013 Bonds, as contemplated by this Bond Purchase Agreement; or

(f) There shall have occurred, after the signing of this Bond Purchase Agreement, either a financial crisis or a default with respect to any debt obligation of the City, or proceedings under the federal or State bankruptcy laws shall have been instituted by the County, in either case the effect of which, in the reasonable judgment of the Representative, is such as to materially and adversely affect (i) the market price or the sale at the offering prices as stated in this Bond Purchase Agreement, by the Underwriters of the Series 2013 Bonds, or (ii) the ability of the Underwriters to enforce contracts for the sale of the Series 2013 Bonds; or

(g) A general banking moratorium shall have been declared by the United States of America, New York or State authorities, which in the reasonable opinion of the Representative, materially adversely affects the market price for the Series 2013 Bonds or the sale, at the contemplated offering prices, by the Underwriters of the Series 2013 Bonds; or

(h) Any national securities exchange, or any governmental authority, shall impose, as to the Series 2013 Bonds or any obligation of the general character of the Series 2013 Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by, or the charge to the net capital requirements of the Underwriters, or the establishment of material restrictions upon trading of securities, including limited or minimum prices, by any governmental authority or by any national securities exchange; or

(i) Legal action shall have been filed against the City from which an adverse ruling would materially adversely affect the transactions contemplated by this Bond Purchase Agreement or by the Official Statement or the validity of the Series 2013 Bonds, this Bond Purchase Agreement; provided, however, that as to any such litigation, the City may request and the Representative may accept an opinion by Bond Counsel, or of other counsel acceptable to the Representative, that in such counsel's opinion the issues raised by any such litigation or proceeding are without substance or that the contentions of any plaintiffs are without merit; or

(j) Trading in any securities of the City shall have been suspended on any national securities exchange; or any proceeding shall be pending or threatened by the Commission against the City; or a general suspension of trading on the New York Stock Exchange or the American Stock Exchange or other national securities exchange, the effect of which, in the opinion of the Representative, is to affect materially and adversely the market prices of the Series 2013 Bonds; or

(k) Any information shall have become known or an event shall have occurred which, in the Representative's reasonable opinion, makes untrue, incorrect or misleading

in any material respect any statement or information contained in the Official Statement, as that information has been supplemented or amended, or causes the Official Statement, as so supplemented or amended, to contain an untrue, incorrect or misleading statement of a material fact or to omit to state a material fact required or necessary to be stated in the Official Statement in order to make the statements made in the Official Statement, in light of the circumstances under which they were made, not misleading and upon the receipt of notice of same by the City, (i) the City fails to promptly amend or supplement the Official Statement in a manner which is reasonably acceptable in form and content to the Representative, or (ii) the City agrees to the proposed amendment, and such disclosed information or event in the reasonable opinion of the Representative (upon due inquiry by the Representative and the City's Financial Advisor as to the effect such information or event has on the market price of the Series 2013 Bonds or their sale at the prices stated in this Bond Purchase Agreement), materially adversely affects the market price for the Series 2013 Bonds or their sale, at the prices stated in this Bond Purchase Agreement, and the City's Financial Advisor concurs in such conclusion; or

(l) There shall have occurred an outbreak or escalation of hostilities, declaration by the United States of a national emergency or war or other calamity or crisis after the execution of this Bond Purchase Agreement which, in the sole but reasonable opinion of the Representative, would have a material adverse effect on the market price of the Series 2013 Bonds or their sale at the prices stated in this Bond Purchase Agreement; or

10. Expenses. The Underwriters shall be under no obligation to pay, and the City shall pay, any expense incident to the performance of the City's obligations hereunder including, but not limited to: (a) the cost of preparing, printing and delivery of this Bond Purchase Contract; (b) the cost of preparation, printing and delivery of the Resolution; (c) the cost of preparation and printing of the Series 2013 Bonds; (d) the fees and disbursements of Bond Counsel; (e) the fees and disbursements of Disclosure Counsel; (f) the fees and disbursements of the Feasibility Consultant; (g) the fees and disbursements of any experts, consultants or advisors retained by the City; (h) fees for bond ratings; (i) the fees and expenses of the Registrar and Paying Agent and of their counsel; and (j) the costs of preparing, printing and delivering the Preliminary Official Statement and the Official Statement and any supplements or amendments thereto.

The Underwriters shall pay: (a) the cost of all "blue sky" and legal investment memoranda and related filing fees; (b) the fees and expenses of Counsel to the Underwriters; (c) all advertising expenses; and (d) all other expenses incurred by the Underwriters in connection with the public offering of the Series 2013 Bonds. In the event that either party shall have paid obligations of the other as set forth in this Section 10, adjustment shall be made at the time of the Closing. The City shall be solely responsible for and shall pay for any expenses incurred by the Underwriters on behalf of the City's employees and representatives in connection with this Bond Purchase Contract,

including, but not limited to, meals, transportation, lodging, and entertainment of those employees and representatives. Such payment may be in the form of inclusion of such expenses in the expense component of the Underwriters' discount.

11. Notices. Any notice or other communication to be given to you under this Bond Purchase Contract may be given by mailing the same to City of Marco Island, Florida, 50 Bald Eagle Drive, Marco Island, Florida 34145, to the attention of Finance Director, and any such notice or other communication to be given to the Underwriters may be mailed to Merrill Lynch, Pierce, Fenner & Smith Incorporated, 1 Alhambra Plaza, Penthouse, Coral Gables, FL 33134, to the attention of Mr. Jose Pagan.

12. Parties in Interest. This Bond Purchase Contract is made solely for the benefit of the City and the Underwriters and no other party or person shall acquire or have any right hereunder or by virtue hereof. All your representations, warranties and agreements in this Bond Purchase Contract shall remain operative and in full force and effect and shall survive the delivery of the Series 2013 Bonds.

13. Waiver. Notwithstanding any provision herein to the contrary, the performance of any and all obligations of the City hereunder and the performance of any and all conditions contained herein for the benefit of the Underwriters may be waived by the Underwriters, in their sole discretion, and the approval of the Underwriters when required hereunder or the determination of their satisfaction as to any document referred to herein shall be in writing, signed by an appropriate officer or officers of the Representative and delivered to you.

14. No Liability. Neither the Chairman, the City Council, nor any of the members thereof, nor any officer, agent or employee thereof, shall be charged personally by the Underwriters with any liability, or held liable to the Underwriters under any term or provision of this Bond Purchase Contract because of its execution or attempted execution, or because of any breach or attempted or alleged breach thereof.

15. Governing Law. This Bond Purchase Contract, and the terms and conditions herein, shall constitute the full and complete agreement between the City and the Underwriters with respect to the purchase and sale of the Series 2013 Bonds. This Bond Purchase Contract shall be governed by and construed in accordance with the laws of the State of Florida.

16. Operation of Warranties, Etc. All the representations, warranties, covenants and agreements of the City in this Bond Purchase Contract shall remain operative and in full force and effect as if made on the date hereof and on the date of Closing, regardless of (i) any investigation made by or on behalf of the Underwriters or by Disclosure Counsel, or (ii) delivery of and any payment for the Series 2013 Bonds hereunder.

17. Section Headings. Section headings have been inserted in this Bond Purchase Contract as a matter of convenience of reference only, and it is agreed that such section headings are not a part of this Bond Purchase Contract and will not be used in the interpretation of any provisions of this Bond Purchase Contract.

18. Severability. If any provision of this Bond Purchase Contract shall be held or deemed to be, or shall in fact be, invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions because it conflicts with any provisions of any constitution, statute, or rule of public policy, or for any other reasons, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstances, or of rendering any other provision or provisions of this Bond Purchase Contract invalid, inoperative or unenforceable to any extent whatever.

[Remainder of Page Intentionally Left Blank.]

19. Execution of Counterparts. This Bond Purchase Contract may be executed in any number of counterparts, all of which taken together shall be one and the same instrument, and any parties hereto may execute this Bond Purchase Contract by signing any such counterpart. The execution of this Bond Purchase Contract has been duly authorized by the City Council of the City.

Very truly yours,

**MERRILL LYNCH, PIERCE, FENNER &
SMITH INCORPORATED,**
as Representative

Director

Accepted this ____ day of _____, 2013

CITY OF MARCO ISLAND, FLORIDA

Chairman

ATTEST:

(SEAL)

City Clerk

Approved as to form:

City Attorney

EXHIBIT A

**SERIES 2013 BONDS
MATURITY SCHEDULE**

[\$ _____] Series 2013 Bonds

[\$ _____] Serial Bonds

<u>Maturity</u> <u>(October 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
---------------------------------------	---------------	--------------------------------	--------------

[\$ _____ % Term Bond Due October 1, 20__ , Yield ____ %]
[\$ _____ % Term Bond Due October 1, 20__ , Yield ____ %]

Optional Redemption of Series 2013 Bonds

The Series 2013 Bonds maturing on or prior to [October 1, 20__] are not subject to redemption prior to their stated maturities. The Series 2013 Bonds maturing on or after [October 1, 20__] are redeemable prior to their stated dates of maturity, at the option of the City, in whole or in part on any date on or after [October 1, 20__] (in such manner of selection of maturities as the City shall deem appropriate and by lot within maturities), at a redemption price of 100%, plus interest accrued to the date of redemption.

Mandatory Redemption of Series 2013 Bonds

The Series 2013 Bonds maturing on [October 1, 20__] shall be subject to mandatory redemption prior to maturity, by lot, in such manner as the Registrar may deem appropriate, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, on [October 1, 20__], and on each October 1

thereafter, from Amortization Installments deposited in the Redemption Account, in the following principal amounts in the years specified:

<u>Date</u>	<u>Amortization Installments</u>
-------------	--------------------------------------

* Final Maturity.

The Series 2013 Bonds maturing on [October 1, 20__] shall be subject to mandatory redemption prior to maturity, by lot, in such manner as the Registrar may deem appropriate, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, on [October 1, 20__], and on each October 1 thereafter, from Amortization Installments deposited in the Redemption Account, in the following principal amounts in the years specified:

<u>Date</u>	<u>Amortization Installments</u>
-------------	--------------------------------------

* Final Maturity.

EXHIBIT B

DISCLOSURE STATEMENT AND TRUTH-IN-BONDING STATEMENT

_____, 20__

City Council of the City of
Marco Island, Florida
50 Bald Eagle Drive
Marco Island, Florida 34145

Re: [\$ _____] Utility System Refunding Revenue Bonds,
Series 2013

Ladies and Gentlemen:

In connection with the proposed issuance by the City of Marco Island, Florida (the "City") of [\$ _____] in aggregate principal amount of its City of Marco Island, Utility System Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds"), Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself, Citigroup Global Markets Inc. and RBC Capital Markets, LLC (collectively, the "Underwriters") is underwriting a public offering of the Series 2013 Bonds.

The purpose of the following six paragraphs of this letter is to furnish, pursuant to the provisions of Section 218.385(6), Florida Statutes, as amended, certain information in respect of the arrangements contemplated for the purchase and sale of the Series 2013 Bonds, as follows:

(a) The nature and estimated amount of expenses to be incurred by the Underwriters in connection with the purchase and re-offering of the Series 2013 Bonds are set forth in Schedule I attached hereto.

(b) There are no "finders," as defined in Section 218.386, Florida Statutes, as amended, connected with the sale and purchase of the Series 2013 Bonds.

(c) The underwriting spread, the difference between the price at which the Series 2013 Bonds will be initially offered to the public by the Underwriters and the price to be paid to the City for the Series 2013 Bonds will be approximately [\$____] per \$1,000 of Series 2013 Bonds issued.

(d) As part of the estimated underwriting spread set forth in paragraph (c) above, the Underwriters will charge a management fee of [\$____] per \$1,000 of Series 2013 Bonds issued.

(e) No other fee, bonus or other compensation is estimated to be paid by the Underwriters in connection with the issuance of the Series 2013 Bonds to any person not regularly employed or retained by the Underwriters (including any "finder" as defined in Section 218.386(1)(a), Florida Statutes), except as specifically enumerated as expenses to be incurred by the Underwriters, as set forth in paragraph (a) above.

(f) The name and address of the Underwriters are:

Merrill Lynch, Pierce, Fenner & Smith Incorporated
1 Alhambra Plaza, Penthouse
Coral Gables, FL 33134

RBC Capital Markets, LLC
100 Second Avenue South, Suite 800
St. Petersburg, Florida 33701

Citigroup Global Markets Inc.
11780 US Highway One
Suite 201, North Tower
North Palm Beach, 33408

The purpose of the following two paragraphs is to furnish, pursuant to the provisions of Sections 218.385(2) and (3), Florida Statutes, as amended, the truth-in-bonding statement required thereby, as follows:

(a) The City is proposing to issue [\$_____] of the Series 2013 Bonds for the purposes outlined in the Resolution defined below. This obligation is expected to be repaid over a period of [___] years. At a true interest cost of approximately [___ %], total interest paid over the life of the obligation will be [\$_____].

(b) The source of repayment or security of the Series 2013 Bonds is the Pledged Revenues, which Pledged Revenues include Net Revenues of the Utility System, as such terms are defined in Resolution No. 03-55 of the City adopted on September 29, 2003, as amended and supplemented (collectively, the "Resolution"). Authorizing this

debt will result in an average of approximately [\$_____] (average annual debt service) of such Pledged Revenues not being available to finance other services of the City each year for [] years.

The foregoing is provided for information purposes only and shall not affect or control the actual terms and conditions of the Series 2013 Bonds.

Very truly yours,

**MERRILL LYNCH, PIERCE, FENNER &
SMITH INCORPORATED,**
as Representative

Title: Director

SCHEDULE I

UNDERWRITERS' ESTIMATED EXPENSES

Underwriters' Counsel Fees and Expenses	\$ _____
SIFMA Municipal Assessment and GASB Fee	_____
I-Deal Wire Charge	_____
I-Deal EOE	_____
Dalcomp Bookrunning	_____
CUSIP Fee	_____
Day Loan	_____
DTC Fee	_____
Tombstone Advertisement	_____
Out-of-Pocket	_____
Total	\$ _____

EXHIBIT B
FORM OF
PRELIMINARY OFFICIAL STATEMENT

DRAFT-2
GrayRobinson, P.A.
July 29, 2013

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2013

NEW ISSUE - BOOK-ENTRY ONLY

Ratings:
Fitch: " ____ " (____ outlook)
Moody's: " ____ " (____ outlook)
S&P: " ____ " (____ outlook)
See "RATINGS" herein

In the opinion of bond counsel, assuming compliance by the City with certain covenants, under existing statutes, regulations, and judicial decisions, the interest on the Series 2013 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 2013 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 2013 Bonds.

[INSERT CITY LOGO]

CITY OF MARCO ISLAND, FLORIDA

\$ _____ *

UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2013

Dated: Date of Delivery

Due: October 1 in each year as shown below

The \$ _____ * Utility System Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds") are being issued by the City of Marco Island, Florida (the "City") as fully registered bonds and will be initially issued to and registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be available to purchasers in denominations of \$5,000 or any integral multiple thereof under the book-entry only system maintained by DTC through brokers and dealers who are, or act through, Direct Participants (as defined herein). Purchasers will not receive physical delivery of the Series 2013 Bonds. For so long as any purchaser is the beneficial owner of a Series 2013 Bond, he must maintain an account with a broker or dealer who is, or acts through, a Direct or Indirect Participant in order to receive payment of principal of and interest on such Series 2013 Bond. For so long as the book-entry only system is in effect, any reference to a Series 2013 Bondholder or Series 2013 Bondholders shall be deemed to be Cede & Co. and not the beneficial owners of the Series 2013 Bonds. See "Book-Entry Only System" under "DESCRIPTION OF THE SERIES 2013 BONDS" herein. Interest on the Series 2013 Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2014. Wells Fargo Bank, N.A., Jacksonville, Florida, shall serve as Paying Agent and Registrar for the Series 2013 Bonds.

The Series 2013 Bonds are subject to optional and mandatory redemption prior to their stated dates of maturity as described herein.

The Series 2013 Bonds are being issued pursuant to Resolution No. 03-55 adopted by the City Council of the City on September 29, 2003, as amended and supplemented, particularly amended by Resolution No. 05-71 adopted by the City Council on October 17, 2005, and, as particularly supplemented by Resolution No. 13-____ adopted by the City Council on _____, 2013 (collectively, the "Bond Resolution"). The Series 2013 Bonds are being issued to (i) currently refund the City's Utility System Revenue Bond, Series 2003, maturing on and after October 1, 2014 and currently outstanding in the principal amount of \$60,945,000 (the "Series 2003 Bonds") and the Utility System Revenue Bond, Series 2008, maturing on and after October 1, 2014 and currently outstanding in the principal amount of \$6,413,054; (ii) to allow for the release of moneys currently held in the Reserve Fund for the Series 2003 Bonds; and (iii) pay the costs of issuance of the Series 2013 Bonds.

This Preliminary Official Statement and any information contained herein are subject to completion and amendment. Under no circumstances may this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2013 Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

The Series 2013 Bonds will be issued on a parity with the City's Utility System Revenue Bond, Series 2006, currently outstanding in the principal amount of \$4,114,127; Utility System Improvement and Refunding Revenue Bonds, Series 2010A, currently outstanding in the principal amount of \$48,540,000; and Taxable Utility System Refunding Revenue Bonds, Series 2010B, currently outstanding in the principal amount of \$7,010,000; and Utility System Refunding Revenue Bond, Series 2011, currently outstanding in the principal amount of \$26,253,513; (collectively, the "Outstanding Parity Bonds"). The City may issue Additional Parity Obligations (as defined herein) on a parity with the Series 2013 Bonds and the Outstanding Parity Bonds, subject to compliance with certain conditions set forth in the Bond Resolution.

THE SERIES 2013 BONDS SHALL NOT BE NOR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY AS "BONDS" WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF FLORIDA, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY A FIRST LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES AS PROVIDED IN THE BOND RESOLUTION. NO HOLDER OR HOLDERS OF ANY SERIES 2013 BONDS ISSUED UNDER THE BOND RESOLUTION SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR TAXATION IN ANY FORM OF ANY REAL OR PERSONAL PROPERTY THEREIN, OR TO COMPEL THE CITY TO PAY SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF THE CITY.

This cover page contains certain information for quick reference only. It is not a summary of the transaction. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2013 Bonds are offered when, as and if issued and received by the Underwriters, subject to the opinion as to legality by Bryant Miller Olive P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the City by GrayRobinson, P.A., Naples, Florida, City Attorney and by GrayRobinson, P.A., Tampa, Florida, Disclosure Counsel. Certain other legal matters will be passed upon for the Underwriters by Broad and Cassel, Orlando, Florida, Counsel to the Underwriters. Public Financial Management Inc., Orlando, Florida is serving as Financial Advisor to the City. It is expected that the Series 2013 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York, on or about _____, 2013.

BofA Merrill Lynch

Citi

RBC Capital Markets

Dated: _____, 2013

* Preliminary, subject to change.

\$ _____ *
UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2013

MATURITY SCHEDULE

Maturities, Principal Amounts, Interest Rates, Yields and Initial CUSIP Numbers**

\$ _____ Serial Bonds

Maturity (October 1)	Amount	Interest	Yield	Initial CUSIP No.**
---------------------------------	---------------	-----------------	--------------	--------------------------------

\$ _____	% Term Bond, Due October 1, 20____,	Yield _____	%,	Initial CUSIP No. _____	**
\$ _____	% Term Bond, Due October 1, 20____,	Yield _____	%,	Initial CUSIP No. _____	**

* Preliminary, subject to change.

** CUSIP numbers have been assigned by an independent company not affiliated with the City and are included solely for the convenience of the owners of the Series 2013 Bonds. The City is not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Series 2013 Bonds or as indicated above.

CITY OF MARCO ISLAND, FLORIDA

PRINCIPAL OFFICIALS

CITY COUNCIL

Joseph Batte, Chairman
Kenneth E. Honecker, Vice-Chairman
Larry Honig, Councilman
Chuck Kiestler, Councilman
Larry Magel, Councilman
Amadeo R. Petricca, Councilman
Larry Sacher, Councilman

ADMINISTRATION

Dr. James C. Riviere, PhD, MBA, City Manager
Guillermo A. Polanco, CPA, Finance Director
Jeffrey E. Poteet, MBA, Utilities System General Manager
Laura M. Litzan, City Clerk

CITY ATTORNEY

GrayRobinson, P.A.
Naples, Florida

FINANCIAL ADVISOR

Public Financial Management Inc.
Orlando, Florida

BOND COUNSEL

Bryant Miller Olive P.A.
Tampa, Florida

DISCLOSURE COUNSEL

GrayRobinson, P.A.
Tampa, Florida

FEASIBILITY CONSULTANT

Public Resources Management Group, Inc.
Maitland, Florida

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriters. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any securities, other than the securities offered hereby, or an offer or a solicitation of an offer of the securities offered hereby to any person in any jurisdiction where such offer or solicitation of such offer would be unlawful. Any statements in this Official Statement involving estimates, assumptions and matters of opinion, whether or not expressly so stated, are intended as such and are not representations of fact, and the City expressly makes no representation that such estimates, assumptions or opinions will be realized or fulfilled. The information and expressions of opinion herein are subject to change without notice and neither the delivery of the 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 City since the date hereof.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with and as a part of their respective responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

UPON ISSUANCE, THE SERIES 2013 BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933 NOR WILL THE BOND RESOLUTION BE QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2013 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF A STATE, IF ANY, IN WHICH THE SERIES 2013 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

This Preliminary Official Statement is in a form deemed final by the City for purposes of Rule 15c2-12 issued under the Securities Exchange Act of 1934, as amended, except for certain information permitted to be omitted pursuant to Rule 15c2-12(b)(1).

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTORY STATEMENT	1
THE CITY	1
City and Utility Department Administration.....	2
PURPOSE OF THE SERIES 2013 BONDS	3
THE REFUNDING PLAN.....	3
DESCRIPTION OF THE SERIES 2013 BONDS	3
General	3
Book-Entry Only System.....	4
Exchange, Negotiability, Registration and Transfer of Series 2013 Bonds.....	6
Optional Redemption	7
Mandatory Redemption	7
Notice of Redemption	8
SECURITY AND SOURCES OF PAYMENT FOR THE BONDS	8
General	8
No Reserve Fund for the Series 2013 Bonds	10
Rate Covenant	10
Additional Parity Obligations	11
Capital Facilities Fees	13
Certain Covenants	13
FLOW OF FUNDS.....	14
Funds and Accounts	14
Gross Revenues	14
Capital Facilities Fees	16
Rate Stabilization Fund.....	17
ESTIMATED SOURCES AND USES OF FUNDS.....	17
DEBT SERVICE SCHEDULE.....	18
OUTSTANDING UTILITY SYSTEM DEBT.....	19
THE UTILITY SYSTEM.....	20
General	20
WATER SYSTEM	21
General	21
Sources of Water Supply	21
Demand for Potable Water	21
Water Use Permit	21
Water Treatment Facilities.....	22
North Water Treatment Plant.....	22
Proposed Improvements to the North Water Treatment Plant.....	22
North Water Treatment Plant Finished Water Storage and Pumping	23
Water Supply for the North Water Treatment Plant	23
South Water Treatment Plant.....	23
South Water Treatment Plant Raw Water Supply.....	24
Water Transmission and Distribution System.....	24
Upgrading the Distribution System	24
Regulatory Compliance of the Water System	25
Water Conservation.....	25
SEWER SYSTEM.....	25
Sewer Collection	25
Septic Tank Replacement Program	25

TABLE OF CONTENTS

	<u>Page</u>
WASTEWATER TREATMENT	26
Marco Island Reclaimed Water Production Facility	26
Regulatory Compliance of the Sewer System	26
Marco Shores Sewer Treatment Plant	27
Reuse System	27
RATES, FEES AND CHARGES	29
Rate Comparisons	30
Ten Largest Customers of Water and Sewer System	32
Historical Operating Results	32
Projected Operating Results	34
Findings and Conclusions of the Feasibility Consultant	37
RISK OF PROJECTIONS	38
ENFORCEABILITY OF REMEDIES	38
LITIGATION	38
LEGAL MATTERS	38
VERIFICATION OF ARITHMETICAL COMPUTATIONS	39
PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS	39
TAX MATTERS	39
General	39
Information Reporting and Backup Withholding	40
Other Tax Matters	41
[Tax Treatment of Original Issue Discount]	41
[Tax Treatment of Bond Premium]	42
FINANCIAL STATEMENTS	42
FEASIBILITY CONSULTANT	42
UNDERWRITING	42
RATINGS	43
CONTINUING DISCLOSURE	43
FINANCIAL ADVISOR	44
CONTINGENT FEES	44
DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS	44
MISCELLANEOUS	45
CERTIFICATE CONCERNING OFFICIAL STATEMENT	45

APPENDICES:

APPENDIX A	GENERAL INFORMATION REGARDING MARCO ISLAND AND COLLIER COUNTY, FLORIDA
APPENDIX B	FORM OF COMPOSITE BOND RESOLUTION
APPENDIX C	BOND FEASIBILITY REPORT
APPENDIX D	FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012
APPENDIX E	PROPOSED FORM OF OPINION OF BOND COUNSEL
APPENDIX F	FORM OF CONTINUING DISCLOSURE AGREEMENT

OFFICIAL STATEMENT

Relating To

CITY OF MARCO ISLAND, FLORIDA

§ _____*

UTILITY SYSTEM REFUNDING REVENUE BONDS, SERIES 2013

INTRODUCTORY STATEMENT

The purpose of this Official Statement, which includes the cover page and the appendices, is to furnish certain information with respect to the sale of \$_____ * Utility System Refunding Revenue Bonds, Series 2013 (the "Series 2013 Bonds") by the City of Marco Island, Florida (the "City" or "Marco Island").

The Series 2013 Bonds are being issued pursuant to and under the authority of Chapter 166, Part II, Florida Statutes, Chapter 159, Part I, Florida Statutes, the municipal charter of the City and other applicable provisions of law (collectively, the "Act"), and under and pursuant to Resolution No. 03-55, adopted by the City Council of the City (the "City Council") on September 29, 2003, as amended and supplemented, as particularly amended by Resolution No. 05-71 adopted by the City Council on October 17, 2005, and as particularly supplemented by Resolution No. 13-___ adopted by the City Council on _____, 2013 (collectively, the "Bond Resolution").

The Series 2013 Bonds will be issued on a parity with the City's Utility System Revenue Bond, Series 2006, currently outstanding in the principal amount of \$4,114,127 (the "Series 2006 Bond"); Utility System Improvement and Refunding Revenue Bonds, Series 2010A, currently outstanding in the principal amount of \$48,540,000 (the "Series 2010A Bonds"); Taxable Utility System Refunding Revenue Bonds, Series 2010B, currently outstanding in the principal amount of \$7,010,000 (the "Series 2010B Bonds"); and Utility System Refunding Revenue Bond, Series 2011, currently outstanding in the principal amount of \$26,253,513 (the "Series 2011 Bond") and collectively with the Series 2006 Bond, the Series 2010A Bonds, and the Series 2011 Bond, the "Outstanding Parity Bonds". The City may issue Additional Parity Obligations (as defined herein) on a parity with the Outstanding Parity Bonds and the Series 2013 Bonds, subject to compliance with certain conditions set forth in the Bond Resolution. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2013 BONDS - Additional Parity Obligations" herein. The Outstanding Parity Bonds, the Series 2013 Bonds and any Additional Parity Obligations are herein collectively referred to as the "Bonds."

Capitalized terms used but not otherwise defined herein have the same meaning as when used in the Bond Resolution unless the context would clearly indicate otherwise. Complete descriptions of the terms and conditions of the Series 2013 Bonds are set forth in the Bond Resolution, a composite form of which is contained in APPENDIX B to this Official Statement. The descriptions of the Series 2013 Bonds, the documents authorizing and securing the same, and the information from various reports and statements contained herein are not comprehensive or definitive. All references herein to such documents, reports and statements are qualified by the entire, actual content of such documents, reports and statements. Copies of such documents, reports and statements referred to herein that are not included in their entirety in this Official Statement may be obtained from the City.

THE CITY

The City was established on August 28, 1997 and is located on a barrier island approximately three miles wide and four miles long in Collier County (the "County") along the Gulf of Mexico on the

southwestern portion of the Florida coast. The permanent population of the City was estimated to be 16,820 as of April 1, 2012. It is estimated by the City that its seasonal population is approximately 46,000 due to the influx of part-time residents and tourists during the winter months. The City is the second largest municipality located in the County after the City of Naples, Florida. The Florida Legislative Office of Economics and Demographic Research reported that the City's population increased by over ten percent (10%) between 2000 and 2010. Total population of the County is estimated as 328,849 as of April 1, 2012, which places it as the seventeenth most populated County in Florida.

City and Utility Department Administration

Dr. James C. Riviere, PhD, MBA, City Manager, is a business executive with extensive experience with government, aerospace and commercial enterprises. Dr. Riviere held various management positions on Boeing programs for the Minuteman Missile, Apollo and the 737. Dr. Riviere held executive management positions of Corporate Vice President, Operations and Administration for System Development Corporation in Santa Monica, California, and Corporate Vice President, Planning & Logistics for Burroughs Corporation in Detroit, Michigan. Dr. Riviere, as an independent consultant, maintained consultative relationships with Bell Atlantic, Mobile Oil, Digital Equipment, Allied-Signal and the U.S. Navy. Dr. Riviere was Program Manager, Support Strategies for the U.S. Postal Service Headquarters, Washington D.C. Since leaving Federal service, Dr. Riviere has served as Chief Financial Officer for Trans-Global Services Corporation and as a Director of Manakoa Services Corporation. Dr. Riviere was a civil servant with the City of Seattle from 1969 to 1972 where he was Real Estate and Property Manager, responsible for all public owned lands and buildings of the City, to include Fire, Police, Public Works, Parks & Recreation, Water & Electric utilities, City Transit Authority, and General Services. Dr. Riviere majored in Economics at the University of Washington, obtained an MBA from American Graduate University and a PhD in Industrial Engineering from Pacific Western University.

Guillermo A. Polanco, CPA, Finance Director, worked as an auditor with the CPA Firm of PricewaterhouseCoopers, performing audits of various organizations across different industries. From there he accepted an offer from the Florida Auditor General's Office to carry out operational and financial audits of governmental organizations from both the Miami office and then later from the Fort Myers office. After leaving the Auditor General's Office, Mr. Polanco went to work at Edison College as the Assistant Finance Director and later became the Director of Accounting Services. At Edison, he implemented various enterprise resource planning ("ERP") modules as part of his paperless environment initiatives relative to the College's long term strategic plan, including a travel module, a student refund debit card program, ebills, vendor automated clearing house ("ACH") payments, and a peripheral component interconnect ("PCI") compliant payment gateway for online payments. Mr. Polanco is an active member of the Florida Institute of Certified Public Accountants, the American Institute of Certified Public Accountants, the Florida Government Finance Officer Association, and the Government Finance Officers Association. He graduated from the University of Florida.

Jeffrey E. Poteet, MBA, Utilities System General Manager, has twenty years of experience in drinking water and wastewater utility operations. He started his career as a wastewater operator trainee and worked his way up into his current position as the General Manager of the City's Utilities System. Mr. Poteet also holds a Florida Class "A" Wastewater Operators License and a Florida Class "C" Drinking Water License. He is the President of the Florida Water & Pollution Control Operators Association ("FW&PCOA"). In 2009 Mr. Poteet was inducted as an Honorary Life Member in the FW&PCOA. The Utilities System has earned numerous awards on both a state and national level for outstanding performance and professionalism in the wastewater and drinking water industry under Mr. Poteet's management. He was honored by the Florida Water Environment Association with the 2004 William Hatfield Award and by the Florida Section of the American Water Works Association with the 2010 Ralf Baker Award. He holds a Bachelor Degree in Mathematics Education from the University of South Florida and an MBA from Hodges University.

PURPOSE OF THE SERIES 2013 BONDS

The Series 2013 Bonds are being issued to (i) currently refund the City's Utility System Revenue Bond, Series 2003, maturing on and after October 1, 2014 and currently outstanding in the principal amount of \$60,945,000 (the "Refunded Series 2003 Bonds") and the Utility System Revenue Bonds, Series 2008, maturing on and after October 1, 2014 and currently outstanding in the principal amount of \$6,413,054; (the "Refunded Series 2008 Bond" and together with the Refunded Series 2003 Bonds, the "Refunded Bonds"); (ii) to allow for the release of moneys currently held in the Reserve Fund for the Refunded Series 2003 Bonds; and (iii) pay the allocable costs of issuance of the Series 2013 Bonds. The Refunded Series 2008 Bond was privately placed and not offered to the public.

THE REFUNDING PLAN

Upon delivery of the Series 2013 Bonds, Wells Fargo Bank, N.A., Jacksonville, Florida (the "Escrow Agent"), will enter into an Escrow Deposit Agreement (the "Escrow Agreement") with the City to provide for the refunding of the Refunded Bonds. The Escrow Agreement creates an irrevocable escrow deposit trust fund (the "Escrow Fund") which is held by the Escrow Agent. The cash to be deposited therein is to be applied to the payment of principal of and accrued interest on the Refunded Bonds. Money deposited in the Escrow Fund will be used to legally defease the Refunded Bonds in accordance with the Bond Resolution. It is expected that the Refunded Series 2003 Bonds will be redeemed twenty-five days after the delivery of the Series 2013 Bonds. It is expected that the Refunded Series 2008 Bonds will be redeemed on October 1, 2013. The cash held in the Escrow Fund will be in the amount needed to pay the principal of and accrued interest on the Refunded Bonds on the Refunded Bonds' respective redemption dates and is pledged solely for the benefit of the holders of the Refunded Bonds, and will not be available for payment of debt service on the Series 2013 Bonds.

Upon delivery of the Series 2013 Bonds, Robert Thomas CPA, LLC will verify the accuracy of the arithmetical computations of the adequacy of the cash to be held in the Escrow Fund to pay, the principal of and accrued interest on the Refunded Bonds. Such verification will be based upon schedules provided by Public Financial Management, Inc., the City's Financial Advisor.

Upon delivery of the Series 2013 Bonds and the deposit of the cash into the Escrow Fund, in the opinion of Bryant Miller Olive P.A., Bond Counsel (rendered in reliance upon schedules provided by Public Financial Management, Inc., Financial Advisor to the City and the verification report of Robert Thomas CPA, LLC described under "VERIFICATION OF ARITHMETICAL COMPUTATIONS" herein), the pledge of and lien on the Net Revenues in favor of holders of the Refunded Bonds shall no longer be in effect.

DESCRIPTION OF THE SERIES 2013 BONDS

General

The Series 2013 Bonds will be initially issued as a single fully-registered Series 2013 Bond for each respective maturity, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). The Series 2013 Bonds will be initially issued as a single fully-registered Series 2013 Bond for each respective maturity, registered in the name of Cede & Co., as nominee of DTC. See the subheading "Book-Entry Only System" below. Wells Fargo Bank, N.A., Jacksonville, Florida, shall serve as Paying Agent and Registrar for the Series 2013 Bonds.

The Series 2013 Bonds will be dated the Date of Delivery, shall bear interest at the rates per annum set forth on the inside cover page hereof, pay interest semiannually on each April 1 and October 1 (or the first business day following an interest payment date if such interest payment date is not a business

day), commencing April 1, 2014 (the "Interest Payment Dates"), and shall mature on October 1 in the years and in the principal amounts set forth on the cover page hereof.

Interest on the Series 2013 Bonds shall be payable by the Paying Agent on each Interest Payment Date to the person appearing on the registration books of the City by check or draft mailed to the registered owner at his address as it appears on such registration books or by wire transfer to Holders of \$1,000,000 or more in principal amount of the Series 2013 Bonds. Interest on the Series 2013 Bonds will be computed on the basis of a 360-day year of twelve 30-day months. The principal of the Series 2013 Bonds shall be payable upon the presentation and surrender thereof as the same falls due at the principal office of the Registrar.

Book-Entry Only System

THE INFORMATION UNDER THIS CAPTION CONCERNING THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK ("DTC") AND DTC'S BOOK ENTRY SYSTEM HAS BEEN OBTAINED FROM DTC AND THE CITY MAKES NO REPRESENTATION OR WARRANTY OR TAKES ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION.

DTC will act as securities depository for the Series 2013 Bonds. The Series 2013 Bonds will be issued 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 fully-registered certificate will be issued for each maturity of each series of the Series 2013 Bonds and deposited with DTC.

DTC, the worlds' 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 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 the Series 2013 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2013 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2013 Bond (the "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 2013 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of the Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2013 Bonds, except in the event that use of the book-entry system for the Series 2013 Bonds is discontinued.

To facilitate subsequent transfers, all of the Series 2013 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 the Series 2013 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 2013 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2013 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 the Series 2013 Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2013 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Series 2013 Bonds may wish to ascertain that the nominee holding the Series 2013 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of a maturity of the Series 2013 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2013 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2013 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 City 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 Series 2013 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and interest payments on the Series 2013 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 City or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by 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 City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2013 Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, the Series 2013 Bonds are required to be printed and delivered.

The City may, pursuant to the procedures of DTC, decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Series 2013 Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE SERIES 2013 BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDER OF THE SERIES 2013 BONDS OR REGISTERED OWNERS OF THE SERIES 2013 BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2013 BONDS.

The City can make no assurances that DTC will distribute payments of principal of, redemption premium, if any, or interest on the Series 2013 Bonds to the Direct Participants, or that Direct and Indirect Participants will distribute payments of principal of, redemption price, if any, or interest on the Series 2013 Bonds or redemption notices to the Beneficial Owners of such Series 2013 Bonds or that they will do so on a timely basis, or that DTC or any of its Participants will act in a manner described in this Official Statement. The City is not responsible or liable for the failure of DTC to make any payment to any Direct Participant or failure of any Direct or Indirect Participant to give any notice or make any payment to a Beneficial Owner in respect to the Series 2013 Bonds or any error or delay relating thereto.

The rights of holders of beneficial interests in the Series 2013 Bonds and the manner of transferring or pledging those interests is subject to applicable state law. Holders of beneficial interests in the Series 2013 Bonds may want to discuss the manner of transferring or pledging their interest in the Series 2013 Bonds with their legal advisors.

For every transfer of ownership interests in the Series 2013 Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

Exchange, Negotiability, Registration and Transfer of Series 2013 Bonds

So long as the Series 2013 Bonds are registered in the name of Cede & Co., as the nominee of DTC, the transfer and exchange of any Series 2013 Bonds shall be governed by rules established between DTC and its Direct and Indirect Participants. See the subheading "Book-Entry Only System" above. Upon the discontinuance of the book-entry only registration system for the Series 2013 Bonds, the following provisions described under this subheading shall apply for Beneficial Owners.

Any Series 2013 Bonds, upon surrender thereof at the designated corporate trust office of the Registrar, together with an assignment duly executed by the Series 2013 Bondholder or his attorney or legal representative in such form as shall be satisfactory to the Registrar, may, at the option of the Series 2013 Bondholder, be exchanged for an aggregate principal amount of Series 2013 Bonds equal to the principal amount of the Series 2013 Bond or Bonds so surrendered.

The Registrar shall keep books for the registration of and for the registration of transfers of Series 2013 Bonds as provided in the Bond Resolution. The transfer of any Series 2013 Bonds may be

The Series 2013 Bonds maturing on October 1, 20__ shall be subject to mandatory redemption prior to maturity, by lot, in such manner as the Registrar may deem appropriate, at a redemption price equal to the principal amount thereof plus interest accrued to the date of redemption, on October 1, 20__, and on each October 1 thereafter, from Amortization Installments deposited in the Redemption Account, in the following principal amounts in the years specified:

Date (October 1)	Amortization Installments
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*

*Maturity.

Notice of Redemption

Notices of redemption shall, at least 30 days prior to the proposed redemption date, be filed with the Registrar and mailed by the Registrar on behalf of the City, first class mail, postage prepaid, to all holders of Series 2013 Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the Record Date. Failure to mail such notice to one or more holders of Series 2013 Bonds to be redeemed, or any defect therein, shall not affect the validity of the proceedings for such redemption with respect to holders of Series 2013 Bonds to which notice was duly mailed or no defect occurred. Each notice of redemption shall set forth the date fixed for redemption, the redemption price to be paid and, if less than all of the Series 2013 Bonds of one maturity are to be called, the distinctive numbers of such Series 2013 Bonds to be redeemed and, in the case of Series 2013 Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. A notice of optional redemption may state that it is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price, plus interest accrued to the proposed redemption date, or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price and accrued interest if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Paying Agent to affected holders of Series 2013 Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Notwithstanding the foregoing, so long as Cede & Co. is the registered owner of the Series 2013 Bonds pursuant to DTC's book-entry only system of registration, notice of redemption required to be mailed to holders of Series 2013 Bonds shall only be sent to Cede & Co.

SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

General

The payment of the principal of and interest and premium, if any, on the Bonds is secured by a pledge of and an irrevocable lien on (1) the Net Revenues derived from the operation of the City's Utility System, (2) the Sewer System Capital Facilities Fees and Water System Capital Facilities Fees (as defined below), and (3) until applied in accordance with the Bond Resolution, the moneys on deposit in the various funds and accounts created pursuant to the Bond Resolution, except (A) the Rebate Fund, (B) to the extent moneys therein shall be required to pay the Cost of Operation and Maintenance as defined and in accordance with the Bond Resolution, and (C) to the extent moneys on deposit in a subaccount of

the Reserve Fund or Project Fund shall be pledged solely for the payment of a particular Series of Bonds for which it was established in accordance with the provisions of the Bond Resolution (clauses (1), (2) and (3) above are collectively referred to as the "Pledged Revenues"). Such lien would be prior and superior to all other liens and encumbrances on such Pledged Revenues. The City has covenanted that it will deposit all Gross Revenues it collects from the operation of or ownership of the Utility System into the Revenue Fund, where they will be subject to the lien of the Bonds.

THE SERIES 2013 BONDS SHALL NOT BE NOR CONSTITUTE GENERAL OBLIGATIONS OR INDEBTEDNESS OF THE CITY AS "BONDS" WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF FLORIDA, BUT SHALL BE PAYABLE SOLELY FROM AND SECURED BY A FIRST LIEN UPON AND A PLEDGE OF THE PLEDGED REVENUES AS PROVIDED IN THE BOND RESOLUTION. NO HOLDER OR HOLDERS OF ANY SERIES 2013 BONDS ISSUED UNDER THE BOND RESOLUTION SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF THE AD VALOREM TAXING POWER OF THE CITY OR TAXATION IN ANY FORM OF ANY REAL OR PERSONAL PROPERTY THEREIN, OR TO COMPEL THE CITY TO PAY SUCH PRINCIPAL AND INTEREST FROM ANY OTHER FUNDS OF THE CITY.

The Bond Resolution has ascribed the following meanings to the terms "Cost of Operation and Maintenance," "Gross Revenues," "Net Revenues," "Sewer System Capital Facilities Fees" and "Water System Capital Facilities Fees." For all other terms not otherwise defined herein, see APPENDIX B attached hereto.

"Cost of Operation and Maintenance" shall mean the then current expenses, paid or accrued, in the operation, maintenance and repair of the Utility System, as calculated in accordance with generally accepted accounting principles, including, but not limited to, general administrative and indirect labor costs, personal services, contractual services, repairs and maintenance, and materials and supplies, but shall not include expenses not annually recurring, any reserve for renewals and replacements, extraordinary repairs or any allowance for depreciation, any Bond Service Requirement, any payments in lieu of taxes, franchise fees or other transfers.

"Gross Revenues" or "Revenues" shall mean all income and earnings, including Connection Fees (as defined in the Bond Resolution), received by the City or accrued to the City from the ownership, use or operation of the Utility System and all parts thereof, including, without limitation, unencumbered, non-ad valorem special assessments which are not pledged for the repayment of, or as security for, any indebtedness of the City, whether currently outstanding or hereafter issued, other than the Bonds, and which are legally available to be used as contemplated in the Bond Resolution, moneys deposited from the Rate Stabilization Fund into the Revenue Fund in accordance with the terms of the Bond Resolution, provided any moneys transferred from the Rate Stabilization Fund into the Revenue Fund within 90 days following the end of a Fiscal Year may be designated by the City as Gross Revenues of such prior Fiscal Year, and shall also include investment income, if any, earned on any fund or account created pursuant to the Bond Resolution, except the Rebate Fund, the Sewer System Capital Facilities Fee Fund, the Water System Capital Facilities Fee Fund, and also including any income or earnings (including investment income) derived from the Utility System in any prior Fiscal Year and which is redeposited into the Revenue Fund, all as calculated in accordance with generally accepted accounting principles, and any payment received by the City from a Qualified Agreement Provider pursuant to a Qualified Agreement designed by the City, but "Gross Revenues" shall not include non-ad valorem special assessments which are pledged for the repayment of, or as security for, any indebtedness of the City, whether currently outstanding or hereafter issued, other than the Bonds, proceeds from the sale or other disposition of the Utility System or any part thereof, condemnation awards or proceeds of insurance received with respect to the Utility System and moneys deposited to the Rate Stabilization Fund from the Surplus Fund, including any moneys transferred from the Surplus Fund to the Rate Stabilization Fund within 90 days following

the end of a Fiscal Year which the City determines not to be Gross Revenues of such prior Fiscal Year. Notwithstanding the foregoing, "Gross Revenues" shall not include Contributions in Aid of Construction, Sewer System Capital Facilities Fees, Water System Capital Facilities Fees or unrealized gains or losses from investments.

"Net Revenues" of the Utility System shall mean the Gross Revenues or Revenues, after deduction of the Cost of Operation and Maintenance.

"Sewer System Capital Facilities Fees" shall mean the impact fees, if any, imposed by the City upon and collected from new users of the Sewer System which represent an equitable share of the capital costs of the Sewer System which are attributable to the increased demand such additional connections create upon the Sewer System. The term "Sewer System Capital Facilities Fees" in each year shall not include any amounts in excess of the Bond Service Requirement for such Bond Year multiplied by the Expansion Percentage applicable to the Sewer System.

"Water System Capital Facilities Fees" shall mean the impact fees, if any, imposed by the City upon and collected from new users of the Water System which represent an equitable share of the capital costs of the Water System which are attributable to the increased demand such additional connections create upon the Water System. The term "Water System Capital Facilities Fees" in each year shall not include any amounts in excess of the Bond Service Requirement for such Bond Year multiplied by the Expansion Percentage applicable to the Water System.

For additional defined terms used herein, see "APPENDIX B – FORM OF COMPOSITE BOND RESOLUTION" attached hereto.

No Reserve Fund for the Series 2013 Bonds

The Series 2013 Bonds will not be secured by any amounts or deposit in the Reserve Fund or any subaccount therein.

Rate Covenant

Pursuant to the Bond Resolution, the City has covenanted to fix, establish, revise from time to time whenever necessary, maintain and collect such fees, rates, rentals and other charges for the use of the products, services and facilities of the Utility System as will always provide, (1) Net Revenues in each Fiscal Year sufficient to pay 110% of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, or (2) Net Revenues in each Fiscal Year sufficient to pay 105% of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year; and Net Revenues, Water System Capital Facilities Fees and Sewer System Capital Facilities Fees in each Fiscal Year adequate to pay at least 120% of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year.

In addition to compliance with either (1) or (2) above, Net Revenues in each Fiscal Year shall also be sufficient to provide 100% of the Bond Service Requirement on all Outstanding Bonds in the applicable Bond Year, any amounts required to be deposited into the Reserve Fund or with any Credit Facility Issuer as a result of a withdrawal from the Reserve Fund, the Renewal, Replacement and Improvement Fund and debt service on other obligations payable from the Revenues of the Utility System, and other payments, and all allocations and applications of revenues required in such Fiscal Year by the terms of the Bond Resolution.

Net Revenues shall not be reduced so as to render them insufficient to provide revenues for the purposes provided therefor by the Bond Resolution. Nothing in the Bond Resolution obligates the City to impose Sewer System Capital Facilities Fees or Water System Capital Facilities Fees.

Additional Parity Obligations

No Additional Parity Obligations may be issued under the Bond Resolution unless the City shall have first complied with the following requirements:

(1) There shall have been obtained and filed with the Clerk of the City a certificate of the Finance Director stating:

(a) that the books and records of the City relative to the Utility System and the Net Revenues and if applicable, the Sewer System Capital Facilities Fees and the Water System Capital Facilities Fees, have been reviewed by the Finance Director; and either

(b) that the amount of the Net Revenues derived for any consecutive twelve (12) months out of the preceding 30 months preceding the date of issuance of the proposed Additional Parity Obligations (the "Test Period") adjusted as provided in paragraphs (2), (3), (4), (5) and/or (6) below, is equal to not less than 110% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under the Bond Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made, or

(c) that the amount of the Net Revenues during the Test Period adjusted as provided in paragraphs (2), (3), (4), (5) and/or (6) below is equal to not less than 105% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under the Bond Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made, and Net Revenues during the Test Period as so adjusted plus Sewer System Capital Facilities Fees and Water System Capital Facilities Fees during the Test Period is equal to not less than 120% of the Maximum Bond Service Requirement becoming due in any Bond Year thereafter on (A) all Bonds issued under the Bond Resolution, if any, then Outstanding, and (B) on the Additional Parity Obligations with respect to which such certificate is made.

(2) Upon recommendation of the Qualified Independent Consultants, the Net Revenues certified pursuant to (b) and (c) in the previous paragraph may be adjusted, for the purpose determining whether Additional Parity Obligations may be issued, by including: (a) 100% of the additional Net Revenues which in the opinion of the Qualified Independent Consultant would have been derived by the City from rate increases adopted before the Additional Parity Obligations are issued, if such rate increases had been implemented before the commencement of such Bond Year, and (b) 100% of the additional Net Revenues estimated by the Qualified Independent Consultant to be derived during the first full twelve month period after the facilities of the Utility System are extended, enlarged, improved or added to with the proceeds of the Additional Parity Obligations with respect to which such certificate is made.

(3) Upon recommendation of the Qualified Independent Consultants, if the Additional Parity Obligations are to be issued for the purpose of acquiring an existing water system and/or sewer system and/or any other utility system in accordance with the Bond Resolution, the Net Revenues certified pursuant to (b) or (c) in paragraph (1) above may be adjusted by including: 100% of the additional estimated Net Revenues which in the written opinion of the Qualified Independent Consultants will be derived from the acquired facilities during the first full 12-month period after the issuance of such Additional Parity Obligations (the Qualified Independent Consultants' report shall be based on the actual

operating revenues of the acquired utility for a recent 12-month period adjusted to reflect the City's ownership and the City's rate structure in effect with respect to the Utility System at the time of the issuance of the Additional Parity Obligations).

(4) Upon recommendation of the Qualified Independent Consultants, if the number of connections as of the first day of the month in which the proposed Additional Parity Obligations are to be issued exceeds the average number of such connections during such 12 consecutive month period, then the Net Revenues certified pursuant to (b) or (c) in paragraph (1) above may be adjusted to include the Net Revenues which would have been received in such 12 consecutive months if those additional connections had also been connected to the Utility System during all of such 12 consecutive months.

(5) Upon recommendation of the Qualified Independent Consultant, if the City shall have entered into a contract, which contract shall be for a duration of not less than the final maturity of the proposed Additional Parity Obligations, with any public body, whereby the City shall have agreed to furnish services for the collection, treatment or disposal of sewage or agreed to furnish services in connection with any water system or any other utility system, then the Net Revenues certified pursuant to (b) or (c) in paragraph (1) above may be increased (to the extent such amounts were not reflected in such Net Revenues) by the minimum amount which the public body shall guarantee to pay in any one year for the furnishing of services by the City, after deducting from such payment the estimated Cost of Operation and Maintenance attributable in such year to such services.

(6) Upon recommendation of the Qualified Independent Consultants, if there is an estimated increase in Net Revenues to be received by the City as a result of additions, extensions or improvements to the Utility System during the period of three years following the completion of such additions, extensions or improvements financed with the proceeds of Bonds or Additional Parity Obligations, then the Net Revenues derived from the Utility System certified pursuant to (b) or (c) in paragraph (1) above may be increased by 50% of the average annual additional Net Revenues calculated for such three year period.

(7) The City need not comply with the provisions of paragraph (1) above if and to the extent the Additional Parity Obligations to be issued are Refunding Bonds, if the City shall cause to be delivered a certificate of the Finance Director of the City setting forth the Average Annual Debt Service Requirement (a) for the Bonds then Outstanding, and (b) for all Series of Bonds to be immediately Outstanding thereafter, and stating that the Average Annual Debt Service Requirement pursuant to (b) is not greater than that set forth pursuant to (a).

(8) The City need not comply with the provisions of paragraph (1) above if and to the extent the Additional Parity Obligations to be issued are for the purpose of providing any necessary additional funds required for completion of any improvements to the Utility System ("Completion Bonds") if originally financed with the proceeds of Bonds; provided that such Completion Bonds for which the City need not comply with the provision of paragraph (1) above may not exceed 10% of the total principal amount of Bonds estimated to be required for such improvements to the Utility System at the time of issuance of the initial Series of Bonds to finance such improvements.

(9) The Finance Director of the City shall have certified that the City is not in default in the carrying out of any of the obligations assumed under the Bond Resolution and no event of default shall have occurred under the Bond Resolution and shall be continuing, and all payments required by the Bond Resolution to be made into the funds and accounts established under the Bond Resolution shall have been made to the full extent required.

(10) The Supplemental Bond Resolution authorizing the issuance of the Additional Parity Obligations shall recite that all of the covenants contained in the Bond Resolution will be applicable to such Additional Parity Obligations.

Capital Facilities Fees

The City is required to deposit, as received, all Sewer System Capital Facilities Fees into the Sewer System Capital Facilities Fees Fund. The City is also required to deposit, as received, all Water System Capital Facilities Fees into the Water System Capital Facilities Fees Fund. The aggregate amount of Sewer System Capital Facilities Fees and Water System Capital Facilities Fees (collectively, the "Capital Facilities Fees") applied to pay principal of, redemption, if any, and interest on the Bonds in any Bond Year shall never exceed the maximum amount permitted by law. For a calculation of the amount of Capital Facilities Fees which may be applied to pay debt service on the Bonds, see the subheading entitled "PROJECTED OPERATING RESULTS – Principal Considerations and Assumptions Regarding Projected Operating Results" in APPENDIX C attached hereto.

Generally, under Florida law, impact fees (such as the Capital Facilities Fees) may be validly imposed against new construction or development in order to fund capital improvements or capacity which are necessitated by such new construction or development or to satisfy debt service for the bonds or other obligations issued for such purposes. Moneys in the Sewer System Capital Facilities Fees Fund and Water System Capital Facilities Fees Fund may be used only for the capital improvements or capacity attributable to the new construction or development or to pay associated debt service.

The receipt of the Capital Facilities Fees, if any, by the City is dependent on new development within the geographical limits of the service area of the City and the extent to which such fees may be used to pay principal of and interest on the Series 2013 Bonds is limited by Florida law. Although the City has had substantial growth in the past, no assurance can be given that new development will continue within the City or that the City will ever receive a significant amount of Capital Facilities Fees that would be permitted to be applied to pay debt service on the Series 2013 Bonds.

Certain Covenants

The City has made several covenants in the Bond Resolution for the benefit of the holders of Bonds including, but not limited to: (1) those relating to maintaining the Utility System in good condition; (2) annually preparing an operating budget with respect to the Utility System; (3) maintaining proper books and records; (4) causing an annual audit of such books and records to be available for inspection by holders of the Bonds at all reasonable times; (5) agreeing not to dispose or sell any portion of the Utility System except in certain circumstances; (6) agreeing not to provide free service by the Utility System; (7) agreeing to establish a written policy with respect to disconnection from the Utility System upon non-payment for services; (8) enforcing mandatory connection policies; (9) agreeing not to grant a franchise for the operation of any competing system in the Utility System's area of operation; (10) providing adequate insurance protection for the Utility System; (11) enforcing collections; and (12) other covenants related to the continuing viability of the Utility System. See APPENDIX B – "FORM OF COMPOSITE BOND RESOLUTION" for a complete description of covenants.

FLOW OF FUNDS

Funds and Accounts

Pursuant to the Bond Resolution, the following funds and accounts (the "Funds and Accounts") have been established:

- (1) the Revenue Fund;
- (2) the Bond Service Fund, which consists of the Interest Account, the Principal Account, the Parity Contract Obligations Account and the Redemption Account;
- (3) the Reserve Fund which does not secure the Series 2013 Bonds (see "SECURITY AND SOURCES OF PAYMENTS FOR THE BONDS -- No Reserve Fund for the Series 2013 Bonds);
- (4) the Subordinated Debt Service Fund;
- (5) the Renewal, Replacement and Improvement Fund;
- (6) the Project Fund;
- (7) the Sewer System Capital Facilities Fees Fund;
- (8) the Water System Capital Facilities Fees Fund;
- (9) the Rate Stabilization Fund;
- (10) the Surplus Fund; and
- (11) the Rebate Fund.

The cash required to be accounted for in each of the Funds and Accounts may be deposited in a single bank account, provided that adequate accounting records are maintained by the City to reflect and control the restricted allocation of the cash on deposit therein for the various purposes of such Funds and Accounts as provided in the Bond Resolution. The designation and establishment of the various Funds and Accounts shall not be construed to require the establishment of any completely independent, self-balancing funds, as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and assets of the Utility System for certain purposes to establish certain priorities for application of such revenues and assets as provided in the Bond Resolution.

Gross Revenues

All Gross Revenues of the Utility System shall, upon receipt thereof, be deposited by the City in the Revenue Fund. All deposits into such Revenue Fund shall be deemed to be held in trust for the purposes and used only for the purposes and in the manner provided in the Bond Resolution. All Net Revenues in the Revenue Fund, after payment of Cost of Operation and Maintenance of the Utility System, shall be disposed of monthly, but not later than the 25th day of each month only in the following manner and the following order of priority:

- (1) The City shall first deposit into the Bond Service Fund and credit to the following accounts, in the following order (except that payments into the Interest Account and Parity Contract

Obligations Account shall be on parity with each other, and the payments into the Principal Account and the Redemption Account shall be on a parity with each other), the following identified sums:

(a) Interest Account: Taking into account actual and anticipated earnings in the Interest Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-sixth (1/6th) of all interest coming due on all Outstanding Bonds on the next interest payment date; provided, however, that monthly deposits of interest, or portions thereof, shall not be required to be made to the extent that money on deposit within such Interest Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting interest payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of interest payment dates applicable to such Series.

(b) Parity Contract Obligations Account: Taking into account the actual and anticipated earnings in the Parity Contract Obligations Account in the Bond Service Fund within the current Bond Year, a pro rata estimated amount necessary to build up over time the amount of any Parity Contract Obligation which will next be due and payable or reasonably expected to be due and payable under any Qualified Agreement on the next payment date thereunder; provided, however, that the monthly amount to be so deposited may be adjusted, as appropriate, to reflect the frequency of payment dates thereunder (e.g., if such Parity Contract Obligations are required to be paid semi-annually, the City shall be required to deposit monthly an amount which is estimated to equal one-sixth (1/6th) of the next such payment).

(c) Principal Account: Taking into account actual and anticipated earnings in the Principal Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12th) of the principal amount of the Outstanding Bonds which will mature and become due on such annual maturity dates beginning the month which is 12 months prior to the first principal maturity date; provided, however, that monthly deposits for principal, or portions thereof, shall not be required to be made to the extent that money on deposit within such Principal Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting principal payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such Series.

(d) Redemption Account: Taking into account actual and anticipated earnings in the Redemption Account of the Bond Service Fund within the current Bond Year, such sum as will be sufficient to pay one-twelfth (1/12th) of any Amortization Installment established for the mandatory redemption of Outstanding Bonds on such annual maturity date beginning the month which is 12 months prior to the first Amortization Installment date; provided, however, that monthly deposits into the Redemption Account, or portions thereof, shall not be required to be made to the extent that money on deposit in the Redemption Account is sufficient for such purpose. Any monthly payment out of Net Revenues to be deposited as set forth above, for the purpose of meeting Amortization Installments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of dates established for Amortization Installments applicable to such Series. The moneys in the Redemption Account shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The City may at any time purchase any of said Term Bonds at prices not greater than the then redemption price of said Term Bonds. If the Term Bonds are not then redeemable prior to maturity, the City may purchase said Term Bonds at prices not greater than the redemption price of such Term Bonds on the next ensuing redemption date. If Term Bonds are so purchased by the City, the City shall credit the account of such purchased Term Bonds against any current Amortization Installment to be paid by the City. If the City shall purchase or call for redemption in any year Term Bonds in excess of the Amortization

Installment requirement for such year, such excess of Term Bonds so purchased or redeemed shall be credited in such manner and at such times as the City shall determine.

(2) To the extent that the amounts on deposit in the Reserve Fund (other than the Series 2013 Bonds for which there is no Reserve Fund) are less than the applicable Reserve Requirement, the City shall next make deposits into the Reserve Fund in the manner described below from moneys remaining in the Revenue Fund. Any withdrawals from the Reserve Fund shall be subsequently restored from the first moneys available in the Revenue Fund, after all required current payments for Cost of Operation and Maintenance as set forth above and all current applications and allocations to the Bond Service Fund, including all deficiencies for prior payments have been made in full. Notwithstanding the foregoing, in case of withdrawal from the Reserve Fund, in no event shall the City be required to deposit into the Reserve Fund an amount greater than that amount necessary to ensure that the difference between the Reserve Requirement and the amounts on deposit in the Reserve Fund on the date of calculation shall be restored not later than 60 months after the date of such deficiency (assuming equal monthly payments into the Reserve Fund for such 60 month period).

(3) From the moneys remaining in the Revenue Fund, the City shall next deposit into the Subordinated Debt Service Fund an amount required to be paid as provided in the resolution or agreement of the City authorizing such Subordinated Debt, but for no other purposes.

(4) The City shall next apply and deposit monthly from the moneys remaining on deposit in the Revenue Fund into the Renewal, Replacement and Improvement Fund, an amount at least equal to one-twelfth (1/12th) of 5% of the Gross Revenues received during the immediately preceding Fiscal Year. The moneys in the Renewal, Replacement and Improvement Fund shall be used only for the purpose of paying the cost of extraordinary repairs, extensions, enlargements or additions to, or the replacement of capital assets of the Utility System or emergency repairs thereto. No further deposits shall be required to be made into the Renewal, Replacement and Improvement Fund when there shall be on deposit therein an amount equal to or greater than 1% of the gross book value of the fixed assets of the Utility System pursuant to generally accepted accounting principles, or such other amount as may be determined from time to time by the Consulting Engineers. Funds on hand in the Renewal, Replacement and Improvement Fund may be used to pay current Cost of Operation and Maintenance to the extent moneys on deposit in the Revenue Fund are insufficient for such purposes. The moneys on deposit in such fund may also be used to supplement the Reserve Fund, if necessary, in order to prevent a default in the payment of the principal and interest on the Bonds.

(5) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made shall be deposited into the Surplus Fund and may be used for any lawful purpose of the City; provided, however, that none of such moneys shall be used for any purposes other than those as set forth above unless all current payments, including any deficiencies for prior payments, have been made in full and unless the City shall have complied fully with all the covenants and provisions of the Bond Resolution.

Capital Facilities Fees

All Sewer System Capital Facilities Fees and Water System Capital Facilities Fees shall be deposited into the Sewer System Capital Fees Fund and Water System Capital Facilities Fees Fund, respectively. On or before the 26th day of each month, all or any portion of the amounts then on deposit in the Sewer System Capital Facilities Fees Fund and Water System Capital Facilities Fees Funds, respectively, shall, on a pro-rata basis, be applied by the City as follows:

(1) Such moneys shall, in the case of a deficiency in the Bond Service Fund, first be applied and allocated to the Bond Service Fund to supplement other Pledged Revenues to be deposited therein or in substitution of other Pledged Revenues to be deposited therein.

(2) Thereafter, all moneys in the Sewer System Capital Facilities Fees Fund and Water System Capital Facilities Fees Funds, respectively, may be applied by the City for any use allowed by law.

The aggregate amount of Capital Facilities Fees applied to pay principal of, redemption, if any, and interest on the Series 2013 Bonds in any Bond Year shall never exceed the maximum amount permitted by law.

Rate Stabilization Fund

The City may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Surplus Fund as it deems appropriate. The City may transfer such amount of moneys from the Rate Stabilization Fund to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the 25th day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, the Parity Contract Obligation Account, the Principal Account and the Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due and to pay any Parity Contract Obligations, but only to the extent moneys transferred from the Surplus Fund and Renewal, Replacement and Improvement Fund for such purposes, shall be inadequate to fully provide for such insufficiency.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds to be received from the sale of the Series 2013 Bonds are expected to be applied as follows:

Sources:

Par Amount of Series 2013 Bonds
Plus [Less]: Net Original Issue Premium [Discount]
Other Legally Available Funds
Total

Uses:

Deposit to Escrow Account
Costs of Issuance⁽¹⁾
Total

(1) Includes Underwriters' discount, legal, accounting and other fees incurred with respect to the issuance of the Series 2013 Bonds.

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DEBT SERVICE SCHEDULE

The following table sets forth the annual debt service schedule for the Outstanding Parity Bonds and the Series 2013 Bonds.

Year Ending October 1	Outstanding Parity Bonds	Series 2013 Bonds		Total Debt Service
		Principal	Interest	
2013	\$10,672,554.63			
2014	8,031,919.13			
2015	8,039,415.10			
2016	8,036,254.69			
2017	8,034,859.25			
2018	8,041,207.27			
2019	8,038,881.76			
2020	8,032,171.45			
2021	8,036,161.44			
2022	4,349,224.15			
2023	4,347,637.71			
2024	3,727,526.40			
2025	3,721,583.40			
2026	3,725,144.10			
2027	3,723,518.80			
2028	3,721,870.00			
2029	3,724,960.20			
2030	3,722,212.20			
2031	3,729,101.00			
2032	3,728,861.90			
2033	3,726,494.90			
2034	3,101,750.00			
2035	3,101,500.00			
2036	3,100,750.00			
2037	3,099,250.00			
2038	3,096,750.00			
2039	3,098,000.00			
2040	3,097,500.00			
Total	\$142,607,059.48			

(1) Does not include Refunded Series 2003 Bonds or Refunded Series 2008 Bonds. The October 1, 2013 payment for the Refunded Bonds includes amounts contributed to the Escrow Fund from the Debt Service Funds for the Refunded Bonds.

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OUTSTANDING UTILITY SYSTEM DEBT

The following is a summary of the outstanding bonds and loans that have been issued by the City and attributable to the Utility System.

Description	Principal Amount Outstanding	Security for Payment
Utility System Revenue Bonds, Series 2003 Bonds ⁽¹⁾	\$60,945,000	Net Revenues and Capital Facilities Fees
Utility System Revenue Bonds, Series 2006 Bond	4,114,127	Net Revenues and Capital Facilities Fees
Utility System Revenue Bonds, Series 2008 Bond ⁽¹⁾	6,413,054	Net Revenues and Capital Facilities Fees
Tax Exempt Utility System Refunding and Improvement Revenue Bonds, Series 2010A	48,540,000	Net Revenues and Capital Facilities Fees
Taxable Utility System Refunding Revenue Bonds, Series 2010B	7,010,000	Net Revenues and Capital Facilities Fees
Utility System Refunding Revenue Bond, Series 2011	26,253,513	Net Revenues and Capital Facilities Fees
State Revolving Fund Loan DW 11031	5,158,912	Second Lien on Net Revenues
State Revolving Fund Loan – WW715090 Sheffield	5,060,457	Assessments
State Revolving Fund Loan – WW715100 Lamplighter	2,544,716	Assessments
State Revolving Fund Loan – WW715040, 715041	4,999,405	Assessments – West Winterberry / Backup Covenant to Budget and Appropriate
State Revolving Fund Loan – WW715050, 715051	4,016,215	Assessments – North Barfield / Backup Covenant to Budget and Appropriate
State Revolving Fund Loan – WW715060, 715061	2,705,371	Assessments – North Marco / Backup Covenant to Budget and Appropriate
State Revolving Fund Loan – WW71503P	1,426,321	Third Lien on Net Revenues
State Revolving Fund Loan – WW110710 Mackle Park	3,715,440	Assessments
State Revolving Fund Loan – WW110700 Kendall	4,010,315	Assessments
State Revolving Fund Loan – WW110720 Gulfport	595,548	Assessments
State Revolving Fund Loan – WW110730 E. Winterberry S	655,331	Assessments
State Revolving Fund Loan – WW110740 E. Winterberry N	693,417	Assessments
State Revolving Fund Loan – WW110750 Goldenrod	3,416,402	Assessments
State Revolving Fund Loan – WW110760 Copperfield	2,107,498	Assessments
State Revolving Fund Loan – WW110770 Estates	2,319,519	Assessments
Special Assessment Revenue Bond, Series 2008 (Tigertail Assessment Area Project)	1,981,696	Assessments
Special Assessment Revenue Bond, Series 2008 (South Barfield Assessment Area Project)	625,074	Assessments
North Barfield Assessment Note, Series 2009	1,571,406	Assessments
North Marco Assessment Note, Series 2009	743,651	Assessments
Old Marco Assessment Note, Series 2009 (Taxable)	232,412	Assessments
West Winterberry Assessment Note, Series 2009	2,168,983	Assessments
Lamplighter Assessment Note, Series 2010	1,299,145	Assessments
Sheffield Assessment Note, Series 2010	1,716,727	Assessments
Kendall Assessment Note, Series 2012	1,450,000	Assessments
Mackle Park Assessment Note, Series 2012	1,550,000	Assessments
Special Assessment Revenue Bond, Series 2013 (Gulfport Assessment Area Wastewater Treatment Capacity Improvements)	1,400,000	Assessments
Special Assessment Revenue Bond, Series 2013 (East Waterberry (North) Area Wastewater Treatment Capacity Improvements)	395,000	Assessments
Total Outstanding Bonds and Loans	<u>\$211,834,655</u>	

(1) To be refunded with proceeds from the Series 2013 Bonds. See "THE REFUNDING PLAN."
Source: City of Marco Island Finance Department.

THE UTILITY SYSTEM

PROSPECTIVE INVESTORS SHOULD REVIEW THE HEREIN DESCRIBED BOND FEASIBILITY REPORT (THE "BOND FEASIBILITY REPORT") RELATING TO THE UTILITY SYSTEM IN ITS ENTIRETY AND ATTACHED AS APPENDIX C HERETO PRIOR TO MAKING AN INVESTMENT DECISION. PORTIONS OF SUCH REPORT ARE DESCRIBED BELOW.

General

The following information concerning the Utility System has been derived from the Bond Feasibility Report provided by Public Resources Management Group, Inc. (the "Feasibility Consultant") provided by the Feasibility Consultant for use in this Official Statement. For a more complete description of the Utility System, see the Bond Feasibility Report included as APPENDIX C hereto.

The majority of the City's Utility System was acquired during October, 2003 with the purchase of the Florida Water Services Corporation ("FWS") water and sewer utility system (the "FWS System"). The FWS System included the City's System (located on the island) and the Marco Shores system (located on the mainland approximately 2.5 miles from the City). At the time of acquisition, these two FWS utility systems were separate systems of FWS with respect to operations, accounting, and the development of rates. The two systems are not interconnected and are functionally independent; however, biological sludge generated at the Marco Shores wastewater plant is taken to the Marco Island plant for dewatering and offsite disposal.

Prior to the acquisition of the FWS System, the City also owned and operated a sewer collection system that served a portion of Marco Island. The City did not own a potable water system prior to the acquisition of the FWS System. Upon the acquisition of the FWS System, the City began to provide potable water service. All of the developed properties located within the City currently receive potable water service from the Utility System. However, not all of the City is provided regional sewer service at this time. Significant portions of the City have on-site disposal systems (i.e., septic tanks). Beginning in Fiscal Year 2006, the City initiated a wastewater extension program, referred to by the City as the Septic Tank Replacement Program or "STRP," to regionalize the provision of wastewater within the corporate limits of the City and the majority of the City is now provided centralized wastewater service. See "APPENDIX C - BOND FEASIBILITY REPORT - CAPITAL IMPROVEMENT PROGRAM."

The north area of Marco Island is served by the North Marco Utility Company, Inc. ("NMU"), a small private utility that provides sewer collection service, but relies on the City to provide sewer treatment and disposal service (on a wholesale basis). The NMU system, which is regulated by the Collier County Utilities Commission (the "Collier Utilities Commission"), serves approximately 700 customers. The Collier Utilities Commission provides the regulatory oversight for rates for privately or investor-owned utilities located within the County that operate pursuant to a franchise granted by the County. This regulatory oversight is not provided by the Florida Public Service Commission ("FPSC") nor is this regulatory oversight extended to the City's rates for service.

The City's water service area includes service to customers located inside and outside the City limits. In addition to serving the City and Marco Shores service areas, the City also provides bulk water service to the Goodland Water District which is owned by the County. The City's sewer service area includes service to customers located inside the City and outside the City limits in the Marco Shores service area and Isle of Capri located 1.5 miles north of Marco Island.

WATER SYSTEM

General

The City's potable water supply system (combined City and Marco Shores systems) is comprised of raw water supply, water treatment, and finished water transmission and distribution facilities (the "Water System"). During the Fiscal Year 2012 the Water System provided service to an average of 9,535 retail and general service accounts and 21,888 corresponding equivalent residential connections (ERCs) within the Water System service area. With respect to the retail accounts, approximately ninety percent (90%) are classified as individually metered residential with the remaining ten percent (10%) consisting of master metered residential, commercial, and irrigation services. Water supply and treatment are measured in terms of an ERC. An "ERC" for the Water System represents the equivalent usage requirements for an individually metered residential customer and is established as 440 gallons per day (gpd) of metered water service pursuant to the current policies and regulations as adopted by the City. Since commercial and master metered residential customers can be served by larger sized meters than the standard residential customer, it is useful to classify commercial accounts and usage in terms of ERCs for a consistent presentation of the total customer base served.

Sources of Water Supply

Raw water is obtained from two sources, fresh surface water derived from Henderson Creek on the mainland and brackish groundwater derived from the Floridan Aquifer system. The surface water source is treated by conventional lime softening followed by membrane filtration. The brackish groundwater is treated by a reverse osmosis ("RO") membrane technology. To supplement water supply in the dry season, when creek flow is low, Aquifer Storage-Recovery ("ASR") technology is used. In the wet season when water is abundant, surplus water is diverted from Marco Lakes, which is subsequently filtered, and is stored underground in ASR wells. ASR technology allows very large amounts of fresh water to be stored and recovered economically.

Water recovered from the ASR system is conveyed to the lime softening plant, referred to by the City as the North Water Treatment Plant ("NWTP"). The brackish ground water from brackish supply wells is conveyed to the RO water treatment plant, the South Water Treatment Plant ("SWTP"). Potable water produced by the treatment plants is distributed throughout Marco Island and additional areas in the mainland through a water distribution system that includes storage tanks, pumping stations and water transmission mains of various sizes.

Demand for Potable Water

The City's potable water service area includes all of the incorporated areas of the City and Marco Shores. The City has an agreement with the County for the purchase of wholesale potable water to serve Marco Shores service area. The City also has another Agreement to sell bulk potable water to the County to distribute to their customers in Goodland and Key Marco.

For more information regarding demand for potable water, see "APPENDIX C – BOND FEASIBILITY REPORT – WATER SYSTEM – Demand for Potable Water."

Water Use Permit

The City is authorized to withdraw surface water from Henderson Creek, either directly from Marco Lakes or indirectly from aquifer storage and groundwater from the mid-Hawthorne formation. Withdrawals are through a Water Use Permit ("WUP") issued by the South Florida Water Management District ("SFWMD"). The current WUP No. 11-00080-W permits withdrawal from three water sources:

(1) surface water from Marco Lakes; (2) injected surface water recovered from ASR wells adjacent to Marco Lakes; and (3) brackish groundwater withdrawn from water supply wells located on Marco Island. The WUP expires February 8, 2016. It is anticipated by the City that SFWMD will renew this water use permit in 2016.

The WUP authorizes a combined annual withdrawal from all three sources of 4,535 million gallons ("MG"), equivalent to an annual daily average withdrawal of 12.42 million gallons per day ("MGD"). The permit allows for up to 1,600 MG to be stored in the Marco Lakes ASR system during the rainy season and recovered during the dry season; up to 1,935 MG withdrawn directly from Marco Lakes; and up to 1,460 MG withdrawn from the mid-Hawthorne Aquifer provided that the combined withdrawal from all sources does not exceed 4,535 MG in a single year. Additionally the maximum month combined consumptive use for direct withdrawal from the Lakes or from the aquifer shall not exceed 381 MG, equivalent to a 30-day monthly average of 12.70 MGD. Water recovered from ASR storage can be used to supplement the demand when withdrawal of water from Marco Lakes during the dryer months is limited because of low water elevations. Withdrawal from the ASR Wells could also be used if the maximum monthly withdrawal to meet demand exceeds 381 MG; however, the probability of demand exceeding the 381 MG monthly limited is essentially zero.

Water Treatment Facilities

The City maintains and operates two water treatment plants located on Marco Island which are permitted with the Florida Department of Environmental Protection ("FDEP") under PWS ID Number: 5110183. These are the NWTP that lime softens and filters surface water or ASR recovery from Marco Lakes and the SWTP that desalts brackish groundwater using a RO treatment process. The permitted capacity of the NWTP is 6.67 MGD. The permitted capacity of the SWTP is 6.0 MGD. Total currently permitted capacity for potable water production is 12.67 MGD.

North Water Treatment Plant

The NWTP is located at Elkcam Circle and Windward Drive on the north end of the City. The permitted treatment capacity of the NWTP is 6.67 MGD, and the plant is typically operated near this capacity year-round with the SWTP used during peak seasonal demand. Approximately 3.8 MGD of the NWTP production is distributed by local high service pumps to the north side of the City. The remaining production water is transferred to the SWTP for blending with RO permeate and is distributed to the south end of the City by high service pumps located at the SWTP site.

The NWTP incorporates a lime softening reactor-clarifier followed by membrane filtration. Lime and alum are added at the reactor/clarifier to remove color, contaminants, and alkalinity from the source water. The pressurized membrane filters remove residual turbidity from the lime softening process and also provide a barrier to microorganisms. Further disinfection and chloramine residual is provided by metering chlorine and ammonia into the filtered water. Filtered water not distributed in the north distribution system is transferred to finished water storage tanks at the SWTP for additional disinfection contact time, storage, and distribution.

Proposed Improvements to the North Water Treatment Plant

The NWTP is currently permitted at a design capacity of 6.67 MGD. An option being developed is to add 3.0 MGD of direct membrane filtration capacity, which will increase the permitted capacity of the NWTP to 9.67 MGD, which allows for losses in the membrane treatment process. The increased capacity when combined with the 6.0 MGD capacity of the SWTP will provide 15.67 MGD or 138% of the projected Fiscal Year 2017 maximum daily demand of 11.33 mgd. A new 4.0 MG potable water storage tank was constructed at the NWTP. The total potable water storage capacity of 4.0 MG at the

north site compared to the previous 1.5 MG, provides additional storage for a peak day demand. See "APPENDIX C – BOND FEASIBILITY REPORT – CAPITAL IMPROVEMENT PROGRAM."

North Water Treatment Plant Finished Water Storage and Pumping

The three former 0.5 MG finished water storage tanks at the NWTP have been taken out of service and two of the tanks have been converted to store inflow to the adjacent wastewater treatment plant. The 4.0 MG storage tank provides a surplus of finished water to meet daily peak demand, a reserve for fire flow, and also provide additional contact time for disinfection by chloramines. Existing finished water (high service) pumping capacity is provided by three pumps with a combined capacity of 6,600 gpm with the largest pump out of service (firm capacity). The current total storage capacity is 4.0 MG.

It is anticipated that peak hourly demand and high service pumping requirements will increase as additional development occurs. The City projects a firm capacity of 9,900 gpm will be required to meet 2016 projected peak hourly demand at the NWTP high service pumping station. When the three 3,300 gpm pumps were installed space was provided for a fourth 3,300 gpm pump at the NWTP.

The City has installed emergency stand-by power engine driven generators at the NWTP. Standby power secures continuous treatment and pumping water during power outages and is a requirement for publicly-owned water treatment plants in Florida.

Water Supply for the North Water Treatment Plant

The Marco Lakes facility for diversion of surface water is located 9 miles north of the NWTP on the mainland. There is one 250,000 gallon ground storage tank ("GST") for on-site storage of either lake water or ASR recovered water. Currently the ASR system consists of seven ASR wells, each with an injection and recovery capacity of 1.5 MGD per well for 10.5 MGD total recovery capacity. Well pumps sized for nominal 1.5 MGD recovery transfer stored water to the GST. Currently there are two 5,000 gallons per minute ("gpm") (14.4 MGD installed capacity) vertical turbine raw water transfer pumps divert raw water directly from the lake to the GST. There are two 3,100 gpm (8.93 MGD installed capacity) vertical turbine raw water injection pumps that transfer raw water from the lakes to the ASR system and that can also be used to fill the GST. Replacement of the injection pumps with larger, 5,000 gpm capacity pumps is currently underway and should be completed by the end of 2013. Water from the GST is transferred to the NWTP by five high pressure centrifugal raw water pumps with installed capacity of 23,900 gpm (34 MGD). The firm capacity of the pumps, with the largest pump out of service, is 27.9 MGD. The Marco Lake system is connected to the North WTP by a 24 inch transmission main that connects to a 30 inch main at the City limits. Hydraulic restriction of the 24-inch raw water transmission main limits the maximum rate of transfer to about 10 MGD. The existing NWTP is permitted to treat about 7.0 to 7.5 MGD of raw water allowing for losses due to filter backwashing. The existing surface water supply system is more than adequate for supplying the NWTP.

South Water Treatment Plant

The SWTP is located near the center of the southern portion of the City and is the source of water supply for the south end of the City. The SWTP has a permitted production capacity of 6.0 MGD. The south service area receives additional water transferred from the NWTP for blending with RO permeate prior to distribution. Blending is used to provide the desired water quality. Source water is provided by 15 wells located in the central and eastern portion of Marco Island.

The SWTP is an RO facility that desalts brackish groundwater. Pre-treatment is provided by sand separators followed by cartridge filters to remove particulates. Desalting is provided by two-stage RO trains with inter-stage energy recovery. RO permeate is degasified for sulfide removal and disinfected

with chloramines before transfer to the finished water storage tanks for blending with treated surface water transferred from the NWTP. Blending provides finished water that is not too soft and corrosive. The SWTP was placed in operation in 1991 and many of the system components are routinely upgraded.

Finished water is stored in two 2.0 MG tanks, one 1.0 MG tank and one 3.0 MG tank providing a total of 8.0 MG of storage at the south facility.

The SWTP has eight existing high service pumps with a firm capacity of 13,300 gpm (pumping capacity with the largest pump out of service). The existing high service pumping capacity is equivalent to 19 MGD and is adequate for current and future anticipated peak hourly water demand.

South Water Treatment Plant Raw Water Supply

The brackish groundwater for the SWTP is supplied by wells in the mid-Hawthorn formation of the Floridan Aquifer. The water supply wellfield consists of 15 operating wells. Wells 2, 3, 6 and 9 have been permanently closed due to high salinity in the native water and Wells 5 and 8 have been permanently disconnected from the system. The firm supply capacity of the operating wells with the largest well out of service is 9.00 MGD. The permitted treated water capacity of the SWTP is 6.0 MGD. To produce 6.0 MGD, a brackish water supply of about 8.0 MGD is needed to feed the RO system with 75% recovered as RO permeate. Therefore the water supply wellfield currently has adequate production capacity for supplying the SWTP at the maximum design treatment capacity.

The existing WUP allows the City to withdraw up to 1,460 MG annually (4.0 MGD annual average) from the mid-Hawthorn aquifer system. This results in 1,095 MG (3.0 MGD annual average) of finished water at an RO recovery of 75%. The highest monthly withdrawals occur during the dry winter season when the SWTP operates near its maximum permitted capacity. Combined with the capacity of the NWTP this is adequate capacity to meet the projected average daily demand in 2017 of 7.44 MGD for the Water System.

Water Transmission and Distribution System

The water distribution system is comprised of major transmission pipelines, which deliver water from the treatment plant to the outlying service areas, and smaller distribution lines that serve the individual connections and provide capacity for local fire protection. The water transmission and distribution system for the City totals approximately 564,000 linear feet ("lft") or 108 miles of pipelines. The Marco Shores service area has approximately 26,300 lft or 5 miles of water piping.

Upgrading the Distribution System

Based on the results of a recent hydraulic modeling study undertaken to identify the causes of lower than desired water pressure, the City replaced a 24-inch AC main connected to the high service water pumping station discharge at the SWTP with a 36-inch ductile iron ("DI") main. The 36-inch DI water main segment is 680 feet in length, and is located in the right-of-way of Peacock Terrace on the south side of the SWTP. This project, referred to by the City as the Peacock Terrace, Winterberry Drive and South Heathwood Drive Potable Water Main Improvements, has increased the overall distribution system pressure in the south service area. The project includes adding a 355 feet long, 16-inch polyvinyl chloride ("PVC") water main (parallel to an existing 24-inch water main) and 315 feet long, 10-inch PVC water main (parallel to an existing 24-inch water main).

Regulatory Compliance of the Water System

The FDEP, SFWMD and United States Environmental Protection Agency ("USEPA") promulgate various regulations governing operation of the Water System. The FDEP and USEPA regulations primarily deal with the quality of the raw water prior to treatment and the finished water distribution to the public, and methods of treatment. The regulation of consumptive uses of water resources in the City is the responsibility of SFWMD. SFWMD issues water use permits based on the population served and the ability of the water source to provide the quantity and quality of water needed. Water use permits are generally issued for a 10-year period. Permits may be modified at any time by SFWMD, if conditions so warrant. Modifications must be based on a demonstrated request for increased water use. The City's water systems are properly permitted at State and Federal levels. Various monitoring and reporting requirements are associated with the permits. FDEP performs inspections of public drinking water plants on an annual basis, and owners of facilities are expected to maintain the facility in compliance with all existing rules.

Water Conservation

The City instituted programs to reduce potable water consumption. In 2005 the City initiated progressive water rates for water used at single family and multifamily residential units. In 2007, the City set up a computer system that identifies any user that has a monthly increase in water usage of 60% greater than the historical usage for that month. The City takes the initiative to contact those users to identify the cause of the increase and works to reduce consumption.

SEWER SYSTEM

Sewer Collection

Existing System

The City's sewer system (combined the City and Marco Shores systems) is comprised of collection, transmission and pumping, wastewater treatment, and effluent disposal, including the distribution of reclaimed water to properties located within the City (the "Sewer System"). During the Fiscal Year 2012 the Sewer System provided service to an average of 8,740 retail and general service accounts and 13,903 corresponding equivalent residential connections ("ERCs") within the Sewer System service area. The majority of the water customers now receive sewer service. With respect to the retail accounts, approximately ninety-one percent (91%) are classified as individually metered residential with the remaining nine (9%) consisting of master metered residential, commercial, and irrigation services. Sewer treatment is measured in terms of an ERC. An "ERC" for the Sewer System represents the equivalent usage requirements for an individually metered residential customer and is established as 220 gallons per day (gpd) of estimated sewer flow pursuant to the current policies and regulations as adopted by the City.

Septic Tank Replacement Program

The City has completed the process of expanding the regional Sewer System and extending sewer collection service throughout the City (located only in the Marco Island System). Referred to by the City as the Septic Tank Replacement Program ("STRP"), this multi-year program was implemented by the City to eliminate the use of septic tanks and other on-site disposal systems by the extension of a regional collection system within the corporate limits of the City. The wastewater service has been extended to approximately 5,749 non-sewered properties located within the City service area of which approximately 4,298 or 75% represent developed properties and 1,451 or 25% represent vacant properties. Of the total

developed properties that will receive sewer service, approximately 3,855 (91% of the developed properties) have already connected to the Sewer System.

The program began in the Fiscal Year 2006 and consists of 17 assessment areas. The project was substantially completed in May 2013. See "APPENDIX C – BOND FEASIBILITY REPORT – SEWER SYSTEM – Sewer Collections – Septic Tank Replacement Program."

WASTEWATER TREATMENT

The Marco Island and Marco Shores treatment systems comprise two separate wastewater treatment plants servicing the Marco Island and Marco Shores collection systems. Marco Island is served by the recently expanded and upgraded Marco Island Reclaimed Water Production Facility. Marco Shores is served by a much smaller facility, the Marco Shores Wastewater Treatment Plant.

Marco Island Reclaimed Water Production Facility

The Marco Island Reclaimed Water Production Facility ("RWPF") is located off Windward Drive on the north end of the island, adjacent to the NWTP. The site is constrained by a canal on the east, the NWTP and local developments to the south and west, Lee County Electric Cooperative and Lee County Sheriff's sub-station to the north. The Marco Island sewer treatment facility was originally constructed in 1972 as two 1.25 MGD trains for a total capacity of 2.5 MGD. The treatment process was a variation of the activated sludge process referred to as contact stabilization and achieved secondary treatment. A second 1.0 MGD contact stabilization plant was constructed in 1990 bringing capacity to 3.5 MGD and in 2010 expanded to 4.92 MGD. A Class I deep well (IW#1) for effluent disposal was constructed in 1991 and a second Class I deep injection well (IW#2) was constructed in 2009. Two reclaimed water storage tanks and a reclaimed water distribution system were added in 1999. Waste activated sludge (biological solids) are stabilized by aerobic digestion, mechanically thickened, dewatered and landfilled.

Regulatory Compliance of the Sewer System

The RWPF is currently permitted by FDEP permit number FLA014167 to treat up to 4.92 MGD of sewer on a maximum three-month average daily flow basis in the new facilities. The new facilities consist of three drum screens, three flow equalization basins of one 250,000 and two 500,000 gallon volumes (with a fourth tank of 500,000 gallons volume due to startup in September 2013), a biological odor control system, two, rotary drum thickeners, and four aerobic digesters. Advanced biological sewer treatment is provided by a previously existing 3.0 MGD advanced secondary activated sludge plant modified for enhanced nitrogen removal using the Modified Ludzack-Ettinger ("MLE") process, and a new 3.0 MGD MLE unit, followed by five 1.25 MGD capacity Membrane Bioreactor ("MBR") units, each with six MBR cassettes. The MBR units function in series with the MLE units to provide Class I reliability for the 4.92 MGD expanded plant. Disinfection is provided by two expanded chlorine contacts basins using a sodium hypochlorite disinfection system. Effluent storage is provided by two 500,000 gallon public-access quality reclaimed water storage tanks, and one 0.44 acre water storage pond. The permit anticipates that the water storage tank at the unused Marco Shores Water Treatment Plant was converted to another 500,000 gallon capacity reclaimed water storage tank.

The permit allows effluent disposal into the deep injection wells up to a maximum daily flow of 5.76 MGD into IW#1 and for 7.80 MGD into IW#2 as well as an operation of a public access quality reuse system up to 2.434 MGD.

The current wastewater operating permit was issued by the FDEP on February 21, 2006, was revised March 4, 2008, and will expire on February 1, 2016.

Marco Shores Sewer Treatment Plant

The Marco Shores Sewer Treatment Plant ("MSSTP") was placed into service in July of 2003. The plant uses a variation of the activated sludge technology intended to produce high quality effluent for reuse, this is upflow sludge blanket filtration ("USBF"). The facility includes mechanical and manual bar screens, two anoxic basins, four aeration basins, four upflow clarifiers, two tertiary filters, two chlorine contact tanks, an effluent pumping station, aerated sludge holding tanks reclaimed water storage tank, and small operations building. The plant was originally designed and permitted for an average daily flow of 300,000 gpd. Current flows have been much less than design flows in the range of 100,000 gpd. This plant was more or less designed by the vendor of the process equipment and has experienced difficulties handling normal daily flow peaks that upset the sludge blanket based process concept. Although the facility is well maintained by the City it will benefit from hydraulic improvements, that are intended to correct the treatment systems ability to handle flow peaks and to improve air distribution in the aeration process tanks.

The MSSTP operates under FDEP permit number FLA-014174 issued on March 11, 2010 and expires on March 10, 2016. The permit allows for treatment of a maximum three month average daily flow of 0.30 MGD.

Reuse System

There are two options for disposal of effluent from the City's Marco Island Wastewater Treatment Plant listed below in their order of preference:

1. **First Preference for Effluent Discharge: Reclaiming the water for reuse as golf course and landscape irrigation water on Marco Island and at Marco Shores.** The permitted capacity of the reuse system is 2.434 MGD.
2. **Second Preference for Effluent Discharge: Marco Island deep injection wells located at the NWTP.** The permitted capacities of the existing and new deep injection wells are 5.76 MGD and 7.38 MGD, respectively.

The one current method of disposal of treated effluent from the MSSTP is to pump the water approximately 1.5 miles to a 43 acre site with a Rapid infiltration basin system ("RIBS") with a permitted capacity of the RIBS is 3.5 MGD. The reason for the high permitted capacity is that before the second Injection Well (IW #2) was constructed at the Marco Island Wastewater Treatment Plant it also was permitted to discharge treated effluent to the RIBS. Marco Island Utilities is evaluating the possibility of upgrading the MSSTP so it can produce treated effluent that meets the requirements of reclaimed water so that it could be distributed to the customers at Marco Shores.

Use of sewer treatment plant effluent for irrigation is preferred over disposal into deep injection wells or RIBS, as this is the most efficient use of this resource and provides additional revenue for the City as reclaimed water is metered and priced for sale. The Table below lists the current large users of reclaimed water.

Large Users of Reclaimed Water

<u>User Name</u>	<u>Capacity (MGD)</u>	<u>Use</u>
Marco Island	0.450	Golf Course Irrigation
Marco Shores	0.250	Golf Course Irrigation
Hideaway Beach	0.181	Golf Course & Landscape Irrigation
Collier County/Barfield School	0.020	Landscape Irrigation
Collier Blvd. Users	0.423	Landscape Irrigation
Miscellaneous Users	0.379	Landscape Irrigation
Total	1.703	

The City's reclaimed water system includes two 0.5 MG storage tanks, three effluent transfer pumps each with 1,600 gpm capacity, and three high service pumps each with 1,600 gpm capacity, and associated distribution pipelines. A decommissioned 500,000 gallon potable water tank and pump house at the former water treatment facility located at Marco Shores has been converted into a reclaimed water storage and pumping facility to supplement the reclaimed water distribution system that servers both the Marco Island and Marco Shores customers. Effluent is conveyed to and from the Marco Shores reuse storage and pumping facility via an existing 16-inch effluent force main.

The expansion and upgrade of the RWPF from 3.5 MGD to 4.92 MGD provided additional high quality effluent suitable for reuse has resulted in a reduction in potable water consumption that is currently used prior to the availability of reclaimed water for irrigation. The reclaimed water distribution system was most recently expanded in 2008 through an extension of the reuse piping system to provide reclaimed water to all condominiums south of Winterberry Drive along Collier Boulevard. These properties had historically used an annual average daily flow of 0.48 MGD (0.56 MGD maximum daily) of potable water for irrigation prior to the availability of reclaimed water. Further expansion of the reclaimed water distribution system is being evaluated.

Additional sources of reclaimed water will become available as the most recent homes that have been provided sanitary sewer service connect to the collection system expanded under the STRP. The table below shows the average daily demand ("ADD") for the Fiscal Years 2010 through 2012 and projected for Fiscal Years 2013 through 2035 and maximum day demand ("MDD") potable water demands and projected for the Fiscal Years 2013 through 2035, reduced ADD and MDD potable water demands with the projected increase in reclaimed water production associated with the City's operating planning process. See "APPENDIX C – BOND FEASIBILITY REPORT – REUSE SYSTEM."

Fiscal Years 2010 through Fiscal Years 2035 Actual and Projected Water Service Area

<u>Year</u>	<u>Avg. Day Water Demand, MGD</u>	<u>Max Day Water Demand, MGD</u>
2010	6.68	9.65
2011	6.71	9.49
2012	6.45	9.94
2013	7.29	11.11 ⁽¹⁾
2015	7.36	11.22
2017	7.44	11.33
2019	7.51	11.44
2021	7.58	11.55
2023	7.66	11.67
2025	7.73	11.78
2035 (Build out)	8.09	12.33

(1) For the Fiscal Year ending September 30, 2013, the Max Day Water Demand through March 2013 was 11.02 MGD.

Source: City of Marco Island Utility Department.

RATES, FEES AND CHARGES

The water rates which are currently in effect include: (i) a constant service charge (readiness-to-serve charge) which varies by meter size for residential, commercial, and irrigation classes and is based on a per unit basis for the multi-family class; and (ii) a volumetric flow charge based on metered water consumption which increases as consumption increases in order to promote water conservation (applicable only to the residential class and based on lot size). As part of the consumptive use permitting process, SFWMD requires that utilities located within its boundaries have a water conservation promoting rate structure. This requirement is part of SFWMD's water conservation goals relative to the regulation of raw water withdrawals. SFWMD does not regulate the rates of the Utility System regarding rate level but requires that a conservation promoting pricing structure is in place. The current water rate of the Utility System as adopted by the City currently does employ a water conservation rate structure, which the City believes is consistent with the general water conservation program goals recommended by SFWMD.

The Sewer System rates are similar in structure to that of the Water System and include: (i) a constant service charge (readiness-to-serve charge) which varies by meter size; and (ii) a volumetric flow charge based on metered water consumption which serves as the basis for sewer use. Furthermore, with respect to the individually metered single-family residential class, the sewer consumption charges include a maximum residential billing threshold of 6,000 gallons per month per unit. All other sewer customers do not have a maximum billing threshold for the determination of the sewer flow (revenue gallons) for the application or billing of the consumption charge.

Based on the projections contained in the Bond Feasibility Report, the Feasibility Consultant has determined that the current rates for water and sewer service may need to be further adjusted during the Forecast Period (September 30, 2013 through and including September 30, 2018). Such future rates have not been adopted by the City Council. Any formal adoption of such potential rate increases is not expected to occur until the future. In order to increase rates as provided below, subsequent formal action will need to be taken annually, including the provision of notice to rate payers and the holding of a public hearing or hearings and the enactment of an ordinance or ordinances by the City Council. The estimated needed increase in the rates for the System is shown below:

Average Percent Revenue Increase⁽¹⁾	
Fiscal Year	Marco Island and Marco Shores Additional Rate Adjustment⁽²⁾
2013	0.00%
2014	7.00%
2015	2.10%
2016	2.10%
2017	2.20%
2018	2.30%

(1) Fiscal Year 2014 rate adjustment assumed to be effective November 1, 2013. All other rate adjustments assumed to become effective with services rendered on October 1st of each Fiscal Year.

(2) Rate adjustments include application of the annual price index adjustment which has historically been annually adopted and applied by the City (with the exception of Fiscal Years 2012 and 2013).

In addition to the monthly rates for water and sewer service, the City Council has also adopted a series of rate surcharges on the water and sewer rates imposed only in the City service area to finance certain capital costs that were determined by the City Council to benefit the System (such surcharges are not imposed in the Marco Shores service area). Specifically and as contained in the Rate Resolution adopted in March 2010, the City has imposed a surcharge to finance: (i) the roadway re-surfacing program which is being performed in conjunction with the STRP program; and (ii) the costs of reducing

the neighborhood construction charges for the STRP in the amount of \$2,758 per property, both of which were deemed to benefit existing utility customers by the City. With respect to the surcharge adopted by the City for the roadway re-surfacing program, the annual surcharge was 6.0% which: (i) was applied uniformly to the rates for monthly service (both the base facility charge and the gallonage charge for water and sewer service); and (ii) phased-in over a three-fiscal year period at 2.0% per annum to the maximum surcharge of 6.0%. The surcharge was subsequently reduced by the City Council to 3.0% pursuant to Resolution No. 12 11 adopted March 19, 2012. No other changes to the rates for monthly utility service were effected by that Resolution. The surcharge shall be applied until the all cost of the roadway re-surfacing has been recovered which is expected to occur October 2015.

For a summary of the current and anticipated future water and sewer rates, bulk and raw water service, bulk sewer service, effluent (reclaimed water) service, water and sewer system capital facilities fees and miscellaneous charges, see "APPENDIX C – BOND FEASIBILITY REPORT – RATES, FEES AND CHARGES."

Rate Comparisons

The table below provides a comparison of the monthly cost of providing water and sewer service for a 5/8-inch by 3/4-inch water meter at various usage levels calculated under the City's current rates. Also included on the comparison are bills calculated under the rates of other neighboring Florida utilities as of the billing month of June 2013. The monthly bills for the various Florida utilities used for the comparison are exclusive of any local taxes. Additionally, for municipal-owned utility systems, such utilities may apply to customers located outside the corporate limits of such municipality a surcharge up to 50% when compared to the rates for service to customers located within the corporate limits as allowed pursuant to Section 180.191, Florida Statutes. The City currently does not charge an outside-the-City surcharge for any customers served outside the City limits but does have different rates for the Marco Island and Marco Shores systems which reflect the continuation of the rate differentials that were then effect at the time of the FWS System acquisition. The 5/8 by 3/4 inch meter comparison was prepared since it represents the majority of the City's water and sewer residential customers and the majority of the customers for the other utilities reflected in the comparison. With respect to the municipal utility systems included on the comparison, only the inside-the-City rates are included in the comparison.

The average residential average monthly use for the Marco Island and Marco Shores service areas are different. Therefore two different comparisons are summarized below. With respect to the Marco Island service area comparison, an average monthly use of 10,000 gallons was assumed. For the Marco Shores service area comparison, an average monthly usage level of 3,000 gallons was presented. In the comparisons, the System rates produce bills for the City that are higher but are generally comparable in amount when compared to the other neighboring publically-owned utilities.

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Monthly Individually-metered Residential Service By Service Area

	Marco Island – Assuming 10,000 Gallons of Monthly Utility Service (1)			Marco Shores – Assuming 3,000 Gallons of Monthly Utility Service (1)		
	Water (2)	Sewer	Total	Water	Sewer	Total
City of Marco Island (2)						
Marco Island System						
Without Surcharge Application	\$69.33	\$54.96	\$124.29			
With Surcharge Application	73.49	58.26	131.75			
Marco Shores System				\$35.79	\$55.94	\$91.73
Other Florida Utilities:						
Bonita Springs Utilities, Inc. (3)	\$51.89	\$65.48	\$117.37	\$23.15	\$39.58	\$62.73
Charlotte County (3)	71.27	66.30	137.57	35.78	39.28	75.06
City of Belle Glade	60.35	59.26	119.61	23.14	31.26	54.40
City of Cape Coral (3)	61.41	114.92	176.33	29.92	49.68	79.60
City of Everglades City	46.00	45.00	91.00	18.00	22.60	40.60
City of Fort Myers (3)	71.08	137.12	208.20	22.65	48.40	71.05
City of LaBelle	46.60	38.02	84.62	28.19	26.47	54.66
City of Naples	24.19	54.39	78.58	12.28	28.63	40.91
City of North Port	67.03	84.54	151.57	27.28	44.01	71.29
City of Punta Gorda	47.18	39.94	87.12	24.08	29.65	53.73
City of Sanibel	49.25	54.04	103.29	22.90	54.04	76.94
City of Sarasota	48.99	79.91	128.90	22.98	35.46	58.44
Collier County (3)	47.93	64.84	112.77	24.89	38.31	63.20
FGUA - Golden Gate (Collier County) (3)	86.99	74.44	161.43	43.58	54.16	97.74
FGUA - Lehigh Acres System (Lee County) (3)	70.42	74.27	144.69	30.26	49.25	79.51
FGUA – North Fort Myers System (Lee County) (3)	77.21	60.11	137.32	31.01	38.00	69.01
Hillsborough County (3)	54.43	47.87	102.30	23.11	26.32	49.43
Lee County (3)	46.46	66.83	113.29	21.43	34.73	56.16
Okeechobee Utility Authority	74.86	89.31	164.17	31.74	41.99	73.73
Port Labelle Utility System (Hendry/Glades County)	59.00	39.36	98.36	28.75	21.01	49.76
Sarasota County	48.81	90.29	139.10	23.39	37.51	60.90
Other Florida Utilities' Average	\$57.68	\$68.87	\$126.55	\$26.12	\$37.64	\$63.75

(1) Based on utility survey shown on Tables 11 through 13 included in the Bond Feasibility Report included in APPENDIX C.

(2) Comparison based on a lot size area of 9,000 square feet or less.

(3) Utilities that are known by the Feasibility Consultant that are currently involved in a rate study, plan to conduct a study within the next twelve months, or have an adopted price index and/or phased rate increase program which may result in future rate increases/adjustments; such future increases/adjustments are not reflected in the current rates above.

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Ten Largest Customers of Water and Sewer System

The following is a summary of the top ten utility customers for the combined Marco Island and Marco Shores service areas:

Water and Sewer Top Ten Utility Customers – Total System (Based on Sales Revenue) (1)

Account (2)	Service Class	Type of Service	Total Revenues	% of Total System Rate Revenues
Marriott Full Service	Commercial	W & S	\$511,223	2.2%
Goodland Water District	Government (Bulk)	W	178,959	0.8%
Marco Beach Hilton	Commercial	W & S	148,675	0.6%
North Marco Utilities	Bulk	S	149,667	0.6%
Anglers Cove Condo Association	Multi-family	W & S	100,238	0.4%
Southseas Condo	Multi-family	W & S	85,631	0.4%
Eagles Nest	Multi-family	W & S	83,346	0.4%
Lesina at Hammock Bay	Multi-family	W & S	76,240	0.3%
Marco Beach Ocean	Commercial	W & S	75,292	0.3%
Shipps Landing Condo	Multi-family	W & S	47,461	0.2%
	Totals		<u>\$1,456,732</u>	<u>6.2%</u>
Total Water and Sewer Rate Revenues (3)			<u>\$23,544,017</u>	<u>100.0%</u>

Service: W=Water; S=Sewer

Source: "APPENDIX C – BOND FEASIBILITY REPORT – Ten Largest Customers of Water and Sewer System."

- (1) Based on information provided by the City and includes both Marco Island and Marco Shores service areas; reflects amounts for the twelve (12) months ended September 30, 2012.
- (2) Represents the sum of all meters (accounts) which are considered as service to an individual customer, where applicable.
- (3) Amount reflects revenues derived from the application of monthly water and sewer service charges and does not include reclaimed water or other operating revenues.

Historical Operating Results

The historical operating results for the combined Water and Sewer System is presented for the Fiscal Years ended September 30, 2008 through 2012 (the "Historical Period"). The operating results for the Historical Period were prepared based on financial information compiled and provided by the City and information included in the Comprehensive Annual Financial Reports ("CAFR") of the City for the respective Fiscal Years shown and compiled by the Feasibility Consultant. See "APPENDIX C – BOND FEASIBILITY REPORT – HISTORICAL OPERATING RESULTS." The historical operating results have been presented in a manner consistent with the requirements of the Bond Resolution relative to the determination of Net Revenues of the Utility System. Therefore, the amounts shown reflect certain differences in the presentation of the financial results when compared to the CAFRs of the City. Specifically, these differences primarily relate to: (i) the determination of the Cost of Operation and Maintenance (i.e., depreciation, amortization and payments in lieu of taxes or franchise fees to the General Fund are not recognized); (ii) the development of interest income (i.e., does not include earnings on monies on deposit in the Capital Facilities Fees Fund or Project Fund associated with proceeds of bonds issued for the Utility System, if any, which are restricted to such Funds or fair market adjustments as required by the reporting standards of Governmental Accounting Standards Board in order to recognize realized income); and (iii) recognition of other transfers which are not considered as a Cost of Operation and Maintenance (e.g., transfer for payment of Bond Service Requirement).

System Historical Operating Results and Bond Service Coverage Results

Description	Fiscal Year Ended September 30, (1)				
	2008	2009	2010	2011	2012
Gross Revenues	\$22,487,396	\$24,772,111	\$26,816,188	\$30,392,405	\$28,511,092
Total Cost of Operations and Maintenance (2)	11,047,517	12,046,263	11,405,012	11,474,484	11,171,326
Net Revenues	11,439,879	12,725,848	15,411,176	18,917,921	17,339,766
Pledged Capital Facilities Fees (3)	426,496	112,248	352,159	205,160	218,214
Net Revenues with Pledged Capital Facilities Fees	11,866,375	12,838,096	15,763,335	19,123,081	17,557,980
Bond Service Requirement (First Lien Only): (4)					
Total Bond Service Requirements	7,059,750	7,055,889	9,268,216	11,038,793	11,071,973
Bond Service Coverage (First Lien Only):					
Test 1 – Net Revenue Basis	1.62	1.80	1.66	1.71	1.57
Minimum Required Coverage	1.10	1.10	1.10	1.10	1.10
OR					
Test 2 – Net Revenue with Pledged Capital Facilities Fees Basis (5)	1.68	1.82	1.70	1.73	1.59
Minimum Required Coverage	1.20	1.20	1.20	1.20	1.20
Bond Service Requirement (First and Second Lien Only):(6)					
Total Bond Service Requirements (7)	8,365,327	9,695,117	10,747,879	12,172,050	11,821,395
Bond Service Coverage (First and Second Lien Only):					
Test 1 – Net Revenue Basis	1.37	1.31	1.43	1.55	1.47
Minimum Required Coverage	1.20	1.20	1.20	1.20	1.20
OR					
Test 2 - Net Revenue with Pledged Capital Facilities Fees Basis	1.42	1.32	1.47	1.57	1.49
Minimum Required Coverage	1.20	1.20	1.20	1.20	1.20
Subordinate Debt Service Requirement (Third Lien):					
Total Subordinate Debt (8)	142,190	102,808	107,278	170,240	426,619
Subordinate Debt Bond Service Coverage (Third Lien):					
Pledged Revenue Basis (9)	15.74	20.05	33.45	32.48	10.16
Minimum Required Coverage	1.15	1.15	1.15	1.15	1.15
Total Subordinate Debt Service Requirement (10)					
Total Subordinate Debt Service Requirement	759,925	683,189	952,316	930,324	777,334
Total Debt Payments (First, Second and Third Lien) (11)	7,819,675	7,739,078	10,220,532	11,969,117	11,849,307

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System Historical Operating Results and Bond Service Coverage Results (cont'd.)

Description	Fiscal Year Ended September 30, (1)				
	2008	2009	2010	2011	2012
Less Other Required Transfers (12)					
Bond Service Reserve Fund	0	0	0	0	0
Renewal, Replacement & Improvement Fund (13)	1,059,767	1,124,370	1,238,606	1,340,809	1,519,620
Total Other Required Transfers	1,059,767	1,124,370	1,238,606	1,340,809	1,519,620
Net Revenues After All Required Transfers Without Capital Facilities Fees	2,560,436	3,862,400	3,952,039	5,607,994	3,970,838
Total Capital Facilities Fees	426,496	112,248	352,159	205,160	218,214
Total Amount for Other System Purposes (14)	\$2,986,932	\$3,974,648	\$4,304,198	\$5,813,154	\$4,189,052

- (1) Amounts derived are based on information reported in the City's Comprehensive Annual Financial Reports for each respective fiscal year and other System financial information as provided by the City for such years.
- (2) Amounts shown do not include depreciation or amortization expenses which are non-cash expense of the utility and not considered as a Cost of Operation and Maintenance as delineated in the Bond Resolution.
- (3) Amounts based on the lessor of Capital Facilities Fees received or the amount of Bond Service that is considered to be expansion-related; in all Fiscal Years the amount of the fees received was less than the expansion-related Bond Service amount.
- (4) Outstanding Bonds defined as all Bonds that were issued pursuant to the terms and conditions of the Bond Resolution (First Lien Bonds) and includes (i) the Series 2003 Bonds; (ii) the Series 2006 Bond; (iii) the Series 2008B Bond; (iv) the Series 2010A Bonds; (v) the Series 2010B Bonds; and (vi) Series 2011 Bonds. The Series 2003 Bonds and the Series 2008 Bond are expected to be fully refunded through the issuance of the Series 2013 Bonds.
- (5) Pursuant to the Bond Resolution, the Pledged Revenue Coverage Test is a two-part test that includes the following:
 Test 1 = Net Revenues must be 110% of the annual Bond Service requirements; or
 Test 2 = Net Revenues must be 105% of the annual Bond Service requirements and Net Revenues and Capital Facilities Fees (Pledged Revenues) must be 120% of the annual Bond Service Requirement.
 Since the Test 1 Net Revenue coverage test is shown which has a higher minimum requirement standard than Test 2 and for simplicity sake, only the Pledged Revenue calculation for Test 2 is shown on the summary table.
- (6) The City has secured subordinate notes (Second Lien Bonds) which contains a rate covenant that recognizes that the term "Bond Service Requirement" shall be deemed to include the debt service on the notes which assumes that all of the principal is drawn as of the date of such loan and is amortized annually on each October 1st over a period of thirty years assuming an interest rate of 4.5% expressed on an equal debt repayment basis. The amounts shown reflect the estimated implied amortization of the notes based on the covenant; the actual payments for the notes reflect interest-only payments which are significantly less than the covenant requirements and the City historically has or anticipates to retire the notes with permanent financing as part of the completion of the STRP project (reference is made to the discussion of the outstanding debt and plan of finance earlier in this Report; as of the date of this Report, only one wastewater note is outstanding and it is anticipated that it will be retired with permanent financing on or about August 6, 2013).
- (7) Represents subordinate debt obligations (Second Lien) incurred by the City to provide interim financing in support of the STRP Program; such amounts are not associated with securing any loans through the State Revolving Fund (SRF) Loan Program. Amounts shown separately for coverage requirement purposes due to the different rate covenant requirement of such loans.
- (8) Amount shown reflects indebtedness associated with State Revolving Fund loans (Third Lien Debt) secured and being paid by the City to fund improvements to the City's Sewer System infrastructure that are secured by the Pledged Revenues of the System during such fiscal year; the majority of the FDEP SRF Loans have been secured by assessments pursuant to the STRP program and no longer have a lien on the Pledged Revenues of the System.
- (9) Coverage test includes Net Revenues received less 110% of the Bond Service Requirement on the First and Second Lien Bonds.
- (10) Amounts shown reflect the sum of (i) actual loan payments (interest-only expense) made on the Second Lien Bonds as opposed to the implied Bond Service Requirements as defined in the covenants for the respective loan agreement; plus (ii) the actual accrual for the repayment of the SRF Loans, both which are pledged for repayment from the Net Revenues of the System.
- (11) Amounts reflect actual debt requirements of System and include: (i) required deposits to the Bond Service Fund in accordance with provisions of the Bond Resolution; (ii) Monthly Loan Deposits for loans secured through the SRF Loan Program; and (iii) actual interest expense as invoiced by the lending institutions associated with the lines of credit secured by the City for funding capital improvements to the System that is not payable from the annual assessments associated with the STRP project.
- (12) Amounts shown reflect other required transfers as required by the Bond Resolution.
- (13) Assumes that the City annually makes a deposit to the RR&I Fund equal to the RR&I Requirement which is an amount equal to 5% of the previous year Gross Revenues for ongoing capital improvement financing.
- (14) Amounts shown represent funds available for capital expenditures and other expenditure requirements of the System.

Projected Operating Results

Projections of the operating results of the Utility System have been prepared by the Feasibility Consultant for the five Fiscal Years (October 1 through September 30) 2013 through 2018 (the "Forecast Period"). Projections were based on: (i) historical operating results for Fiscal Years 2008 through 2012 as contained within the City's CAFRs and other financial reports and statements; (ii) actual year-to-date information as provided by City staff for the Utility System through September 30, 2013; (iii) discussions with City staff and its consultants regarding current and future utility trends and the Utility System needs

associated with the expansion and capital improvements to the Utility System; and (iv) other information provided by the City, its consultants and others.

Summary of Projected Operating Results and Debt Service Coverage

	Fiscal Year Ending September 30, (1)					
	2013	2014	2015	2016	2017	2018
Total Sales Revenue	\$26,288,485	\$28,136,150	\$29,110,925	\$29,852,703	\$30,635,406	\$31,468,419
Other Operating Revenues and Interest Income (2)	1,181,697	1,042,137	1,068,129	1,076,100	1,077,975	1,109,475
Total Gross Revenues	\$27,470,182	\$29,178,287	\$30,179,054	\$30,928,803	\$31,713,381	\$32,577,895
Total Cost of Operations and Maintenance (3)	12,602,570	13,813,504	13,884,744	14,292,330	14,845,658	15,358,961
Net Revenues	14,867,612	15,364,784	16,294,310	16,636,473	16,867,723	17,218,934
Percent to Total Revenue	54.12%	52.66%	53.99%	53.79%	53.19%	52.85%
Pledged Capital Facilities Fees (4)	594,719	304,187	304,687	304,087	304,287	306,887
Net Revenue with Pledged Capital Facilities Fees	\$15,462,331	\$15,668,970	\$16,598,997	\$16,940,560	\$17,172,010	\$17,525,821
Bonds Service Requirement (First Lien Only): (5)						
Total Bond Service Requirement	10,935,903	11,106,869	11,338,115	11,366,705	11,333,909	11,343,458
Bond Service Coverage (First Lien Only):						
Test 1 - Net Revenue Basis	1.36	1.38	1.44	1.46	1.49	1.52
Minimum Required Coverage	1.10	1.10	1.10	1.10	1.10	1.10
OR						
Test 2 - Net Revenues with Pledged Capital Facilities Fees Basis (6)	1.41	1.41	1.46	1.49	1.52	1.55
Minimum Required Coverage	1.20	1.20	1.20	1.20	1.20	1.20
Bond Service Requirement (First and Second Lien Only): (7)						
Total Bond Service Requirement	11,246,401	11,106,869	11,338,115	11,366,705	11,333,909	11,343,458
Bond Service Coverage (First and Second Lien Only):						
Test 1 - Net Revenue Basis	1.32	1.38	1.44	1.46	1.49	1.52
Minimum Required Coverage	1.10	1.10	1.10	1.10	1.10	1.10
OR						
Test 2 - Net Revenues with Pledged Capital Facilities Fees Basis (6)	1.37	1.41	1.46	1.49	1.52	1.55
Minimum Required Coverage	1.20	1.20	1.20	1.20	1.20	1.20
Subordinate Debt Service Requirement (Third Lien): (8)						
Total Subordinate Debt Service Requirement	434,530	434,530	434,530	434,530	434,530	434,530
Subordinate Debt Bond Service Coverage (Third Lien):						
Pledged Revenue Basis (9)	5.75	7.24	8.80	9.51	10.13	10.91
Minimum Required Coverage	1.15	1.15	1.15	1.15	1.15	1.15
Total Subordinate Debt Service Requirement (10)						
Total Subordinate Debt Service Requirement	498,577	434,530	434,530	434,530	434,530	434,530
Total Debt Payments (First, Second and Third Lien) (11)	11,434,480	11,541,399	11,772,645	11,801,235	11,768,440	11,777,988

Table continued on following page.

Summary of Projected Operating Results and Debt Service Coverage (cont'd.)

	Fiscal Year Ending September 30, (1)					
	2013	2014	2015	2016	2017	2018
Total Subordinate Debt Service Requirement (10) (cont'd.)						
Net Revenues after Debt Payments	3,433,133	3,823,384	4,521,665	4,835,238	5,099,284	5,440,946
Less Other Required Transfers						
Bond Service Reserve Account (12)	0	0	0	0	0	0
Renewal, Replacement and Improvement Fund (13)	1,411,182	1,373,509	1,458,914	1,508,953	1,546,440	1,585,669
Total Other Required Transfers	1,411,182	1,373,509	1,458,914	1,508,953	1,546,440	1,585,669
Excess of Net Revenues Above Required Transfers						
Without Capital Facilities Fees (14)	2,021,951	2,449,875	3,062,751	3,326,285	3,552,844	3,855,277
Total System Capital Facilities Fees	594,719	304,187	304,687	304,087	304,287	306,887
Total Amount Available for Capital Expenditures and Other System Purposes (15)	\$2,616,670	\$2,754,062	\$3,367,437	\$3,630,372	\$3,857,130	\$4,162,164

(1) Amounts derived from Table 7 included in the Bond Feasibility Report included in APPENDIX C.

(2) Amounts shown reflect estimated interest income earned on projected balances of the various funds created by the Bond Resolution, including the Revenue Fund and Surplus Fund (Operating Reserves), Renewal, Replacement and Improvement Fund and Bond Service Fund. Interest earned on the Water and Sewer Capital Facilities Fee (Impact Fee) Funds and the Project Fund have not been recognized since such earning is restricted to such funds.

(3) Amounts shown do not include depreciation and amortization expenses which are a non-cash expense and not considered a Cost of Operations and Maintenance in accordance with the provisions of the Bond Resolution.

(4) Amounts based on the lessor of Capital Facilities Fees received or the amount of Bond Service that is considered to be expansion-related; in all Fiscal Years, the amount of fees received was projected to be less than the expansion-related Bond Service amount.

(5) Reflects Bond Service Requirement associated with Bonds issued in accordance with the provisions of the Bond Resolution and which have a senior lien on the Pledged Revenues of the System (First Lien). The amounts are shown based on the monthly funding requirements of the various sinking funds as required by the Bond Resolution (essentially an accrual basis) as opposed to when the Bond Service Requirement may actually be paid. Reference Table 8 for total debt service payment summary on all Bonds, notes, and loans secured by the Net Revenues of the System.

(6) Pursuant to the Bond Resolution, the Pledged Revenue Coverage Test is a two-part test that includes the following :

Test 1 = Net Revenues must be 110% of the annual Bond Service requirements; or

Test 2 = Net Revenues must be 105% of the annual Bond Service requirements and Net Revenues and Capital Facilities Fees (Pledged Revenues) must be 120% of the annual Bond Service Requirement.

Since the Test 1 Net Revenue coverage test is shown which has a higher minimum requirement standard than Test 2 and for simplicity sake, only the Pledged Revenue calculation for Test 2 is shown on the summary table.

(7) Represents Bond Service Requirement of Senior Lien Bonds (First Lien) and Subordinate Obligations incurred by the City to provide interim financing in support of the STRP Program (Second Lien); such amounts are not associated with securing any loans through the State Revolving Fund Loan Program (SRF Loans) administered by the Florida Department of Environmental Protection. Amounts shown separately for coverage requirement purposes due to the different rate covenant requirements of such loans.

(8) Amount shown reflects existing and projected indebtedness associated with a State Revolving Fund Loans (Third Lien) secured by the City to fund improvements to the City's Sewer System infrastructure that are secured by the Pledged Revenues of the System during such fiscal year; the majority of the FDEP SRF Loans have been secured by assessments pursuant to the STRP program and do not have a lien on the Pledged Revenues of the System.

(9) Pursuant to the SRF Loan Agreement, Pledged revenues for SRF Loan repayment is after the recognition of payment of Senior Lien Bonds and Subordinate Second Lien Bonds, including an allowance for coverage. For purposes of this Report, the coverage test reflects a 10% coverage allowance on the Senior Lien Bonds and Subordinate Non-SRF Debt (consistent with the Senior Lien net revenue test).

(10) Amounts shown reflect the sum of (i) actual loan payments (interest-only expense) made on the Second Lien Bonds as opposed to the implied bond service requirements as defined in the covenants for the respective Note Agreements; plus (ii) the actual accrual for the repayment of the SRF Loans, both which are pledged for repayment from the Pledged Revenues of the System.

(11) Amount shown reflects the sum of the Bond Service Requirements associated with the Senior Lien Bonds, the estimated loan repayments (cash) associated with the Subordinate Second Lien Bonds and the loan repayment requirements associated with the existing and anticipated SRF Loans secured by the pledged Revenues of the System.

(12) Bond Service Reserve Requirement is assumed to be fully funded through a cash deposit and/or secured by a Reserve Fund Insurance Policy throughout the Forecast Period; therefore no deposits are recognized as being required.

(13) Amount shown reflects the annual funding requirement of the Renewal, Replacement and Improvement Fund in the amount equal to 5% of the System's Gross Revenues for the immediately preceding Fiscal Year consistent with the provisions of the Bond Resolution.

(14) Amounts shown reflect additional rate covenant requirements whereby the Net Revenues of the System must fund all of the required transfers to the various fund, and accounts as established by the Bond Resolution which include the Bond Service Fund, the Reserve Fund, the Renewal Replacement, and Improvement Fund, and Subordinated Debt.

(15) Amounts shown represent sum of (i) excess Net Revenues above required transfers and (ii) Water and Sewer System Capital Facilities Fees; amounts shown available for other purposes of the System.

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Findings and Conclusions of the Feasibility Consultant

Based upon the financial information provided by the City and others and the principal considerations and assumptions and the results of the studies by the Feasibility Consultant and analyses as summarized in their Report, the Feasibility Consultant is of the opinion that:

1. The Pledged Revenues of the System for the last five fiscal years ended September 30, 2012 were sufficient to meet the rate covenant and make all of the required transfers to the various funds and accounts as delineated in the Bond Resolution.

2. The System, taking into account the capital improvements discussed in the Report, will have sufficient capacity to meet the anticipated service area needs for the Fiscal Years ending September 30, 2013 through and including 2018, the financial forecast period reflected in the Report (the "Forecast Period"), based on the customer forecast assumed for the purposes of the Report.

3. The projected growth in customers and usage of the System for the Forecast Period, based on current conditions, is considered to represent reasonable and attainable projections for the purposes of the Report and the corresponding revenues derived from such projections are also considered to be reasonable and attainable.

4. The System Revenues for the Fiscal Years ending September 30, 2013 through and including 2018 under the City approved rates, coupled with the recognition of identified future rate adjustments which have not yet been formally adopted, should be sufficient to: (i) pay all of the Cost of Operation and Maintenance of the System; (ii) pay the estimated debt service on the Outstanding Bonds; the Series 2013 Bonds, and any anticipated Additional Parity Obligations identified in the Report coming due under the Bond Resolution in such years; (iii) pay the existing and anticipated debt payments on Subordinated Debt coming due in such years; (iv) satisfy the deposit requirements under the Bond Resolution for the Renewal, Replacement and Improvement Fund which is available for additions, extensions, and improvements to the System; and (v) meet the rate covenant as set forth in the Bond Resolution.

5. It is anticipated by the City that the current rates for water and sewer service will need to be further adjusted during the Forecast Period reflected in the Report and such future rates have not been formally adopted but have been presented to the City Council. To the extent such future adjustments are not implemented, the City will need to adjust the expenditures identified in the Report. Based on the assumptions developed in the Report, such adjustments would focus primarily on the funding of the ongoing capital needs of the System. No assurance can be given that such rate increases will be adopted by the City. To the extent that the rate adjustments are not made or are delayed from what is assumed in the Report, it is anticipated based on the assumptions developed in the Report that sufficient Net Revenues and/or Capital Facilities Fees (i.e., Impact Fees) will not be generated to be in compliance with the rate covenant described in the Bond Resolution unless Utility expenditures are reduced.

6. The projected growth in the Cost of Operation and Maintenance represent reasonable projections for the purposes of the Report.

7. The existing rates for water and sewer service are generally comparable to, although higher than, charges for similar service provided by other neighboring and coastal utilities located in Southwest Florida. The anticipated rate adjustments as represented in the Report are not expected by the City to negatively affect the competitiveness of the City's monthly user rates over the Forecast Period.

8. The existing System Capital Facilities Fees are generally higher when compared to the fees charged by neighboring utilities located in Southwest Florida. The Feasibility Consultant considers the Capital Facilities Fees to be cost-based and representative of the identified capital expenditures needs of the System as contained in the System's adopted capital improvement plan. Based on discussions with Utility Department staff, the application of the Capital Facilities Fees is not expected to negatively affect System growth.

RISK OF PROJECTIONS

The Bond Feasibility Report includes projected Utility System sales and customer uses as well as projected operating results, debt service coverage ratios and related notes for the five Fiscal Years ending September 30, 2013 through September 30, 2018, and should be read in its entirety for an understanding of the assumptions and estimates and rationale underlying the financial forecast. The forecast assumes the implementation of future rate increases which have not yet been adopted. See "RATES, FEES AND CHARGES" herein. The forecast statement is also based on assumptions and estimates concerning other future events and circumstances. The achievement of any financial forecast may be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events which cannot be assured. Therefore, the actual results achieved will vary from the forecast, and such variations may be material.

ENFORCEABILITY OF REMEDIES

The remedies available to the owners of the Series 2013 Bonds upon an event of default under the Bond Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically the federal bankruptcy code, the remedies specified by the Bond Resolution and [the Policy], the Series 2013 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2013 Bonds, including Bond Counsel's approving opinion, will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. See APPENDIX B - "FORM OF COMPOSITE BOND RESOLUTION" attached hereto for a description of events of default and remedies.

LITIGATION

There is no litigation pending or, to the knowledge of the City, threatened, seeking to restrain or enjoin the issuance or delivery of the Series 2013 Bonds or questioning or affecting the validity of the Series 2013 Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence of the City, nor the title of the present council members or other officers of the City to their respective offices, is being contested. There is no litigation pending which in any manner questions the imposition or collection of any component of the Pledged Revenues or the use thereof for the payment of debt service on the Series 2013 Bonds.

LEGAL MATTERS

Certain legal matters in connection with the authorization, issuance and sale of the Series 2013 Bonds are subject to the approval of Bryant Miller Olive P.A., Tampa, Florida, Bond Counsel, whose approving opinion will be available at the time of delivery of the Series 2013 Bonds.

The proposed form of Bond Counsel opinion is attached hereto as APPENDIX E and reference is made to such form of opinion for the complete text thereof. 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 Bond Counsel has reviewed or expresses any opinion concerning any of the matters referenced in the opinion subsequent to its date.

Bond Counsel has not been engaged to, nor has it undertaken to, review (1) the accuracy, completeness or sufficiency of this Official Statement or any other offering material relating to the Series 2013 Bonds; provided, however, that Bond Counsel will render an opinion to the Underwriters and the City relating to the accuracy of certain statements contained hereunder under the heading "TAX MATTERS" and certain statements which summarize provisions of the Bond Resolution and the Series 2013 Bonds, and (2) the compliance with any federal or state law with regard to the sale or distribution of the Series 2013 Bonds.

Certain letters matters will be passed upon for the City by GrayRobinson P.A., Naples, Florida, City Attorney and GrayRobinson, P.A., Tampa, Florida, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriters by Broad and Cassel, Orlando, Florida, counsel to the Underwriters.

VERIFICATION OF ARITHMETICAL COMPUTATIONS

The accuracy of the arithmetical computations of the adequacy of cash deposited into the Escrow Fund to pay when due all principal of and accrued interest on the Refunded Bonds will be verified for the City by Robert Thomas CPA, LLC. Such verification will be based on certain information supplied to Robert Thomas CPA, LLC by the City's Financial Advisor, Public Financial Management, Inc.

PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS

The City maintains two single-employer defined benefit pension plans. One plan covers all full-time firefighters hired after January 1, 1996 and the other plan covers all full-time sworn police officers. For the Fiscal Year ended September 30, 2012, the City contributed \$409,461 to the firefighters' pension plan and \$592,483 to the police officers' pension plan. The City also contributes to a 401(a) defined benefit plan for all employees not covered under the firefighters nor the police officers pension plans. The City contributed \$291,416 to the 401(a) plan for the Fiscal Year ended September 30, 2012. See Note 12 to the Notes to the City's Financial Statements for the Fiscal Year ended September 30, 2012 included as APPENDIX D hereto for more information on the City's retirement plans.

The City also administers a single-employer defined benefit healthcare plan that provides medical and dental coverage to retirees as well as their eligible spouses. Benefits are provided through the City's group health insurance plan, which covers both active and retired employees. The City's post-employment benefits plan cost for the Fiscal Year ended September 30, 2012 for the Utility Department employees was \$170,133 and for all other City employees was \$372,370. See Note 13 to the Notes to the City's Financial Statements for the Fiscal Year ended September 30, 2012 included as APPENDIX D hereto for more information on the City's other post-employment benefits.

TAX MATTERS

General

The Code establishes certain requirements which must be met subsequent to the issuance of the Series 2013 Bonds in order that interest on the Series 2013 Bonds be and remain excluded from gross income for purposes of federal income taxation. Non-compliance may cause interest on the Series 2013 Bonds to be included in federal gross income retroactive to the date of issuance of the Series 2013 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 2013 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 City has covenanted in the Covenant Ordinance with respect to the Series 2013 Bonds to comply with such requirements in order to maintain the exclusion from federal gross income of the interest on the Series 2013 Bonds.

In the opinion of Bond Counsel, assuming compliance with certain covenants, under existing laws, regulations, judicial decisions and rulings, interest on the Series 2013 Bonds is excluded from gross income for purposes of federal income taxation. Interest on the Series 2013 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 2013 Bonds may be subject to the federal alternative minimum tax when any Series 2012 Bond is held by a corporation. The federal alternative minimum taxable income of a corporation must be increased by seventy-five percent (75%) of the excess of such corporation's adjusted current earnings over its alternative minimum taxable income (before this adjustment and the alternative tax net operating loss deduction). "Adjusted Current Earnings" will include interest on the Series 2013 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 2013 Bonds. Prospective purchasers of Series 2013 Bonds should be aware that the ownership of Series 2013 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 2013 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 2013 Bonds; (iii) the inclusion of interest on Series 2013 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 2013 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 2013 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 City, certificates of appropriate officers and certificates of public officials (including certifications as to the use of proceeds of the Series 2013 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 2013 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 2013 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 2013 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 2013 Bonds, under certain circumstances, to "backup withholding" at the rate specified in the Code with respect to payments on the Series 2013 Bonds and proceeds from the sale of Series 2013 Bonds. Any amount so withheld would be refunded or allowed as a credit against the federal income tax of such owner of Series 2013 Bonds. This withholding generally applies if the owner of Series 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 Bonds.

Prospective purchasers of the Series 2013 Bonds should consult their own tax advisors as to the tax consequences of owning the Series 2013 Bonds in their particular state or local jurisdiction and regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

[Tax Treatment of Original Issue Discount]

[Under the Code, the difference between the maturity amount of the Series 2013 Bonds maturing on _____ (collectively, the "Discount Bonds"), and the initial offering price to the public, excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers, at which price a substantial amount of the Discount Bonds of the same maturity and, if applicable, interest rate, was sold is "original issue discount." Original issue discount will accrue over the term of the Discount Bonds at a constant interest rate compounded periodically. A purchaser who acquires the Discount Bonds in the initial offering at a price equal to the initial offering price thereof to the public will be treated as receiving an amount of interest excludable from gross income for federal income tax purposes equal to the original issue discount accruing during the period he or she holds the Discount Bonds, and will increase his or her adjusted basis in the Discount Bonds by the amount of such accruing discount for purposes of determining taxable gain or loss on the sale or disposition of the Discount Bonds. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of the Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those above. Bondholders of the Discount Bonds should consult their own tax advisors with respect to the precise determination for federal

income tax purposes of interest accrued upon sale, redemption or other disposition of the Discount Bonds and with respect to the state and local tax consequences of owning and disposing of the Discount Bonds.]

[Tax Treatment of Bond Premium]

[The difference between the principal amount of the Series 2013 Bonds maturing on _____ (collectively, the "Premium Bonds"), and the initial offering price to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at which price a substantial amount of such Premium Bonds of the same maturity and, if applicable, interest rate, was sold constitutes to an initial purchaser amortizable bond premium which is not deductible from gross income for federal income tax purposes. The amount of amortizable bond premium for a taxable year is determined actuarially on a constant interest rate basis over the term of each of the Premium Bonds, which ends on the earlier of the maturity or call date for each of the Premium Bonds which minimizes the yield on such Premium Bonds to the purchaser. For purposes of determining gain or loss on the sale or other disposition of a Premium Bond, an initial purchaser who acquires such obligation in the initial offering is required to decrease such purchaser's adjusted basis in such Premium Bond annually by the amount of amortizable bond premium for the taxable year. The amortization of bond premium may be taken into account as a reduction in the amount of tax-exempt income for purposes of determining various other tax consequences of owning such Premium Bonds. Bondholders of the Premium Bonds are advised that they should consult with their own tax advisors with respect to the state and local tax consequences of owning such Premium Bonds.]

FINANCIAL STATEMENTS

The City's Financial Statements for the Fiscal Year ended September 30, 2012, included in APPENDIX D herein, have been audited by Mayer Hoffman McCann, P.C., independent accountants, as set forth in their report dated May 17, 2013, which report is also included in APPENDIX D. The consent of the City's auditor to include in this Official Statement the aforementioned report was not requested, and the general purpose financial statements of the City are provided as publicly available documents. Mayer Hoffman McCann, P.C. has not participated in the preparation or review of this Official Statement.

FEASIBILITY CONSULTANT

Certain assumptions contained herein and relating to projected revenues and debt service coverage and certain decisions of the City relating to the establishment of rates and charges for water and sewer services were based, in part, on the reports of outside consultants retained by the City. These include, among others, Public Resources Management Group, Inc. whose Bond Feasibility Report is attached hereto as APPENDIX C.

UNDERWRITING

The Series 2013 Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, on behalf of itself Citigroup Global Markets Inc. and RBC Capital Markets Corporation (collectively, the "Underwriters"). The Underwriters have agreed to purchase from the City the Series 2013 Bonds at a purchase price of \$ _____ (equal to the aggregate principal amount of the Series 2013 Bonds less Underwriters' discount of \$ _____). The Underwriters will be obligated to purchase all the Series 2013 Bonds if any are purchased. The Series 2013 Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial offering prices, and such initial offering prices may be changed from time to time by the Underwriters.

The obligation of the Underwriters to accept delivery of the Series 2013 Bonds is subject to the terms and conditions set forth in the Bond Purchase Agreement, the approval of legal matters by counsel

and other conditions. The Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Series 2013 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the City, for which they received or will receive customary fees and expenses.

The City intends to use a portion of the proceeds from this offering to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Series 2013 Bonds contemplated herein in connection with such Refunded Bonds being redeemed by the City.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

RATINGS

Fitch Ratings ("Fitch"), Moody's Investors Service ("Moody's") and Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies, Inc. ("S&P") have assigned municipal bond ratings of "___" (___ outlook), "___" (___ outlook) and "___" (___ outlook), respectively, to the Series 2013 Bonds. The ratings reflect only the views of said rating agencies and an explanation of the significance of the ratings may be obtained only from said rating agencies. There is no assurance that the ratings will be retained for any given period of time or that the same will not be revised downward or withdrawn entirely by said rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Series 2013 Bonds. The City does not have any obligation or duty to oppose any proposed downward revision or withdrawal or to inform Series 2013 Bondholders of any such downward revision or withdrawal of such ratings.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of bondholders to provide certain financial information and operating data relating to the System and the Series 2013 Bonds in each year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated material events. Such covenant shall only apply so long as the Series 2013 Bonds remain outstanding under the Bond Resolution. The covenant shall also cease upon the termination of the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule") by legislative, judicial or administrative action. The Annual Report will be filed by the City as required with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System ("EMMA").

The specific nature of the information to be contained in the Annual Report and the notices of material events are described in APPENDIX E – "FORM OF CONTINUING DISCLOSURE AGREEMENT," which shall be executed by the City at the time of issuance of the Series 2013 Bonds. These covenants have been made in order to assist the Underwriters in complying with the Rule.

With respect to the Series 2013 Bonds, no party other than the City is obligated to provide, nor is expected to provide, any continuing disclosure information with respect to the Rule. Except as described below, the City has not failed to comply in all material respects with its continuing disclosure undertakings pursuant to the Rule during the last five (5) years.

The Continuing Disclosure Certificate executed by the City in connection with the issuance of its Refunded Series 2003 Bonds required that the City provide its Comprehensive Annual Financial Report (the "CAFR"), to include audited financial statements for the immediately preceding Fiscal Year, by April 30 of each year. Such Disclosure Certificate states that ". . . if the audited financial statements of the Issuer are not completed prior to April 30 of any year, the Issuer shall provide unaudited financial statements on such date and shall provide the audited financial statements as soon as practicable following their completion. . . ." Neither the unaudited nor the audited financial statements for the Fiscal Year ended September 30, 2008 were timely provided because of the performance of a forensic audit requested by the City Council which delayed the completion of both the unaudited and the audited financial statements. The CAFR for the Fiscal Year ended September 30, 2008 with audited financial statements was provided on September 15, 2009. The CAFR for Fiscal Year ended September 30, 2012 was required to be filed on or before April 30, 2013, but was not filed until May 31, 2013 due to the fact that the City's independent auditors were required to do additional testing which delayed the completion of the consolidated financial statements. The City has advised its independent auditors of the importance of the timely filing of the CAFR with EMMA annually on or before April 30th.

FINANCIAL ADVISOR

Public Financial Management Inc., Orlando, Florida, is serving as financial advisor to the City with respect to the issuance and sale of the Series 2013 Bonds. The financial advisor has assisted the City in the preparation of this Official Statement and has advised the City in other matters relating to the planning, structuring and issuance of the Series 2013 Bonds. Public Financial Management Inc. will not engage in any underwriting activities with regard to the issuance and sale of the Series 2013 Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

CONTINGENT FEES

The City has retained Bond Counsel, Disclosure Counsel, the Financial Advisor and the Underwriters with respect to the authorization, sale, execution and delivery of the Series 2013 Bonds. Payment of the fees of such professionals is contingent upon the issuance of the Series 2013 Bonds.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Pursuant to Section 517.051, Florida Statutes, as amended, no person may directly or indirectly offer or sell securities of the City except by an offering circular containing full and fair disclosure of all defaults as to principal or interest on its obligations since December 31, 1975, as provided by rule of the Office of Financial Regulation which reports to the Florida Financial Services Commission (the "Commission"). Pursuant to administrative rulemaking, the Commission has required the disclosure of the amounts and types of defaults, any legal proceedings resulting from such defaults, whether a trustee or receiver has been appointed over the assets of the City, and certain additional financial information,

unless the City believes in good faith that such information would not be considered material by a reasonable investor. The City is not and has not been in default on any bond issued since December 31, 1975 that would be considered material by a reasonable investor.

The City has not undertaken an independent review or investigation of securities for which it has served as conduit issuer. The City does not believe that any information about any default on such securities is appropriate and would be considered material by a reasonable investor in the Series 2013 Bonds because the City is not obligated to pay the debt service on any such securities except from payments made to it by the private companies on whose behalf such securities were issued and no funds of the City would have been pledged or used to pay such securities or the interest thereon.

MISCELLANEOUS

All information included herein has been provided by the City, except where attributed to other sources. The summaries of and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument. Copies of such documents, reports or other instruments may be obtained from the City. The information herein has been compiled from official and other sources and, while not guaranteed by the City, is believed to be correct. So far as any statements made in this Official Statement and the appendices attached hereto involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representation of fact, and no representation is made that any of the estimates will be realized.

CERTIFICATE CONCERNING OFFICIAL STATEMENT

The undersigned Chairman and Finance Director of the City of Marco Island, Florida, do hereby certify that (1) the delivery of this Official Statement has been duly authorized by the City Council; (2) they have reviewed this Official Statement and that to the best of their knowledge and belief, the statements herein are true and correct; and (3) nothing has come to their attention which would lead them to believe that this Official Statement (other than information herein related to DTC, the book-entry only system of registration and information contained under the caption "TAX MATTERS" as to which no opinion is expressed) contains an untrue statement of a material fact or omits to state a material fact which should be included herein for the purposes 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 were made, not misleading.

THE CITY OF MARCO ISLAND, FLORIDA

Joseph Batte, Chairman

Dr. James C. Riviere, PhD, MBA, City Manager

Guillermo A. Polanco, CPA, Finance Director

APPENDIX A

**GENERAL INFORMATION REGARDING MARCO ISLAND AND COLLIER
COUNTY, FLORIDA**



APPENDIX B

FORM OF COMPOSITE BOND RESOLUTION

APPENDIX C

BOND FEASIBILITY REPORT



APPENDIX D

**FINANCIAL STATEMENTS OF THE CITY FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

APPENDIX E

PROPOSED FORM OF OPINION OF BOND COUNSEL



APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

EXHIBIT C
FORM OF
REGISTRAR AND PAYING AGENT AGREEMENT

REGISTRAR AND PAYING AGENT AGREEMENT

THIS REGISTRAR AND PAYING AGENT AGREEMENT (the "Agreement"), dated _____, 2013, by and between the CITY OF MARCO ISLAND, FLORIDA (the "Issuer") and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, having its designated corporate trust office in Jacksonville, Florida as Registrar and Paying Agent (the "Bank");

WITNESSETH:

WHEREAS, the Issuer, by the Resolution (as hereinafter defined), has designated the Bank as Registrar and Paying Agent for its \$_____ City of Marco Island, Florida Utility System Refunding Revenue Bonds, Series 2013 (the "Bonds"); and

WHEREAS, the Issuer and the Bank desire to set forth the Bank's duties as Registrar and Paying Agent and the compensation to be paid the Bank for its services.

NOW, THEREFORE, it is agreed by the parties hereto as follows:

Section 1. Duties. The Bank agrees to serve as Registrar and Paying Agent for the Bonds and to perform the duties of Registrar and Paying Agent as specified in or contemplated by Resolution No. 03-55 duly adopted by the City Council of the Issuer on September 29, 2003, as amended and supplemented from time to time, and as particularly amended by Resolution No. 05-71 duly adopted by the City Council of the Issuer on October 17, 2005 and as particularly supplemented by Resolution No. 13-__ duly adopted by the City Council of the Issuer on _____, 2013 (collectively, the "Resolution").

Section 2. Deposit of Funds. The Issuer shall deposit or cause to be deposited with the Bank sufficient funds from the funds pledged for the payment of the Bonds under the Resolution to pay when due and payable the principal of and interest on the Bonds.

Section 3. Use of Funds; Canceled Bonds. The Bank shall use the funds received from the Issuer pursuant to Section 2 of this Agreement to pay the principal of and interest on the Bonds in accordance with the Resolution. The Bank shall dispose of canceled Bonds in accordance with its document retention policies.

Section 4. Statements. The Bank shall confirm to the Issuer upon request all transactions effected by the Bank pursuant to this Agreement.

Section 5. Obligation to Act. The Bank shall be obligated to act only in accordance with the Resolution and any written instructions received in accordance therewith; provided,

however, that the Bank is authorized hereby to comply with any orders, judgments or decrees of any court with or without jurisdiction and shall not be liable as a result of its compliance with the same.

Section 6. Reliance by Bank. The Bank may rely absolutely upon the genuineness and authorization of the signature and purported signature of any party upon any instruction, notice, release, request, affidavit or other document delivered to it pursuant of the Resolution.

Section 7. Counsel; Limited Liability. The Bank may consult with counsel of its own choice and shall have sole and complete authorization and protection for any action taken or suffered by it under the Resolution in good faith and in accordance with the opinion of such counsel. The Bank shall otherwise not be liable for any mistakes of fact or errors of judgment, or for any acts or omissions of any kind unless caused by its willful misconduct or gross negligence.

Section 8. Fees and Expenses. In consideration of the services rendered by the Bank as Registrar and Paying Agent, the Issuer agrees to and shall pay to the Bank its proper fees and all expenses, charges, attorneys' fees and other disbursements incurred by it or its attorneys, agents and employees in and about the performance of its powers and duties as Registrar and Paying Agent, as set forth in the attached Exhibit A. The Bank shall not be obligated to allow and credit interest upon any moneys in respect of principal or interest due in respect of the Bonds, which it shall at any time receive under any of the provisions of the Resolution or this Agreement.

Section 9. Furnishing Information; Authorization. The Bank shall, at all times, when requested to do so by the Issuer in writing, furnish full and complete information pertaining to its functions as the Registrar and Paying Agent with regard to the Bonds, and shall without further authorization, execute all necessary and proper deposit slips, checks, certificates and other documents with reference thereto.

Section 10. Cancellation; Termination. Either of the parties hereto, at its option, may cancel this Agreement after giving thirty (30) days written notice to the other party of its intention to cancel, and this Agreement may be canceled at any time by mutual consent of the parties hereto. This Agreement shall terminate without further action upon final payment of the Bonds and the interest appertaining thereto.

Section 11. Surrender of Funds; Registration Records; Notification of Bondholders. In the event of a cancellation of this Agreement, the Issuer shall deliver any proper and necessary releases to the Bank upon demand and the Bank shall, upon demand, pay over the funds on deposit with the Bank as Registrar and Paying Agent in connection with the Bonds and surrender all registration books and related records, and the Issuer may appoint and name a successor to act as Registrar and Paying Agent for the Bonds. The Issuer shall, in such event, notify all holders of the Bonds of the appointment and name of the successor, by providing

notice by mail, postage prepaid, to all Bondholders at their addresses as they appear on the registration books of the Registrar and Paying Agent for the Bonds.

Section 12. Nonassignability. This Agreement shall not be assigned by either party without the written consent of the other party.

Section 13. Modification. No modification of this Agreement shall be valid unless made by a written agreement, executed and approved by the parties hereto.

Section 14. Severability. Should any action or part of any section of this Agreement be declared void, invalid or unenforceable by any court of law for any reason, such determination shall not render void, invalid or unenforceable any other section or other part of any section of this Agreement.

Section 15. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

Section 16. Merger or Consolidation of the Bank. Any corporation into which the Bank may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Bank shall be a party, shall be the successor Registrar and Paying Agent under this Agreement, without the execution or filing of any paper or any further act on the part of the parties hereto.

Section 17. Reliance on Documents; Indemnification.

(a) The Bank may conclusively rely, as to the truth of the statements and correctness of the opinions expressed therein, on certificates or opinions furnished to the Bank.

(b) To the extent permitted by applicable law, the Bank shall not be liable for any error of judgment or any act or steps taken or permitted to be taken in good faith, or for any mistake in law or fact, or for anything it may do or refrain from doing in connection herewith, except for its own willful misconduct or gross negligence.

(c) No provisions of this Agreement shall require the Bank to expend or risk its own funds or otherwise incur any financial liability for performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds to believe that repayment of such funds or adequate indemnity satisfactory to it against such risks or liability is not assured to it.

(d) The Bank may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, certificate, note, security, or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. Without

limiting the generality of the foregoing statement, the Bank need not examine the ownership of any Bonds, but is protected in acting upon receipt of Bonds containing an endorsement or instruction of transfer or power of transfer which appears on its face to be signed by the owner or an attorney-in-fact of the owner. The Bank shall not be bound to make any investigation into the facts or matters stated in a resolution, certificate, statement, instrument, opinion, report, notice, direction, consent, order, certificate, note, security paper or document supplied by Issuer.

(e) The Bank may exercise any of the powers hereunder and perform any duties hereunder either directly or by or through agents or attorneys of the Bank.

(f) Any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted hereby to be given or furnished to the Issuer or the Bank shall be mailed or delivered to the Issuer at 50 Bald Eagle Dr., Marco Island, FL 34145, attention Finance Director, or to the Bank at Wells Fargo Bank, National Association, 225 Water Street, Suite 410, MAC: Z3055-044, Jacksonville, Florida 32202, Attention: Corporate Trust.

(g) To the extent permitted by law, the Issuer agrees to indemnify the Bank (including its directors, officers and employees) for, and hold it harmless against, any loss, liability or expense incurred without gross negligence or willful misconduct on its part arising out of or in connection with its acceptance or administration of its duties hereunder, including the cost and expense (including its counsel fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties under this Agreement. The foregoing indemnities in this paragraph shall survive the resignation or removal of the Bank from its duties as Paying Agent and Registrar and the termination of this Agreement.

Section 18. Force Majeure. In no event shall the Bank be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond the Bank's control, including, but not limited to, acts of God, flood, war (whether declared or undeclared), terrorism, fire, riot, strikes or work stoppages for any reason, embargo, government action, including any laws, ordinances, regulations or the like which restrict or prohibit the providing of the services contemplated by this Agreement, inability to obtain material, equipment or interruption of communications or computer facilities, or the failure of equipment or interruption of communications or computer facilities, and other causes beyond the Bank's control whether or not the same class or kind as specifically named above.

Section 19. Counterparts. This Agreement may be executed in several counterparts, all of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers and their official seals to be hereunto affixed and attested as of the date first above written.

(SEAL)

CITY OF MARCO ISLAND, FLORIDA

By: _____

Name: Joseph R. Batte

Title: Chairman

ATTEST:

By: _____

Name: Laura M. Litzan

Title: City Clerk

APPROVED AS TO FORM:

By: _____

Name: Burt L. Saunders

Title: City Attorney

(SEAL)

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Registrar and Paying
Agent

By: _____
Name: _____
Title: _____

EXHIBIT A

Fee for services as Registrar and Paying Agent will be \$750 per series payable annually on each October 1.

Out-of-pocket expenses will be reimbursed at cost.

EXHIBIT D
FORM OF
CONTINUING DISCLOSURE CERTIFICATE

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered by the City of Marco Island, Florida (the "Issuer") in connection with the issuance of its \$ _____ Utility System Refunding Revenue Bonds, Series 2013 (the "Bonds"). The Bonds are being issued pursuant to Resolution No. 03-55 adopted by the City Council of the Issuer (the "City Council") on September 29, 2003, as amended and supplemented, as particularly amended by Resolution No. 13-____ adopted by the City Council on August 5, 2013 (collectively, the "Resolution"). Capitalized terms used but not otherwise defined herein shall have the same meaning as when used in the Resolution unless the context would clearly indicate otherwise. The Issuer covenants and agrees as follows:

SECTION 1. PURPOSE OF THE DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Issuer for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter(s) in complying with the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Resolution which apply to any capitalized term used in this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer, and which has filed with the Issuer a written acceptance of such designation.

"EMMA" shall mean the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System.

"Listed Events" shall mean any of the event listed in Section 5 of this Disclosure Agreement.

"Participating Underwriter(s)" shall mean the original purchaser(s) of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean the continuing disclosure requirements of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. PROVISION OF ANNUAL REPORTS.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than April 30 after the end of the Issuer's last fiscal year (presently ends September 30), commencing with the report for the 2013 fiscal year, provide to EMMA an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. 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 4 of this Disclosure Agreement; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report only if they are not available by that date so long as they are provided when they become available. If the Issuer's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) Not later than fifteen (15) Business Days prior to said date, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to EMMA an Annual Report by the date required in subsection (a), the Issuer shall send a notice to EMMA in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall, if the Dissemination Agent is other than the Issuer, file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided to EMMA.

SECTION 4. CONTENT OF ANNUAL REPORTS. The Issuer's Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3 (a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update of the following financial information and operating data from the Official Statement which are in tabular form:

1. Outstanding Utility System Debt;
2. Rates, Fees and Charges;
3. Rate Comparisons;
4. Bond Service Coverage; and
5. Ten Largest Customers of Water and Sewer System.

Relating to information to be provided to EMMA, the information provided under Section 4(b) may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from EMMA. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice with EMMA of the occurrence in a timely manner not in excess of ten (10) business days after the occurrence of any of the following events with respect to the 2013 Bonds, with the exception of the event described in number 15 below, which notice shall be given in a timely manner:

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 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 security, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of the holders of the Bonds, 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. Ratings changes;
12. Bankruptcy, insolvency, receivership, or similar proceeding of the City. For purposes of this clause 12, any such event shall be considered to have occurred when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the City 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 City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City;
13. A merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, the entry into a definitive agreement to undertake any such action or the termination of a definitive agreement relating to any such action, other than pursuant to the terms of any definitive agreement, if material;

14. Appointment of a successor or additional trustee or paying agent or the change of name of a trustee or paying agent, if material; and
15. Notice of any failure on the part of the Issuer to meet the requirements of Section 3 hereof.

SECTION 6. TERMINATION OF REPORTING OBLIGATION. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5.

SECTION 7. DISSEMINATION AGENT. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Issuer.

SECTION 8. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

- (a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;
- (b) 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 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) The amendment or waiver either (i) is approved by the Holders of the Bonds in the same manner as provided in the Bond Resolution for amendments to the Bond Resolution with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment 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 financial information or operating data being presented by the Issuer. In addition, if the amendment 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 for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should 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.

SECTION 9. ADDITIONAL INFORMATION. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is

required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. DEFAULT. In the event of a failure of the Issuer to comply with any provision of this Disclosure Agreement, any Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Agreement; provided, however, the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer to comply with the provisions of this Disclosure Agreement shall be an action to compel performance. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Bond Resolution.

SECTION 11. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and, to the extent permitted by law, the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. BENEFICIARIES. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Dated: _____, 2013

CITY OF MARCO ISLAND, FLORIDA

Joseph Batte, Chairman

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Marco Island, Florida

Name of Bond Issue: Utility System Refunding Revenue Bonds, Series 2013

Date of Issuance: _____, 2013

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Sections 3 and 4 of the Continuing Disclosure Agreement dated _____, 2013. The Issuer anticipates that the Annual Report will be filed by _____.

Dated: _____

ISSUER

By: _____
Name: _____
Title: _____

EXHIBIT E
FORM OF
ESCROW DEPOSIT AGREEMENT

ESCROW DEPOSIT AGREEMENT

THIS ESCROW DEPOSIT AGREEMENT, dated as of _____, 2013 by and between the CITY OF MARCO ISLAND, FLORIDA (the "Issuer"), and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Escrow Holder, and its successors and assigns (the "Escrow Holder");

WITNESSETH:

WHEREAS, the Issuer previously issued its Utility System Revenue Bonds, Series 2003, certain of which remain Outstanding immediately prior to the execution and delivery of this Escrow Deposit Agreement (the "2003 Bonds") and its Utility System Revenue Bond, Series 2008 which remains Outstanding prior to execution and delivery of this Escrow Deposit Agreement (the "2008 Bond"); and

WHEREAS, the Issuer now desires to currently refund the 2003 Bonds (the "Refunded 2003 Bonds") and the 2008 Bond (the "Refunded 2008 Bond," and together with the Refunded 2003 Bonds, the "Refunded Bonds"); 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; and

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the Issuer and the Escrow Holder agree as follows:

SECTION 1. Definitions. As used herein, the following terms mean:

(a) "Acquired Obligations" shall have the meaning ascribed thereto in the Bond Resolution.

(b) "Agreement" shall mean this Escrow Deposit Agreement.

(c) "Bonds" shall mean the \$ _____ City of Marco Island, Florida Utility System Refunding Revenue Bonds, Series 2013.

(d) "Bond Counsel" shall mean Bryant Miller Olive P.A., or any other law firm nationally-recognized in the area of public finance.

(e) "Bond Resolution" shall mean Resolution No. 03-55 adopted by the Issuer on September 29, 2003, as amended and supplemented from time to time, and as particularly amended by Resolution No. 04-06 adopted by the Issuer on March 1, 2004, Resolution No. 05-71

adopted by the Issuer on October 17, 2005, and as particularly supplemented by Resolution No. 13-__ adopted by the Issuer on _____, 2013.

(f) "Escrow Account" shall mean the account hereby created and entitled Escrow Account established and held by the Escrow Holder pursuant to this Agreement in which cash and investments will be held for payment of the principal, interest, and redemption premium, if any, on the Refunded Bonds.

(g) "Issuer" shall mean the City of Marco Island, Florida, and its successors and assigns.

(h) "Refunded Bonds" shall have the meaning ascribed above.

(i) "Refunded 2003 Bonds" shall have the meaning ascribed above.

(j) "Refunded 2008 Bond" shall have the meaning ascribed above.

(k) "Total Debt Service for the Refunded Bonds" shall mean the sum of the principal of, redemption premium, if any, and interest remaining unpaid with respect to the Refunded Bonds in accordance with Schedule A attached hereto taking into account that the Refunded 2003 Bonds have been called for early redemption on October __, 2013 and the Refunded 2008 Bond has been called for early redemption on October __, 2013, pursuant to Section 14 of the Bond Resolution.

SECTION 2. Deposit of Funds. The Issuer hereby deposits \$_____ with the Escrow Holder for deposit into the Escrow Account, in immediately available funds, which funds the Escrow Holder acknowledges receipt of, to be held in irrevocable escrow by the Escrow Holder separate and apart from other funds of the Escrow Holder and applied solely as provided in this Agreement. An amount equal to \$_____ of such funds are being derived from proceeds of the Bonds. An amount equal to \$_____ of such funds are being derived from the Bond Service Fund and the Reserve Fund (as such terms are defined in the Bond Resolution). The Issuer represents that the uninvested cash deposited to the Escrow Account (i) is at least equal to the Total Debt Service for the Refunded Bonds as of the date of such deposit, and (ii) is sufficient to pay principal, interest and redemption premium, if any, 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 Holder acknowledges receipt of the sum 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 hold the entire \$_____ in cash uninvested in accordance with the terms of this Agreement; and

(c) there will be no investment or reinvestment of funds except as set forth in this Section 3 and except as set forth in Section 5.

SECTION 4. Payment of Refunded Bonds and Expenses.

(a) **Refunded Bonds.** On the dates and in the amounts set forth on Schedule A, the Escrow Holder shall transfer to Wells Fargo Bank, National Association, as 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 the principal of, interest on and redemption premium, if applicable, on the Refunded 2003 Bonds, as shown on Schedule A. Not less than thirty (30) days prior to such redemption date, the Issuer hereby directs Wells Fargo Bank, National Association, in its capacity as Registrar for the 2003 Bonds, to mail a notice of the redemption of the Refunded 2003 Bonds to each holder thereof in accordance with the requirements of Section 14 of the Bond Resolution. Furthermore, upon issuance of the Series 2013 Bond for the purposes of refunding the Refunded 2003 Bonds, the Issuer hereby directs Wells Fargo Bank, National Association to mail a notice of defeasance to each holder of the Refunded 2003 Bonds. On the dates and in the amounts set forth on Schedule A, the Escrow Holder shall transfer to Branch Banking and Trust Company, as holder of the Refunded 2008 Bond, in immediately available funds solely from amounts available in the Escrow Account, a sum sufficient to pay principal of, interest on and redemption premium, if applicable, on the Refunded 2008 Bond, as shown on Schedule A. Wells Fargo Bank, National Association, is not the Registrar for the 2008 Bond and shall have no obligation to mail a notice of the redemption or a notice of defeasance with respect to the Refunded 2008 Bond.

(b) **Expenses.** The Issuer shall pay the fees and expenses of the Escrow Holder as set forth on Schedule B attached hereto.

(c) **Surplus.** After making the payments from the Escrow Account described in Subsections 4(a) and (b) above, the Escrow Holder 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 in the Escrow Account until such funds are used and applied as provided in this Agreement.

SECTION 5. Future Investment.

(a) Except as provided in Section 3 and in this Section 5, the Escrow Holder shall have no power or duty to invest any funds held under this Agreement.

(b) At the written direction of the Issuer and upon compliance with the conditions hereinafter stated, the Escrow Holder shall invest cash in Acquired Obligations. The Issuer will not request the Escrow Holder 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. 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 Holder that Acquired Obligations, interest to be earned thereon, and cash remaining on hand after the transactions are completed will, assuming no reinvestment or any earnings, be not less than the Total Debt Service for the Refunded Bonds, and that investment in such Acquired Obligations 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 Holder shall receive an opinion from 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 investment in Acquired Obligations 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, 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 will not accelerate the maturity of, or exercise any option to redeem before maturity, any Refunded Bonds, except as set forth on Schedule A attached hereto.

SECTION 7. Responsibilities of Escrow Holder. The Escrow Holder 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 Acquired Obligations, the retention of Acquired Obligations or the proceeds thereof or for any payment, transfer or other application of moneys or securities by the Escrow Holder 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 Holder made in good faith in the conduct of its duties. The Escrow Holder shall, however, be responsible for its gross negligent or willful failure to comply with its duties required hereunder, and its gross negligent or willful acts, omissions or errors hereunder. The duties and obligations of the Escrow Holder shall be determined solely by the express provisions of this Agreement and no implied duties or covenants shall be read into this Agreement against the Escrow Holder. The Escrow Holder 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 Holder 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 Holder may act through its agents and attorneys appointed with due care, and shall not be responsible for any willful misconduct or gross negligence on the part of any such person so appointed. Any payment obligation of the Escrow Holder hereunder shall be paid from, and is limited to funds available under this Agreement; the Escrow Holder shall not be required to expend its own funds for the performance of its duties hereunder. Notwithstanding any provision herein to the contrary, in no event shall the Escrow Holder 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 Holder has been advised of the likelihood of such loss or damage and regardless of the form of action. The Escrow Holder shall not be responsible or liable for any failure or delay in the performance of its obligation 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 or 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 Holder shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

SECTION 8. Indemnification of Escrow Holder. From and at all times after the date of this Agreement, Issuer shall, to the fullest extent permitted by law, without waiving its sovereign immunity nor the limits of its liability beyond the amount set forth in Section 768.28, Florida Statutes, regardless of whether such obligations arise in tort, contract, statutes, strict liability, negligence, product liability or otherwise, defend, indemnify and hold harmless Escrow Holder and each director, officer, employee, attorney, agent and affiliate of Escrow Holder (collectively, the "Indemnified Parties") against any and all actions, claims (whether or not valid), losses, damages, liabilities, costs and expenses of any kind or nature whatsoever (including without limitation reasonable attorneys' fees, costs and expenses) incurred by or asserted against any of the Indemnified Parties from and after the date hereof, whether direct,

indirect or consequential, as a result of or arising from or in any way relating to any claim, demand, suit, action or proceeding (including any inquiry or investigation) by any person, whether threatened or initiated, asserting a claim for any legal or equitable remedy against any person under any statute or regulation, including, but not limited to, any federal or state securities laws, or under any common law or equitable cause or otherwise, arising from or in connection with the negotiation, preparation, execution, performance or failure of performance of this Agreement or any transactions contemplated herein, whether or not any such Indemnified Party is a party to any such action, proceeding, suit or the target of any such inquiry or investigation; *provided, however*, that no Indemnified Party shall have the right to be indemnified hereunder for any liability finally determined by a court of competent jurisdiction, subject to no further appeal, to have resulted solely from the gross negligence or willful misconduct of such Indemnified Party. Each Indemnified Party shall, in its sole discretion, have the right to select and employ separate counsel with respect to any action or claim brought or asserted against it, and the reasonable fees of such counsel shall be paid upon demand by the Issuer. The obligations of Issuer under this Section 8 shall survive any termination of this Agreement and the resignation or removal of Escrow Holder.

SECTION 9. Resignation of Escrow Holder. The Escrow Holder 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, the Paying Agent for the Refunded 2003 Bonds and the holder of the Refunded 2008 Bond 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 Holder hereunder.

SECTION 10. Removal of Escrow Holder.

(a) The Escrow Holder 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 all holders 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 Holder.

(b) The Escrow Holder 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 Holder 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 Holder may not be removed until a successor Escrow Holder has been appointed in the manner set forth herein.

SECTION 11. Successor Escrow Holder.

(a) If, at any time hereafter, the Escrow Holder 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 Holder shall thereupon become vacant. If the position of Escrow Holder shall become vacant for any of the foregoing reasons or for any other reason, the Issuer shall immediately appoint an Escrow Holder 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 Holder, which shall supersede any Escrow Holder theretofore appointed by the Issuer. Photographic copies of each such instrument shall be delivered promptly by the Issuer, to the predecessor Escrow Holder and to the Escrow Holder so appointed by such Bondholders. In the case of conflicting appointments made by such Bondholders under this paragraph, the first effective appointment made during the one year period shall govern.

(c) If no appointment of a successor Escrow Holder shall be made pursuant to the foregoing provisions of this Section, the holder of any Refunded Bonds then outstanding, or any retiring Escrow Holder, may apply to any court of competent jurisdiction to appoint a successor Escrow Holder. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Escrow Holder.

(d) Any corporation or association into which the Escrow Holder 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 Holder 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 \$15,000,000, provided that such successor Escrow Holder assumes in writing all the trust, duties and responsibilities of the Escrow Holder hereunder.

SECTION 12. Payment to Escrow Holder. The Escrow Holder hereby acknowledges that it has agreed to accept compensation under the Agreement pursuant to the terms of Schedule B attached hereto for services to be performed by the Escrow Holder pursuant to this Agreement. The Escrow Holder shall not be compensated from amounts on deposit in the Escrow Account, and the Escrow Holder shall have no lien or claim against funds in the Escrow Account for payment of obligations due it under this Section.

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 Holder 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 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 Holder and the Issuer; provided, however, that the Issuer and the Escrow Holder 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 Holder, 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 Holder; and
- (c) to subject to this Agreement additional funds, securities or properties.

The Escrow Holder 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, Inc., Fitch Ratings, 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. 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 17. Governing Law. This Agreement shall be governed by and construed under the laws of the State of Florida.

[Remainder of page intentionally left blank]

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.

ATTEST

CITY OF MARCO ISLAND, FLORIDA

Laura M. Litzan, City Clerk

Joseph R. Batte, Chairman

Approved as to Form:

Burt L. Saunders, City Attorney

[Signature page to Escrow Deposit Agreement between
City of Marco Island, Florida and Wells Fargo Bank, National Association]

WELLS FARGO BANK, NATIONAL
ASSOCIATION, as Escrow Holder

By: _____
Name: _____
Title: _____

[Signature page to Escrow Deposit Agreement between
City of Marco Island, Florida and Wells Fargo Bank, National Association]

SCHEDULE A
TOTAL DEBT SERVICE
FOR THE REFUNDED 2003 BONDS

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

TOTAL DEBT SERVICE
FOR THE REFUNDED 2008 BOND

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

SCHEDULE B

EXPENSES TO BE PAID TO ESCROW HOLDER

One time fee of \$1,000 due on _____, 2013, plus out of pocket expenses.