

COMMERCIAL PAPER MEMORANDUM

In the opinion of Bond Counsel, assuming compliance with certain tax covenants, interest on the Tax-Exempt Notes and Tax-Exempt AMT Notes is excluded from gross income for federal income tax purposes under existing statutes, regulations, rulings and court decisions. Interest on the Taxable Notes is not excluded from gross income for federal income tax purposes. Interest on the Tax-Exempt Notes will not be an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, interest on the Tax-Exempt Notes is included in the calculation of adjusted current earnings for purposes of calculating the alternative minimum tax on corporations. Interest on the Tax-Exempt AMT Notes will be an item of tax preference and thus is included in alternative minimum taxable income for purposes of the alternative minimum tax imposed on individuals and corporations. See, however, "TAX EXEMPTION" herein for a description of certain other federal tax consequences.

SUNSHINE STATE GOVERNMENTAL FINANCING COMMISSION COMMERCIAL PAPER REVENUE NOTES, SERIES H (ORLANDO PROGRAM) TAX-EXEMPT NOTES TAX-EXEMPT AMT NOTES TAXABLE NOTES (Callable)

The Sunshine State Governmental Financing Commission (the "Issuer") is authorized pursuant to Florida law and pursuant to an Amended and Restated Trust Indenture, dated as of January 1, 2013 (the "Indenture") between the Issuer and Deutsche Bank Trust Company Americas, as trustee, to issue its Tax-Exempt, Tax-Exempt AMT and Taxable Commercial Paper Revenue Notes, Series H (Orlando Program) (Callable) (the "Notes") to provide loans to cities, counties and public agencies, or any combination thereof ("Borrowers") to provide funds to finance, refinance or reimburse the cost of qualified projects within the participating Borrowers. The City of Orlando, Florida (the "Governmental Unit") will be the only Borrower under the Indenture with respect to the Notes. Under the program, the Governmental Unit enters into a Loan Agreement ("Loan Agreement") with the Issuer pursuant to which it obligates itself to repay the loan. Payment of Basic Payments (as defined in the Loan Agreements) is secured as provided in the separate Loan Agreements. The Issuer and the Governmental Unit have entered into separate Loan Agreements dated as of September 16, 2004, December 9, 2004, March 2, 2007, December 20, 2007 and February 6, 2008 (collectively, as amended, the "Existing Loan Agreements"). See "SECURITY FOR THE EXISTING LOAN AGREEMENTS," "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Amendments to the Loan Agreements" and "APPENDIX B – General Information Regarding the City of Orlando, Florida" herein. The Loan Agreements provide security for the Notes on a several and not joint basis.

In addition to serving as trustee under the Indenture, Deutsche Bank Trust Company Americas, New York, New York, serves as issuing and paying agent pursuant to the Amended and Restated Issuing and Paying Agency Agreement, as described herein.

The Issuer and JPMorgan Chase Bank, National Association ("JPMorgan") have entered into that certain Second Amended and Restated Commercial Paper Purchase Agreement, dated as of January 1, 2013 (the "Liquidity Facility"), whereby JPMorgan has agreed, upon the occurrence of certain events and subject to certain conditions, to purchase the Notes. **Upon the occurrence of certain events, the obligations of the Liquidity Provider under the Liquidity Facility will be terminated or suspended without notice or payment. See "THE SECOND AMENDED AND RESTATED COMMERCIAL PAPER PURCHASE AGREEMENT" herein. The Available Commitment (as defined in the Liquidity Facility) under the Liquidity Facility does not include amounts for the payment of accrued and unpaid interest and, therefore, is not available for the payment of any such amounts on any date.**

The Notes and all payments by the Issuer under the Indenture are limited and special obligations of the Issuer and are payable solely out of the Trust Estate (as defined in the Indenture) as authorized by the Constitution and laws of the State of Florida, including particularly the Act (as defined in the Indenture), and as provided in the Indenture. The Notes and the Issuer's other obligations are solely and exclusively special and limited obligations of the Issuer and do not constitute or create an obligation, general or special, or debt, liability or moral obligation of the State or any political subdivision of the State (other than the Issuer to the extent provided in the Indenture and the Governmental Unit to the extent provided in the Loan Agreements).

The Notes are subject to redemption prior to maturity as described herein, and such redemption may be rescinded in certain circumstances as described herein. Prospective investors should carefully consider the possibility of redemption prior to maturity of such Notes and/or rescission of any such proposed redemption in its investment decision. The Redemption Price (as defined herein) shall be payable solely from the proceeds of the sale of any Notes. **The payment of the Redemption Price is not supported by the Liquidity Facility.**

Any purchase of Notes, the proceeds of which will be used to pay the Redemption Price of the existing Notes proposed to be redeemed, or secondary transactions related thereto, shall be on a when-issued basis. As a result, any rescission of a proposed redemption of existing Notes would correspondingly result in the cancellation of the purchase of the new Notes proposed to be issued in connection therewith.

The Governmental Unit's obligation under the Existing Loan Agreements is a special and limited obligation of the City of Orlando and is payable solely from the sources described in the Loan Agreements. The Loan Agreements do not create a general indebtedness of the City of Orlando within the meaning of any constitutional, statutory or charter provision or limitation, and the owners of the Notes shall not have the right to compel the exercise of the ad valorem taxing power of the Governmental Unit or taxation of any real or personal property therein for the payment by the Governmental Unit of its obligations thereunder.

This Commercial Paper Memorandum is provided in connection with the offering and sale of the Notes on and after January 22, 2013, and supersedes all prior Commercial Paper Memoranda with respect to the Notes. The cover and inside cover pages contain certain information for quick reference only. They are not a summary of the transaction. Investors must read the entire Commercial Paper Memorandum to obtain information essential to the making of an informed investment decision.

All references to the documents and other materials are qualified in their entirety by reference to the complete provisions of the documents and other materials referenced. The Dealers have provided the following sentence for inclusion in this Commercial Paper Memorandum. The Dealers have reviewed the information in this Commercial Paper Memorandum in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of the transaction, but the Dealers do not guarantee the accuracy or completeness of such information.

Legal matters incident to the authorization and issuance of the Notes issued under the Issuer's commercial paper program have been passed upon by Bryant Miller Olive P.A., Tallahassee, Florida, Bond Counsel. Certain legal matters have been passed upon by James R. English, Counsel to the Issuer and by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, disclosure counsel. Certain other legal matters have been reviewed by the Governmental Unit's Special Counsel, Shutts & Bowen, LLP, Orlando, Florida.

J.P. MORGAN SECURITIES LLC

MORGAN STANLEY

Dated: January 15, 2013

**SUNSHINE STATE GOVERNMENTAL
FINANCING COMMISSION**

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City of Orlando, Florida

Frank Hinton, Vice-Chair
Miami-Dade County, Florida

Diana Gomez, Secretary-Treasurer
City of Coral Gables, Florida

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City of Tallahassee, Florida

Richard Iavarone, Director
Palm Beach County, Florida

STAFF & CONSULTANTS

Robert B. Inzer
Executive Director
Leon County, Florida

G. Michael Miller
Deputy Executive Director

James R. English
General Counsel

Bryant Miller Olive P.A.
Bond Counsel

The GAMS Group, Inc.
Program Administrator

Deutsche Bank Trust Company Americas
Trustee and Issuing and Paying Agent

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City of Coral Gables
City of Coral Springs
City of Daytona Beach
City of Fort Lauderdale
City of Hollywood
City of Jacksonville
City of Lakeland
City of Miami
City of Miami Beach
Miami-Dade County
City of Orlando
Palm Beach County
Polk County
City of St. Petersburg
City of Tallahassee
City of Vero Beach

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COMMERCIAL PAPER MEMORANDUM

Regarding

**SUNSHINE STATE GOVERNMENTAL FINANCING COMMISSION
COMMERCIAL PAPER REVENUE NOTES, SERIES H
(ORLANDO PROGRAM)
TAX-EXEMPT NOTES
TAX-EXEMPT AMT NOTES
TAXABLE NOTES
(Callable)**

INTRODUCTION

This Commercial Paper Memorandum is being provided in connection with the offering and sale on and after January 22, 2013 of the Sunshine State Governmental Financing Commission's Commercial Paper Revenue Notes, Series H (Orlando Program) Tax-Exempt Notes, Tax-Exempt AMT Notes and Taxable Notes (Callable) (collectively, the "Notes"). The offering and sale on and after January 22, 2013 by the Sunshine State Governmental Financing Commission (the "Issuer") to potential investors is made only by means of this entire Commercial Paper Memorandum, including all appendices attached hereto.

The Issuer is authorized pursuant to Florida law and pursuant to an Amended and Restated Trust Indenture, dated as of January 1, 2013 (the "Indenture"), between the Issuer and Deutsche Bank Trust Company Americas, as trustee, to issue its Tax-Exempt, Tax-Exempt AMT and Taxable Commercial Paper Revenue Notes, Series H (Orlando Program) to provide loans to the City of Orlando, Florida (the "Governmental Unit") to provide funds to finance, refinance or reimburse the cost of qualified projects within the Governmental Unit (the "Series H Program"). See "THE PROGRAM" and "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE," herein. The Issuer's Program originated in 1994. The Issuer has outstanding other series of Commercial Paper, secured by separate trust indentures and loan agreements and unrelated to the Notes, the Indenture and the Loan Agreements (as defined below). Under the Series H Program, the Governmental Unit enters into a Loan Agreement ("Loan Agreement") with the Issuer pursuant to which it obligates itself to repay a particular loan. See "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS," herein. Payment of Basic Payments (as defined in the Loan Agreements) when due, are secured as provided in the respective Loan Agreements. The Loan Agreements provide security for the Notes on a several and not joint basis. The Issuer and the Governmental Unit have entered into separate Loan Agreements, dated as of September 16, 2004, December 9, 2004, March 2, 2007, December 20, 2007 and February 6, 2008 (collectively, as amended, the "Existing Loan Agreements") under the Series H Program. See "SECURITY FOR THE EXISTING LOAN AGREEMENTS," "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Amendments to the Loan Agreements" and "APPENDIX B -- General Information Regarding the City of Orlando, Florida" herein.

The Issuer and JPMorgan Chase Bank, National Association ("JPMorgan"), have entered into that certain Second Amended and Restated Commercial Paper Purchase Agreement, dated as of January 1, 2013 (the "Second Amended and Restated Agreement"), whereby JPMorgan has agreed, upon the occurrence of certain events and subject to certain conditions, to purchase the Notes, as the Liquidity Provider (the "Liquidity Provider") with respect to the Notes. The Second Amended and Restated Commercial Paper Agreement constitutes a Liquidity Facility ("Liquidity Facility") under the Indenture. See "THE SECOND AMENDED AND RESTATED COMMERCIAL PAPER PURCHASE AGREEMENT" herein and "APPENDIX A -- JPMORGAN CHASE BANK, NATIONAL ASSOCIATION" attached hereto.

Upon the occurrence of certain events, the obligations of the Liquidity Provider under the Liquidity Facility will be terminated or suspended without notice or payment. See "THE SECOND AMENDED AND RESTATED COMMERCIAL PAPER PURCHASE AGREEMENT" herein. The Available Commitment (as defined in the Liquidity Facility) under the Liquidity Facility does not include amounts for the payment of accrued and unpaid interest and, therefore, is not available for the payment of any such amounts on any date.

THE ISSUER

The Issuer, a public body corporate and politic of the State of Florida, was created in 1985 under the State's intergovernmental cooperation laws to provide common financing to a limited number of qualified governmental entities in Florida. The Issuer is governed pursuant to an interlocal agreement and operates independently of its member governments under a five-member board of directors elected to rotating terms of office by the member governments. Governmental units may participate in the services of the Issuer as a party to the interlocal agreement creating the Issuer or as a non-member participant.

The Issuer's membership consists of the following: City of Coral Gables, Florida; City of Coral Springs, Florida; City of Daytona Beach, Florida; City of Ft. Lauderdale, Florida; City of Hollywood, Florida; City of Jacksonville, Florida; City of Lakeland, Florida; City of Miami, Florida; City of Miami Beach, Florida; City of Orlando, Florida; City of St. Petersburg, Florida; City of Tallahassee, Florida; City of Vero Beach, Florida; Miami-Dade County, Florida; Palm Beach County, Florida; and Polk County, Florida. In addition, the City of Fort Pierce, Florida, the City of West Palm Beach, Florida and Leon County, Florida participate in the Issuer's programs as non-members. Other Florida local governments may in the future become members or non-member participants, including units of government such as school districts or other special districts.

The Issuer enables a limited number of qualifying governments to participate in pooled debt financings with pricing and cost structures not normally available to governmental entities acting individually.

In February 1994, a separate financing program (Series 1994) was created whereby the Issuer commenced issuing commercial paper notes (taxable and tax-exempt). In 2000, this financing program was restructured and expanded to include additional issuances of commercial paper notes (taxable, tax-exempt AMT and tax-exempt) with separate trust indentures under the Multiple Series Commercial Paper Note Program. The Notes are issued under said financing program.

THE NOTES

General

The Notes are dated the date of their respective issuance and delivery and issued in registered form in denominations of \$100,000 and integral multiples of \$1,000 above \$100,000.

The aggregate amount of the Notes which may be Outstanding under the Indenture at any one time may not exceed the Available Commitment, which is defined in the Second Amended and Restated Agreement to mean initially \$115,740,000, subject to increase and reduction as provided in the Second Amended and Restated Agreement. The Available Commitment does not include amounts for the payment of accrued and unpaid interest and, therefore, the Liquidity Facility is not available for the payment of interest on any date.

Each Note shall have such maturity as is directed by the Dealers to Deutsche Bank Trust Company Americas, or any successor Issuing and Paying Agent, at the time of its issuance pursuant to the Amended and Restated Issuing and Paying Agency Agreement entered into by said Issuing and Paying Agent, subject to the limits stated in said agreement (the "Issuing and Paying Agency Agreement") and the Indenture. Each Note shall mature on a Business Day at least 38 days following the date of issuance thereof but not more than 270 days following the date of issuance thereof. For purposes of the foregoing, "Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in any of the following cities are authorized or required by law or executive order to be closed: (a) the City of New York, New York, or (b) the city in which the principal corporate trust office of the Trustee or the Issuing and Paying Agent is located or (c) the city in which the office of any Dealer (designated in the Dealer Agreement to which such Dealer is a party) is located or (d) the city in which the payment office of any Liquidity Provider (designated in the Liquidity Facility to which such Liquidity Provider is a party) is located.

No Note shall be issued which matures less than five (5) days prior to the current Expiration Date. For purposes of the foregoing, "Expiration Date" is defined in the Indenture to mean the stated expiration date of the Liquidity Facility. The stated expiration date of the Liquidity Facility is defined in the Second Amended and Restated Agreement and is currently February 15, 2016, as such date may be extended pursuant to the terms of the Liquidity Facility. See "THE SECOND AMENDED AND RESTATED COMMERCIAL PAPER PURCHASE AGREEMENT," herein. No Notes shall be issued following receipt of an instruction from the Liquidity Provider to cease issuing Notes pursuant to the Liquidity Facility.

Each Tax-Exempt Note, each Tax-Exempt AMT Note, and each Taxable Note bears interest at the Note Rate which is the lowest annual rate of interest which, in the judgment of the applicable Dealer (having due regard for market conditions described in the Indenture), would enable such Tax-Exempt Note, Tax-Exempt AMT Note, or Taxable Note to be sold at par on the date of issuance thereof, provided that such Note Rate may not exceed the lesser of (i) 12% per annum or (ii) the maximum rate of interest permitted by applicable law. Interest at the Note Rate is calculated on the basis of actual days elapsed and a year of 365 or 366 days, as appropriate, and is payable on the maturity date or redemption date of the Tax-Exempt Note, Tax-Exempt AMT Note or Taxable Note.

The Notes will be issued in book-entry form through The Depository Trust Company. As such, the holder of all Notes shall be and such Notes shall be registered in the name of Cede & Co., as nominee of DTC.

Redemption of Notes

The Notes are subject to redemption prior to the maturity thereof pursuant to the Indenture. Subject to rescission as described below, Notes shall be subject to redemption prior to maturity solely with respect to all (but not part) of a maturity of Notes designated by its own separate CUSIP Number and only during the related Call Exercise Period, at the Redemption Price thereof on the designated Redemption Date.

The following terms have the definitions set forth below:

"Call Exercise Period" means, with respect to any Notes, the period commencing on and including the 35th day immediately preceding the maturity date of such Notes through and including the Business Day immediately preceding such maturity date.

"Call Option" with respect to any Notes, shall mean the right of the Issuer to redeem such Notes prior to maturity, in whole but not in part, on the Redemption Date at the Redemption Price of such Notes.

"Call Option Exercise Notice" with respect to any Notes, shall mean the Electronic Notice given by or on behalf of the Issuer to the Issuing and Paying Agent not later than 11:00 a.m. on any Business Day at least two (2) Business Days but not more than ten (10) Business Days immediately preceding the designated Redemption Date described therein, of the Issuer's election to exercise the Call Option with respect to such Notes.

"Electronic Notice" means notice transmitted through a time-sharing terminal, by facsimile transmission, or by telephone (promptly confirmed in writing or by facsimile transmission), or, with respect to notices to the Depository, a written notice transmitted electronically by e-mail to the e-mail address provided by the Depository in accordance with the DTC Operational Arrangements, as amended from time to time, or the operational arrangements of any successor Depository.

"EMMA" means the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System, or any successor thereto.

"Failed Remarketing" means, with respect to any Notes for which a Call Option Exercise Notice has been given by or on behalf of the Issuer, the failure of the Dealers to find purchasers for new Notes, the proceeds of which will be used to pay the Redemption Price of the existing Notes proposed to be redeemed, in accordance with the terms of the Dealer Agreements, the Indenture and any direction from the Issuer for all Notes subject to redemption on the designated Redemption Date as described in the related Redemption Notice and to provide notice to the Issuing and Paying Agent of the relevant issuance terms thereof, by 1:00 p.m. on the Business Day immediately preceding such designated Redemption Date.

"Failed Settlement" means, with respect to any Notes for which a Call Option Exercise Notice has been given by or on behalf of the Issuer, moneys sufficient to pay the Redemption Price plus accrued interest of such Notes subject to redemption are not on deposit with the Issuing and Paying Agent by 12:30 p.m. on such designated Redemption Date.

"Preliminary Call Option Exercise Notice" with respect to any Notes, shall mean the Electronic Notice, given by or on behalf of the Issuer to the Issuing and Paying Agent on any Business Day at least three (3) Business Days but not more than eleven (11) Business Days immediately preceding the designated Redemption Date described therein, of the Issuer's intention to deliver or cause the Dealers to deliver a Call Option Exercise Notice to the Issuing and Paying Agent not later than 11:00 a.m. at least two Business Days prior to the designated Redemption Date described therein.

"Redemption Date" with respect to any Notes, shall mean the Business Day designated as the Redemption Date in the Call Option Exercise Notice, which Redemption Date shall occur during the related Call Exercise Period and be at least two (2) Business Days but not more than ten (10) Business Days following the date of the Issuing and Paying Agent's receipt of the related Call Option Exercise Notice from or on behalf of the Issuer with respect to such Notes.

"Redemption Price" with respect to any Notes, shall mean a redemption price equal to the principal amount of such Notes.

Redemption Procedures

Subject to rescission as provided in the Indenture, the Notes shall be subject to redemption prior to maturity solely with respect to all (but not part) of a maturity of Notes designated by its own separate CUSIP Number and only during the related Call Exercise Period, at the Redemption Price thereof plus accrued interest on the designated Redemption Date.

Preliminary Call Option Exercise Notice; Call Option Exercise Notice. In order to exercise its right to cause a redemption prior to maturity of any Notes during the related Call Exercise Period, the Issuer at its option, shall (i) deliver or cause the applicable Dealer to deliver a preliminary call option exercise notice to the Issuing and Paying Agent by Electronic Notice not later than 11:00 a.m. on any Business Day at least three Business Days but not more than eleven Business Days immediately preceding the designated Redemption Date described in such Preliminary Call Option Exercise Notice, (ii) deliver or cause the applicable Dealer to deliver a Call Option Exercise Notice to the Issuing and Paying Agent by Electronic Notice not later than 11:00 a.m. on any Business Day at least two Business Days but not more than ten Business Days immediately preceding such designated Redemption Date. The Call Option Exercise Notice shall specify the designated Redemption Date, the principal amount of the Notes proposed to be redeemed, the CUSIP Number for such Notes and the Redemption Price of such Notes on such designated Redemption Date and shall state that upon a Failed Remarketing or a Failed Settlement, the proposed redemption shall be rescinded for that Redemption Date, the Holders shall retain ownership of such Notes, and all such Notes shall remain subject to redemption prior to maturity on any subsequently designated Redemption

Date (which is a Business Day remaining in the related Call Exercise Period) pursuant to a subsequently delivered Redemption Notice.

The Issuer will incur a surcharge under the Liquidity Facility (the "Surcharge") to the extent any Notes are not successfully redeemed prior to maturity, for each day during the period commencing thirty (30) days immediately preceding the date such Notes are scheduled to mature to but excluding the earlier of (x) the date such Notes are redeemed in full and (y) the maturity date of such Notes. To avoid such surcharge, the Issuer anticipates entering into a standing order with each Dealer (the "Standing Order"), subject to certain conditions, to facilitate a redemption on the earliest possible Business Day within each Call Exercise Period. The Standing Order will be revocable at any time by the Issuer, and the Issuer or the Dealers on behalf of the Issuer will be under no obligation to direct any redemption within the Call Exercise Period. See "THE SECOND AMENDED AND RESTATED COMMERCIAL PAPER PURCHASE AGREEMENT" herein for a calculation of the Surcharge.

Redemption Notice. If the Issuing and Paying Agent receives the Preliminary Call Option Exercise Notice not later than 11:00 a.m. on or prior to the third Business Day immediately preceding the designated Redemption Date described therein, upon the Issuing and Paying Agent's timely receipt of the related Call Option Exercise Notice, the Issuing and Paying Agent shall provide Electronic Notice to DTC and the Liquidity Provider of the related Redemption Notice, not later than 12:00 p.m. noon on the same Business Day that the Call Option Exercise Notice is timely received by the Issuing and Paying Agent by or on behalf of the Issuer. If the Issuing and Paying Agent receives the Preliminary Call Option Exercise Notice after 11:00 a.m. on the third Business Day immediately preceding such designated Redemption Date, upon the Issuing and Paying Agent's timely receipt of the related Call Option Exercise Notice, the Issuing and Paying Agent shall use its best efforts to provide Electronic Notice to DTC and the Liquidity Provider of the related Redemption Notice not later than 12:00 p.m. noon on the same Business Day the Issuing and Paying Agent receives the related Call Option Exercise Notice, but shall, in any event, provide such Electronic Notice to DTC and the Liquidity Provider of the related Redemption Notice not later than 4:00 p.m. on such Business Day. The Issuing and Paying Agent shall use its best efforts to file, or cause to be filed, such Redemption Notice with EMMA by 4:30 p.m. on the Business Day that the Issuing and Paying Agent receives the Call Option Exercise Notice, or, if the Issuing and Paying Agent is unable to file, or cause to be filed, such Redemption Notice with EMMA by such time, the Issuing and Paying Agent shall file, or cause to be filed, such Redemption Notice with EMMA as soon as practicable thereafter. Each Redemption Notice shall state (i) the designated Redemption Date and the Redemption Price and accrued interest on the applicable Notes payable upon such redemption prior to maturity and the maturity date and CUSIP Number of the Notes to be redeemed, (ii) that such Notes must be presented for delivery to the Issuing and Paying Agent not later than 12:30 p.m. on the Redemption Date for such Notes and that any such Notes not so presented for delivery as required shall be deemed to have been so presented and, upon provision for payment of the Redemption Price thereof from the funds specified in the following paragraph and accrued interest thereon, shall be deemed to have been redeemed on the Redemption Date, after which the Holder thereof shall have no further rights with respect thereto or under the Indenture except the right to receive the Redemption Price thereof and

accrued interest on the applicable Notes upon such redemption prior to maturity upon presentation and surrender of said Notes to the Issuing and Paying Agent and that all Notes subject to such redemption shall be redeemed on the Redemption Date at the Redemption Price thereof; (iii) from and after the Redemption Date, if the Redemption Notice shall have been duly given and funds available for the Redemption Price thereof and accrued interest thereon shall have been duly provided, no interest shall accrue on such Notes from and after the Redemption Date; (iv) the Redemption Price thereof shall be payable to the Holder thereof in accordance with the procedures set forth in the Indenture, solely from the proceeds of the sale of any Notes; and (v) upon a Failed Remarketing or a Failed Settlement, the proposed redemption shall be rescinded for that Redemption Date, the Holders shall retain ownership of such Notes, and all such Notes shall remain subject to redemption prior to maturity on any subsequently designated Redemption Date (which is a Business Day remaining in the related Call Exercise Period) pursuant to a subsequently delivered Redemption Notice. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the validity of the proceedings for the redemption of the applicable Notes or the cessation of the accrual of interest thereon from and after the Redemption Date.

Redemption Procedure. Subject to rescission as provided in the Indenture, upon delivery of a Call Option Exercise Notice by or on behalf of the Issuer to the Issuing and Paying Agent, the Notes will be subject to redemption prior to maturity, (in whole, but not in part), on the designated Redemption Date described in such Call Option Exercise Notice at the Redemption Price thereof plus accrued interest. Unless otherwise instructed by the Issuer, the applicable Dealer shall use its best efforts to sell new Notes, the proceeds of which will be used to pay the Redemption Price of the existing Notes proposed to be redeemed and shall provide the Issuer with any other information as required for delivery of such Notes pursuant to the applicable Dealer Agreement; provided however that, so long as the Liquidity Facility remains in effect with respect to the Notes, the applicable Dealer shall not offer for sale or sell any new Notes to the Issuer. Any such purchase of new Notes, the proceeds of which will be used to pay the Redemption Price of the existing Notes proposed to be redeemed, or secondary transactions related thereto, shall be on a when-issued basis. The Redemption Price of such Notes shall be payable to the Holders thereof in accordance with the following procedures, but solely from the sources set forth under the preceding heading. The Issuing and Paying Agent shall make payment of the Redemption Price of such Notes and accrued interest on the applicable Notes upon such redemption prior to maturity to the Holder thereof upon surrender for redemption thereof by such Holder to the Issuing and Paying Agent (for the account of the Issuer). Following the delivery of a Redemption Notice with respect to any Notes, the Holder thereof shall present such Notes for delivery to the Issuing and Paying Agent (for the account of the Issuer through DTC) not later than 12:30 p.m. on the Redemption Date for such Notes. If such Notes are timely presented for delivery by the Holder thereof as described above, the Issuer will cause the Issuing and Paying Agent to pay the Redemption Price of and accrued interest to the Redemption Date on the applicable Notes upon such redemption prior to maturity to such Holder on the Redemption Date in lawful money of the United States of America in immediately available funds or in such manner as such Holder and the Issuing and Paying Agent shall agree. Any Notes not so timely presented for delivery shall be deemed to have been redeemed on the Redemption Date from the funds specified above, after which the Holder thereof shall have no further rights with respect thereto or under the Indenture except

the right to receive the Redemption Price of and accrued interest to the redemption date on the applicable Notes upon such redemption prior to maturity upon presentation and surrender of said Notes to the Issuing and Paying Agent. From and after the Redemption Date, if the Redemption Notice shall have been duly given and funds available for the Redemption Price of such Notes shall have been duly provided, no interest shall accrue on such Notes from and after the Redemption Date. All Notes redeemed as described in this section shall be cancelled and shall not be re-delivered.

Rescission. Anything in the Indenture to the contrary notwithstanding, upon the occurrence of a Failed Remarketing or a Failed Settlement, with regards to any Notes for which a Redemption Notice has been given, the proposed redemption of such Notes shall be rescinded. Upon the occurrence of a Failed Remarketing, the applicable Dealer shall notify the Issuing and Paying Agent of such Failed Remarketing by 1:00 p.m. on the Business Day immediately preceding the designated Redemption Date for such Notes. Upon the Issuing and Paying Agent's receipt of such notice of a Failed Remarketing, the Issuing and Paying Agent shall cause the rescission of the proposed redemption of such Notes by providing Electronic Notice of the rescission of the proposed redemption to DTC not later than 2:00 p.m. on the same date of the Issuing and Paying Agent's timely receipt of such notice of a Failed Remarketing and the Issuing and Paying Agent shall use its best efforts to confirm receipt of such rescission notice by DTC. If the Issuing and Paying Agent fails to receive a notice of a Failed Remarketing by 1:00 p.m. on the Business Day immediately preceding the designated Redemption Date for such Notes, and the Issuing and Paying Agent also fails to receive notice from the applicable Dealer pursuant to the applicable Dealer Agreement of the relevant issuance terms of the new Notes, the proceeds of which will be used to pay the Redemption Price of the existing Notes proposed to be redeemed, by 1:00 p.m. on the Business Day immediately preceding the designated Redemption Date for such Notes, the Issuing and Paying Agent shall cause the rescission of the proposed redemption of such Notes by providing Electronic Notice of the rescission of the proposed redemption to DTC not later than 2:00 p.m. on the Business Day immediately preceding the designated Redemption Date for such Notes and the Issuing and Paying Agent shall use its best efforts to confirm receipt of such rescission notice by DTC. The Issuing and Paying Agent shall also use its best efforts to file any such rescission notice with EMMA by 4:30 p.m. on the same date of the Issuing and Paying Agent's timely receipt or giving of such rescission notice. Upon the occurrence of a Failed Settlement, the Issuing and Paying Agent shall (after consultation with the Dealers) cause the rescission of the proposed redemption of such Notes by providing Electronic Notice of the rescission of such proposed redemption to DTC not later than 1:00 p.m. on the designated Redemption Date for such Notes and the Issuing and Paying Agent shall confirm DTC's receipt of such rescission notice by 3:00 p.m. on such designated Redemption Date. The Issuing and Paying Agent shall also use its best efforts to file such rescission notice with EMMA by 4:30 p.m. on such designated Redemption Date. Upon any rescission of a proposed redemption of Notes, any Notes theretofore delivered to the Issuing and Paying Agent shall be returned to the respective Holders thereof. For the avoidance of doubt, any Notes for which a proposed redemption has been rescinded shall continue to be subject to redemption prior to maturity at the Redemption Price thereof on a subsequently designated Redemption Date (which is a Business Day remaining in the related Call Exercise Period) pursuant to a subsequently delivered Redemption Notice. Upon any Failed Remarketing or

Failed Settlement, as applicable, of any Notes subject to redemption for any subsequently designated Redemption Date, if any, during the remaining related Call Exercise Period, the subsequently designated redemption shall be rescinded in the same manner as described above.

Upon delivery of the notices described above, any proposed redemption may be rescinded and the Holders of the Notes for which a proposed redemption has been rescinded will not be entitled to the payment of the Redemption Price of such Notes nor accrued interest on such Notes upon the designated Redemption Date. Holders of such Notes would only receive notice of rescission of such proposed redemption from the Depository or the filing with EMMA on the designated Redemption Date and may not have sufficient time to make alternative investment arrangements upon such rescission. Certain adverse market conditions may increase the likelihood of a Failed Remarketing or a Failed Settlement. Notes to be redeemed will only be paid on a Redemption Date at the Redemption Price from the proceeds of the sale of the remarketed Notes. If there is a Failed Remarketing or Failed Settlement, there will not be any funds to redeem Notes on the Redemption Date. Prospective investors should carefully consider the possibility of rescission of any proposed redemption of Notes in its investment decision. For the avoidance of doubt, any Notes for which a proposed redemption has been rescinded shall continue to be subject to redemption prior to maturity at the Redemption Price thereof on a subsequently designated Redemption Date (which is a Business Day remaining in the related Call Exercise Period) pursuant to a subsequently delivered Redemption Notice. Upon any Failed Remarketing or Failed Settlement, as applicable, of any Notes subject to redemption for any subsequently designated Redemption Date, if any, during the remaining related Call Exercise Period, the subsequently designated redemption shall be rescinded in the same manner as described above. The failure of DTC to provide such notice of rescission to its Participants or any Holder of the subject Notes shall neither nullify the rescission of the proposed redemption nor be deemed an Event of Default under the Indenture.

Security for the Notes

As more fully described under the heading "SECURITY FOR THE EXISTING LOAN AGREEMENTS," below, the Notes are secured by payments made by the Governmental Unit under the Existing Loan Agreements (and, to the extent the Issuer subsequently enters into any other Loan Agreement, by payments made under such Loan Agreement). The City of Orlando has covenanted in the Existing Loan Agreements to budget and appropriate in its annual budget, by amendment, if necessary, sufficient amounts of Non Ad-Valorem Revenues to pay the Loan Payments required under the Existing Loan Agreements. The Governmental Unit has certain other obligations also secured by a covenant to budget and appropriate, and may incur additional indebtedness secured by a pledge of portions of its Non Ad-Valorem Revenues, subject to certain limitations set forth in the Existing Loan Agreements. The Governmental Unit's obligation under the Existing Loan Agreements has been rated by Moody's Investors Service, Standard & Poor's Ratings Services and Fitch, Inc. See "RATINGS" herein. See also "SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS", "SECURITY FOR THE EXISTING LOAN AGREEMENTS", "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE -- Amendments to the Loan Agreements", "APPENDIX B -- General Information Regarding the City of Orlando, Florida" and "APPENDIX D -- Summary of Certain Provisions of the City of Orlando Covenant Ordinance".

Priority of Payment of Tax-Exempt/Taxable Notes

Payment of principal of and interest on the Tax-Exempt/Taxable Notes at maturity will be derived solely from the following sources in the following order of priority: (i) moneys on deposit in the Principal Subaccount of the Commercial Paper Account of the Note Fund; (ii) the proceeds of the issuance and sale of any Notes, and (iii) amounts received under the Liquidity Facility. Payment of accrued interest on the Notes is not covered by the Liquidity Facility.

Payment of the Redemption Price of any Notes on the Redemption Date will be derived solely from the proceeds of the issuance and sale of any Notes. Payment of principal of and interest on the Notes on any Redemption Date is not covered by the Liquidity Facility.

Book Entry-Only System

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

Unless the book-entry system described herein is terminated, The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Notes. The Notes will be issued only as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for the Notes, in the aggregate principal amount of the Notes, and will be deposited with DTC. Individual purchasers of beneficial interests in the Notes will be made in increments of \$5,000 or integral multiples thereof.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under 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, as amended (the "1934 Act"). 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 Deposit 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 Direct and Indirect Participants are on file with the Securities and Exchange Commission (the

"Commission"). More information about DTC can be found at www.dtcc.com and www.dtc.org. The contents of such websites do not constitute part of this Commercial Paper Memorandum.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note (a "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 purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by 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 Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any changes in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes. DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 notices be provided directly to them.

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

Although voting with respect to the Notes is limited in those cases where a vote is required, neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments on the Notes will be made to Cede & Co. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer on the relevant payment date in accordance with its respective holdings shown on DTC's records. Payments 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 Direct or Indirect Participant and not of DTC, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer, disbursement of such payments to the Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE ISSUING AND PAYING AGENT NOR THE ISSUER WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSON FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE NOTES. THE ISSUER CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, DIRECT PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE NOTES PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS COMMERCIAL PAPER MEMORANDUM.

DTC may discontinue providing its services as Securities Depository with respect to the Notes at any time by giving reasonable notice to the Issuer. Under such circumstances, in the event that a successor Securities Depository is not obtained, certificated Notes will be required to be printed and delivered to the holders of record. Additionally, the Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository) with respect to the Notes. The Issuer understands, however, that under current industry practices, DTC would notify its Direct or Indirect Participants of the Issuer's decision but will only withdraw beneficial interests from a Note at the request of any Direct or Indirect Participant. In that event, certificates for the Notes will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Issuing and Paying Agent believe to be reliable, but neither the Issuer nor the Issuing and Paying Agent take any responsibility for the performance by DTC or its Direct or Indirect Participants of their respective obligations as described herein or under the rules and procedures governing their respective operations.

THE PROGRAM

General

The Issuer is authorized by Chapter 163, Part I, Chapter 125, Part I, Chapter 166, Part II and Chapter 159, Part I, Florida Statutes, as amended, and other applicable provisions of law (the "Act") to issue its Notes pursuant to the Indenture. On January 2, 1991, the Issuer's commercial paper financing

program (the "Program") was validated through judgment of the Circuit Court in and for Leon County, Florida, approving the issuance of \$500,000,000 in principal amount of the Notes. The Series H Notes were not validated under the January 2, 1991 judgment of validation.

The proceeds of the Program's initial notes, issued in 1994, were used to provide loans to cities, counties and public agencies ("Borrowers") to finance, refinance or reimburse the cost of qualified Projects within the participating Borrower. Each Borrower (which is not limited to the current members of the Issuer) is required to enter into a loan agreement with the Issuer. Specific loan agreements are pledged to secure the respective series of notes. The Issuer reserves the right (subject to approval of the applicable liquidity provider) to add to or change such designation as it sees fit. Such other notes are not subject to purchase under the Liquidity Facility and are not secured by the Indenture or offered by this Commercial Paper Memorandum.

In 1995 the Program was expanded to provide optional long term fixed rate financing. The fixed rate portion of the Program is financed by issuing bonds with fixed principal and interest maturities to make the corresponding loans. Currently the Program has two outstanding fixed rate loan agreements in the aggregate principal amount of \$26,670,000, the bonds for which are not subject to purchase under the Liquidity Facility and are not secured by the Indenture or offered by this Commercial Paper Memorandum but are secured by a separate trust indenture.

On March 10, 2000 the Issuer validated an additional \$600,000,000 in principal amount of the Notes through judgment of the Circuit Court in and for Leon County, Florida, and on March 29, 2006 the Issuer validated an additional \$950,000,000 in principal amount of Notes in the Circuit Court in and for Leon County, Florida. The Series H Notes were validated under the March 10, 2000 and March 29, 2006 judgments of validation.

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The following sets forth the range of interest rates for the different categories of loans applicable to existing notes of the Issuer for the years ended September 30, 2011 and 2012:

	2011		2012	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
Taxable	0.2902%	0.3501%	0.2701%	0.3002%
Tax Exempt	0.1400%	0.3500%	0.0700%	0.3291%

The Governmental Unit

The obligations of the Governmental Unit do not constitute a general indebtedness of the Governmental Unit within the meaning of any constitutional or statutory provision or limitation and the Governmental Unit is not obligated to levy any ad valorem taxes for the payment therefor. Neither the full faith and credit nor the taxing power of the Governmental Unit, the State of Florida or any political subdivision thereof is pledged to such payment.

The amortization schedule of each Loan Agreement does not correspond to the payment when due of principal and interest on the Notes. The Loan Agreement assures payment when due of principal and interest on the loans, not on the Notes.

The maturities of the Notes will generally be of substantially shorter duration than the anticipated maturity of the Loans. Maturing Notes for which there are insufficient funds available for payment will be paid from amounts provided under the Liquidity Facility and, if such amounts are so paid by the Liquidity Provider, the inability of the Issuer to issue, sell and deliver Notes in amounts sufficient to pay and redeem maturing Notes will not adversely affect either the holders of Notes coming due on such maturity date or the holders of Notes which remain outstanding.

THE SECOND AMENDED AND RESTATED COMMERCIAL PAPER PURCHASE AGREEMENT

The following summary of the Second Amended and Restated Agreement does not purport to be comprehensive or definitive and is subject to all terms and provisions of the Second Amended and Restated Agreement to which reference is hereby made. Investors are urged to obtain and review a copy of the Second Amended and Restated Agreement in order to understand all of the terms of that document. Copies of the Second Amended and Restated Agreement may be obtained from the Trustee. All capitalized terms used in this section and not defined herein shall have the definitions given to such terms as set forth in the Second Amended and Restated Agreement.

The Second Amended and Restated Agreement provides that the Liquidity Provider shall purchase, for a price equal to the principal amount thereof, Notes in amounts not to exceed the aggregate at any one time of the amount of the Available Commitment. The Available Commitment is initially set at \$115,740,000 and may be adjusted from time to time in accordance with the terms of the Second Amended and Restated Agreement.

Subject to the satisfaction of the conditions set forth in the Second Amended and Restated Agreement, if a notice of purchase in compliance with the provisions thereof is transmitted by facsimile

transmission or telephone, confirmed immediately in writing, to the Liquidity Provider on or before 1:00 p.m., New York City time, on a Business Day, such Liquidity Provider shall purchase Notes after receipt of said notice of purchase, and shall wire funds therefor to the Issuing and Paying Agent not later than 3:00 p.m., New York City time, on such Business Day. If such notice of purchase is received after 1:00 p.m., New York City time, on a Business Day, the Liquidity Provider shall purchase such Notes and shall wire funds therefor to the Issuing and Paying Agent not later than 11:00 a.m., New York City time, on the following Business Day.

The Second Amended and Restated Agreement is effective until the Expiration Date, which is defined in the Second Amended and Restated Agreement to mean 5:00 p.m., New York City time, on the earliest to occur of: (a) February 15, 2016, as such date may be extended pursuant to the Second Amended and Restated Agreement, (b) the date on which no Notes are Outstanding and the Issuer advises the Liquidity Provider in writing that no Notes will be issued in the future, and (c) the date on which the Available Commitment has been terminated in its entirety in accordance with the terms of the Second Amended and Restated Agreement. Upon the written request of the Issuer, within one hundred twenty (120) days prior to the Expiration Date, or such later date to which the Liquidity Provider may consent in writing, the Liquidity Provider shall, within sixty (60) days after such request is received, notify the Trustee, the Issuing and Paying Agent, the Dealers and the Issuer whether or not the Liquidity Provider will extend the scheduled Expiration Date for a period of not less than 364 days (or such longer period, as the Liquidity Provider may agree in its sole discretion). If the Liquidity Provider notifies the Trustee, the Issuing and Paying Agent, the Dealers and the Issuer that the scheduled Expiration Date shall be so extended, the Liquidity Provider shall, within fifteen (15) days of its notification to the Trustee, the Issuing and Paying Agent, the Dealers and the Issuer, deliver to the Trustee, the Issuing and Paying Agent, the Dealers and the Issuer a written acknowledgment of such extension. If the Liquidity Provider fails to notify the Issuer of its decision within such 60-day period, the Liquidity Provider shall be deemed to have rejected such request.

Notes owned by the Liquidity Provider pursuant to the Second Amended and Restated Agreement shall bear, and the Issuer shall pay to the Liquidity Provider on the Notes, interest payable monthly in arrears on the last day of each calendar month and on the date of maturity or prepayment thereof, at a rate equal to the applicable Liquidity Rate (as defined in the Liquidity Facility) in effect from time to time on the aggregate principal amount thereof for each day from and including the date such Notes are purchased by the Liquidity Provider to, but excluding, the date such Notes are paid in full. Notes purchased by the Liquidity Provider shall mature on the Expiration Date. Prior to the Expiration Date, the Issuer may prepay such Notes in full, without penalty or premium, at the principal amount thereof plus accrued interest to the date of prepayment.

To the extent any Notes are not successfully redeemed prior to maturity, for each day during the period commencing thirty (30) days immediately preceding the date such Notes are scheduled to mature to but excluding the earlier of (x) the date such Notes are redeemed in full and (y) the maturity date of such Notes, the issuer will incur a surcharge equal to 0.75% per annum on the principal amount of such Notes that have not been redeemed. The foregoing surcharge is payable by the Issuer in addition to the then applicable Facility Fee Rate (as defined in the hereinafter defined Fee Agreement).

The obligation of the Liquidity Provider to purchase Notes on any date is subject to the following conditions, unless waived in writing by the Liquidity Provider: (1) the Liquidity Provider

shall have received the appropriate notice of purchase, and (2) the Liquidity Provider's obligation to purchase Notes shall not have been terminated or suspended as set forth in the Second Amended and Restated Agreement. See "**Remedies Upon Occurrence of an Event of Default**" below regarding the right of the Liquidity Provider to terminate or suspend its obligations under the Second Amended and Restated Agreement.

The following constitutes a summary of the events of default (each, an "*Event of Default*") under the Second Amended and Restated Agreement:

Events of Default Permitting Immediate Termination

(i) *Payments*. The Issuer shall fail to pay the interest on any Note (or principal and interest due on any Note owned by the Liquidity Provider) when the same shall become due and payable in accordance with its terms;

(ii) *Invalidity*. (A) Any provision of the Act, the Second Amended and Restated Agreement, the Notes, the Issuing and Paying Agency Agreement, the Loan Agreements or the Indenture relating to (x) the ability or the obligation of the Issuer or the Governmental Unit to pay, when due, the principal of or interest on the Notes or (y) the lien on or pledge of the Trust Estate, shall at any time, and for any reason, cease to be valid and binding on the Issuer or the Governmental Unit, as appropriate, or shall be declared to be null and void, invalid or unenforceable as the result of a final nonappealable judgment by any federal or state court or as a result of any legislative or administrative action by any Governmental Authority having jurisdiction over the Issuer or the Governmental Unit, as appropriate; or (B) the Issuer or the Governmental Unit, pursuant to official action on the part of the Issuer's or Governmental Unit's governing body, as appropriate, contests in an administrative or judicial proceeding, publicly repudiates or otherwise publicly denies (including, without limitation, authorizing the filing of a claim to such effect in an administrative or judicial proceeding) that such entity has any further liability or obligation under or with respect to any provision of the Act, the Second Amended and Restated Agreement, the Issuing and Paying Agency Agreement, the Loan Agreements, the Indenture, the Notes or any Parity Debt, as appropriate, relating to (x) the ability or the obligation of the Issuer or the Governmental Unit, as appropriate, to pay, when due, the principal of or interest on the Notes or Parity Debt, as appropriate, or (y) the lien on or pledge of the Trust Estate; or (C) the Governmental Unit or the Issuer shall have taken or permitted to be taken any official action which would adversely affect the validity or enforceability of any provision of the Second Amended and Restated Agreement, the Issuing and Paying Agency Agreement, the Loan Agreements, the Indenture, the Notes or any Parity Debt, as appropriate, relating to (x) the ability or the obligation of the Issuer or the Governmental Unit, as appropriate, to pay, when due, the principal of or interest on the Notes or any Parity Debt, as appropriate, or (y) the lien on or pledge of the Trust Estate; or (D) any Governmental Authority with jurisdiction to rule on the validity or enforceability of the Act, the Second Amended and Restated Agreement, the Issuing and Paying Agency Agreement, the Loan Agreements, the Indenture or the Notes, as appropriate, shall find or rule, in a judicial or administrative proceeding, that any provision of the Act, the Second Amended and Restated Agreement, the Issuing and Paying Agency Agreement, the Loan Agreements, the Indenture or the Notes relating to (x) the ability or the obligation of the Issuer or the Governmental Unit, as appropriate, to pay, when due, the principal of or interest on the Notes, or (y) the lien on or pledge of the Trust Estate, is not valid or not binding on, or enforceable against, the Issuer or the Governmental Unit, as appropriate;

(iii) *Insolvency.* (A) The Governmental Unit shall become insolvent or shall acknowledge or declare by official action its inability to pay its debts as they mature or shall apply for, consent to or acquiesce in the appointment of a receiver, liquidator, custodian or similar official for itself or any substantial part of its property or for all or a material portion of the Trust Estate, or the Governmental Unit shall take any action to authorize or effect any of the foregoing; or (B) in the absence of any application, consent or acquiescence referred to in sub-clause (A) hereof, a receiver, liquidator, custodian or similar official shall be appointed for the Governmental Unit or for a substantial part of its property or revenues, or such application, consent or acquiescence shall result in an order for such relief or in the appointment of a trustee, custodian, liquidator or receiver; or (C) the Governmental Unit shall make a general assignment for the benefit of creditors; or (D) any bankruptcy, reorganization, debt arrangement or other proceeding under any bankruptcy or insolvency law or any dissolution or liquidation proceeding shall be instituted by or against the Governmental Unit (or any action shall be taken to authorize or effect the institution by it of any of the foregoing) and, if instituted against it, shall be consented to or acquiesced in by it; or (E) a debt moratorium or comparable extraordinary restriction on repayment of debt shall have been declared (whether or not in writing) by the Governmental Unit; or (F) a debt moratorium or comparable extraordinary restriction shall have been imposed pursuant to a finding or ruling by a Governmental Authority with jurisdiction over the Governmental Unit with respect to repayment when due and payable of the principal of or interest on the Notes or Parity Debt;

(iv) *Judgment Default.* A final, nonappealable, judgment or order for the payment of money in excess of \$15,000,000 shall be rendered against the Issuer or the Governmental Unit, as appropriate, and be payable from the Trust Estate and such judgment or order shall continue unsatisfied and unstayed for a period of sixty (60) days;

(v) *Ratings.* The long-term ratings assigned by Fitch, Moody's and S&P to unenhanced Parity Debt of the Governmental Unit shall be (A) reduced below "BBB-" (or its equivalent) by Fitch, "Baa3" (or its equivalent) by Moody's and "BBB-" (or its equivalent) by S&P or (B) withdrawn or suspended for any credit related reasons; and

(vi) *Cross Default to Parity Debt of the Governmental Unit.* The Governmental Unit shall fail to pay, when due and payable, any principal of or interest on any Parity Debt (other than any such failure resulting solely from the acceleration of the maturity date of any such Parity Debt that is owned by a liquidity provider pursuant to the provisions of the related liquidity facility) evidenced by bonds, notes or other similar instruments.

Events of Default Not Permitting Immediate Termination

(vii) *Other Payments.* The Issuer shall fail to pay when due any other amount payable to the Liquidity Provider under the Second Amended and Restated Agreement (other than payments described in clause (i) under the subheading "Events of Default Permitting Immediate Termination" above) within fifteen (15) days after the same shall become due;

(viii) *Representations.* Any material representation or warranty made by or on behalf of the Issuer in the Second Amended and Restated Agreement or in any Related Document or in any certificate or statement delivered under the Second Amended and Restated Agreement or any Related

Document shall prove to have been incorrect or untrue in any material respect when made or deemed to have been made;

(ix) (A) *Certain Covenant Defaults.* The Issuer shall default in the due performance or observance of any term, covenant or agreement contained in specified sections of the Second Amended and Restated Agreement;

(B) *Other Covenant Defaults.* The Issuer shall default in the due performance or observance of any term, covenant or agreement contained in the Second Amended and Restated Agreement (other than those covered by clause (i) under the subheading "Events of Default Permitting Immediate Termination" above, or clause (ix)(A) under this subheading "Events of Default Not Permitting Immediate Termination") and such default, if capable of being remedied, shall remain unremedied for thirty (30) days after written notice thereof shall have been given to the Issuer by the Liquidity Provider;

(x) *Other Documents.* An "Event of Default" shall have occurred and be continuing with respect to the Notes under the Indenture or an "Event of Default" shall have occurred and be continuing with respect to Loan Payments under the Loan Agreements;

(xi) *Substitution of the Second Amended and Restated Agreement.* There shall occur the substitution of an Alternate Liquidity Facility for the Second Amended and Restated Agreement while any amounts are owed to the Liquidity Provider under the Second Amended and Restated Agreement, under the Fee Agreement or under Notes owned by the Liquidity Provider without the payment of such amounts at the time of such substitution;

(xii) *Other Rating Downgrades.* (i) The Rating assigned to any unenhanced Parity Debt of the Governmental Unit is reduced to or below "Baa3" (or its equivalent) by Moody's, "BBB-" (or its equivalent) by Fitch, or "BBB-" (or its equivalent) by S&P; or (ii) the Rating assigned to any unenhanced Parity Debt of the Governmental Unit is suspended or withdrawn by less than all of the Rating Agencies then rating the Notes for any credit related reason; or

(xiii) *Governmental Unit Material Debt.* The Governmental Unit shall fail to make any payment in respect of any Material Debt when due or within any applicable grace period; or any event or condition shall occur which results in the acceleration of the maturity of any Material Debt or enables (or, with the giving of notice or lapse of time or both, would enable) the holder of such Material Debt or any Person acting on such holder's behalf to accelerate the maturity thereof.

The Issuer is required to immediately notify the Liquidity Provider, the Trustee, the Issuing and Paying Agent and the Dealers in writing of an occurrence which constitutes an Event of Default or a Default under the Second Amended and Restated Agreement.

Remedies Upon Occurrence of an Event of Default

If any Event of Default shall have occurred and be continuing, the following remedies shall be available to the Liquidity Provider:

(a) *Immediate Termination Events.* In the case any Event of Default under clause (i), (ii), (iii), (iv), (v) or (vi) under the subheading "Events of Default Permitting Immediate Termination" above (each, an "*Immediate Termination Event*") has occurred, the Available Commitment shall immediately and automatically terminate, without notice from the Liquidity Provider and, thereafter, the Liquidity Provider shall be under no obligation to purchase Notes under the Second Amended and Restated Agreement and the Available Commitment will be automatically and immediately terminated. Notwithstanding the foregoing, the Immediate Termination Events described in sub-clauses (B), (D) and (F) of clause (iii) under the subheading "Events of Default Permitting Immediate Termination" above shall not result in the remedy described in this paragraph (a) until the cure period described in paragraph (b) below has elapsed, thereby permitting exercise of the remedy described in this paragraph (a). Promptly upon the occurrence of any such Immediate Termination Event, the Liquidity Provider shall notify the Issuer, the Issuing and Paying Agent, the Trustee and the Dealers of such termination and the effective date of such termination in writing by facsimile, promptly confirmed by regular mail; provided, that the Liquidity Provider shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment or its obligation to purchase Notes pursuant to the Second Amended and Restated Agreement.

(b) *Suspension Events.* In the case of a Default described in any one of sub-clause (B), (D) or (F) of clause (iii) under the subheading "Events of Default Permitting Immediate Termination" above (each, a "*Suspension Event*"), the Available Commitment shall be immediately suspended without notice or demand and, thereafter, the Liquidity Provider shall be under no obligation to purchase Notes under the Second Amended and Restated Agreement until the Available Commitment is reinstated as described below. Promptly upon the occurrence of any such Suspension Event, the Liquidity Provider shall notify the Issuer, the Dealers, the Trustee and the Issuing and Paying Agent of such suspension and the effective date of such suspension in writing by facsimile, promptly confirmed by regular mail; provided, that the Liquidity Provider shall incur no liability of any kind by reason of its failure to give such notice and such failure shall in no way affect the suspension of the Available Commitment or its obligation to purchase Notes pursuant to the Second Amended and Restated Agreement. The Issuer shall promptly direct the Issuing and Paying Agent to notify all Holders of a suspension of the obligation of the Liquidity Provider to purchase Notes as a result of the occurrence of such Suspension Event.

Upon the occurrence of a Default described in any one of sub-clause (B), (D) or (F) of clause (iii) under the subheading "Events of Default Permitting Immediate Termination" above, the Available Commitment shall be immediately and automatically suspended and remain suspended until the case, proceeding or other action referred to in the Second Amended and Restated Agreement is either dismissed, discharged or bonded within sixty (60) days from the commencement of such case, proceeding or action, or the date on which the Liquidity Provider's obligations under the Second Amended and Restated Agreement have terminated or expired in accordance with the terms thereof (the "*Termination Date*"), whichever is the first to occur. In the event that said Suspension Event shall have been dismissed, discharged, stayed or bonded within the sixty (60) day period described in the Second Amended and Restated Agreement and prior to the Termination Date, then the Available Commitment and the obligation of the Liquidity Provider to purchase Notes shall be reinstated and the terms of the Second Amended and Restated Agreement shall continue in full force and effect as if there had been no such suspension (unless the Revolving Commitment Period shall otherwise have expired or the Available Commitment shall otherwise have been terminated, suspended or expired as provided in the Second Amended and Restated Agreement).

(c) *All Events of Default.* In the case of any Event of Default, including any Immediate Termination Event or Suspension Event that has occurred and is continuing, the Liquidity Provider may, by written notice to the Issuer and the Issuing and Paying Agent (a "*No-Issuance Notice*"), declare the Available Commitment to be reduced to the Face Amount of Notes then Outstanding and to be permanently reduced further on the maturity date of each such Note by an amount equal to the Face Amount of such Note, with the Available Commitment to be terminated upon the last maturity date (the "*Last Maturity Date*") applicable to all such Notes. Following receipt of a No-Issuance Notice, the Issuer shall not issue any additional Notes. At 5:00 p.m., New York City time, on such Last Maturity Date, the Available Commitment shall terminate and the Liquidity Provider shall be under no further obligation under the Second Amended and Restated Agreement to purchase Notes.

(d) Upon the occurrence of any Event of Default described in the Second Amended and Restated Agreement, the Liquidity Provider shall have all remedies provided at law or equity, including, without limitation, specific performance.

(e) The remedies in clauses (a), (b), (c) and (d) under this subheading "Remedies Upon Occurrence of an Event of Default" are not exclusive and the Liquidity Provider shall have all remedies for any breach of the Second Amended and Restated Agreement (whether or not specified as an Event of Default pursuant to the Second Amended and Restated Agreement) provided by law or equity, other than acceleration of the Loans or termination or suspension of the Liquidity Provider's obligation to purchase Notes, except as termination or suspension may be provided for in the Second Amended and Restated Agreement.

No course of dealing or failure or delay on the part of the Liquidity Provider in exercising any right power or privilege under the Second Amended and Restated Agreement shall preclude any other or further exercise or the exercise of any right, power or privilege. The rights of the Liquidity Provider under the Second Amended and Restated Agreement, the Fee Agreement, the Notes and the Related Documents are cumulative and not exclusive of any rights or remedies which the Liquidity Provider would otherwise have.

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following constitutes a summary of certain provisions of the Indenture. Reference is made to the Indenture for the full text thereof.

Definitions

The below-referenced capitalized terms have the following meanings:

"Alternate Liquidity Facility" means any line of credit, letter of credit, revolving credit agreement, standby purchase agreement or other liquidity facility substituted for a Liquidity Facility then in effect pursuant to the Indenture.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in any of the following cities are authorized or required by law or executive order to be closed: (a) the City of New York, New York, or (b) the city in which the principal corporate trust

office of the Trustee or the Issuing and Paying Agent is located or (c) the city in which the office of any Dealer is located, or (d) the city in which the payment office of the Liquidity Provider is located.

"Investment Securities" means any of the following investments which are authorized under the laws of the State of Florida:

- (a) Government Obligations;
- (b) Direct obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit-backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMA's"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA's"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities;
- (c) Direct obligations of any State of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by S&P;
- (d) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by S&P;
- (e) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by S&P;
- (f) Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;
- (g) Investments in money-market funds (which may include money-market funds of the Trustee) rated "AAAm" or "AAAm-G" by S&P, or similar rating by Moody's or Fitch;

(h) Repurchase agreements collateralized by Government Obligations, GNMA's, FNMA's or FHLMC's with any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction or any commercial bank insured by the FDIC, if such broker/dealer or bank has an unsecured, unsecured and unguaranteed obligation rated "P-1" or "A3" or better by Moody's and "A-1" or "A-" or better by S&P, provided:

(i) a master repurchase agreement or specific written repurchase agreement governs the transaction; and

(ii) the securities are held free and clear of any lien by the Trustee or an independent third party acting solely as agent ("Agent") for the Trustee, and such third party is (A) a Federal Reserve Bank or (B) a bank which is a member of the Federal Deposit Insurance Corporation and which has combined capital, surplus and undivided profits of not less than \$50 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee; and

(iii) a perfected first security interest under the Uniform Commercial Code, or book entry procedures prescribed at 31 C.F.R. 306.1 et seq. or 31 C.F.R. 350.0 et seq. in such securities is created for the benefit of the Trustee; and

(iv) the repurchase agreement has a term of 180 days or less, and the Trustee or the Agent will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

(v) the fair market value of the securities in relation to the amount of the repurchase obligation, including principal and interest, is equal to at least 103%; and

(i) the Local Government Surplus Funds Trust Fund created and established pursuant to Part IV, Chapter 218, Florida Statutes, as amended.

"Liquidity Facility" means the Second Amended and Restated Commercial Paper Purchase Agreement, dated as of January 1, 2013, between the Issuer and JP Morgan Chase Bank, National Association, as amended or supplemented from time to time in accordance with the terms thereof and of the Indenture, or, upon the substitution of an Alternate Liquidity Facility for the Liquidity Facility (or for an Alternate Liquidity Facility previously substituted therefor) in accordance with the Indenture, such Alternate Liquidity Facility.

"Liquidity Provider" means JPMorgan Chase Bank, National Association, or, upon the substitution of an Alternate Liquidity Facility, the issuer of such Alternate Liquidity Facility.

"Liquidity Provider Default" means that (a) a court of competent jurisdiction has determined that such Liquidity Provider has wrongfully failed or refused to honor a demand for purchase of Notes under the Liquidity Facility to which such Liquidity Provider is a party under circumstances in which all conditions precedent to honor of such demand for purchase specified in such Liquidity Facility were

fulfilled, or (b) such Liquidity Provider has commenced an action or proceeding before a court to contest the validity of the Liquidity Facility to which it is a party.

"Loan Payments" means the Loan Payments as defined in the Loan Agreements, including the Optional Prepayment Price.

"Operating Reserve Amount" means the amount which is equal to five (5) basis points of the principal amount of the Loan or such other amount as shall be determined by the Issuer.

"Outstanding" or "Notes Outstanding" or "Outstanding Notes" means, at any given date, all Notes which have been authenticated and delivered by the Issuing and Paying Agent under the Indenture and the Issuing and Paying Agency Agreement, except:

- (a) Notes cancelled after purchase in the open market or because of payment at maturity;
- (b) Notes in lieu of which other Notes have been authenticated by the Issuing and Paying Agent; and
- (c) Notes for the payment of which moneys are held by the Trustee or the Issuing and Paying Agent in accordance with the Indenture.

"Owner" or "Registered Owner" or "Holder" or "Noteholder" means the person or persons in whose name any Outstanding Note is registered on the registration books of the Issuer maintained by the Issuing and Paying Agent.

"Redemption Notice" means notice of redemption of such Notes to the respective Owners of such Notes as provided in the Indenture.

"Revenues" means all moneys (i) derived from or on behalf of the Governmental Unit pursuant to the Loan Agreements, (ii) paid or payable to the Trustee for the account of the Governmental Unit and deposited in the Note Fund established under the Indenture to pay the Notes when due, and all receipts of the Trustee credited under the provisions of the Indenture against such payments, and (iii) the investment earnings on the Funds and Accounts created under the Indenture.

Source of Payment of Notes

The Notes and all payments by the Issuer under the Indenture and all amounts due and payable to the Liquidity Provider under the Liquidity Facility are limited and special obligations of the Issuer and are payable solely out of the trust estate established under the Indenture as authorized by the Constitution and laws of the State, including particularly the Act, and as provided in the Indenture. The Notes and the Issuer's obligations under the Liquidity Facility are solely and exclusively special and limited obligations of the Issuer and do not constitute or create an obligation, general or special, or debt, liability or moral obligation of the State or any political subdivision of the State (other than the Issuer to the extent provided in the Indenture and the Governmental Unit to the extent provided in the Loan Agreements). Payment of accrued interest on the Notes is not covered by the Liquidity Facility.

Payment of principal of and interest on the Notes on any Redemption Date is not covered by the Liquidity Facility.

Note Fund

(a) The Trustee shall deposit or cause to be deposited in the General Account created under the Indenture all amounts which the Issuer or the Governmental Unit pay or cause to be paid to the Trustee, including Loan Payments. The Trustee is required to create four separate subaccounts within the General Account (including the portions of the Optional Prepayment Price corresponding to Basic Payments) for the deposit of (i) the Basic Payment component of Loan Payments, (ii) components of Loan Payments other than Basic Payments, (iii) the Initial Excess Interest Amount (as defined below) and (iv) amounts sufficient to pay costs incurred in the making of each Loan. Within each of the subaccounts, there shall be a separate accounting of funds held for the benefit of Tax-Exempt Notes, Tax-Exempt AMT Notes and Taxable Notes.

Each Loan Agreement provides for the payment to the Trustee under the Indenture of the Initial Excess Interest Amount, which is defined to be 52 days of interest at the maximum rate (the lesser of 12% or the maximum rate permitted by law) on the original principal amount of each loan. As of September 30, 2012, the aggregate amount held in the Initial Excess Interest Subaccount was \$1,980,491.76 (based on the maximum rate of 12%).

Funds in the applicable General Account shall be used to make the following payments and transfers in the following order of priority:

(1) On any date upon which Notes mature or any Redemption Date, to transfer from the subaccounts within the General Account funds derived from Loan Payments or the Initial Excess Interest Amount on deposit in the General Account to the Commercial Paper Account to be applied to pay the Notes;

(2) At such times as are necessary to pay the fees and expenses of the Liquidity Provider (such fees and expenses to be paid in such manner and from such subaccounts as shall be approved by policy of the Issuer); and

(3) At such times as are necessary, to pay the fees and expenses of the Issuing and Paying Agent or the Dealers.

To the extent that any Loan Payment is made in an amount which is less than the total amount then due and payable, the amount of the Loan Payment made shall be applied first to the payment of Basic Payments and then to the payment of Additional Payments.

(b) The Trustee shall deposit, or cause to be deposited, in the Advances Account the proceeds of the sale of Notes to the Liquidity Provider. No funds received from the Issuer or the Governmental Unit shall be deposited in the Advances Account. The funds in the Advances Account shall be used solely for payment of the principal of the Notes. The funds in the Advances Account shall not be used to pay principal of Notes owned by the Liquidity Provider.

(c) The Trustee shall deposit, or cause to be deposited, in the Commercial Paper Account the net proceeds of the sale of Notes to an Owner other than the Liquidity Provider which are not directed to be deposited in the Loan Fund or the Advances Account. On each day on which Notes mature, funds in the Commercial Paper Account shall be applied to the payment of such Notes.

(d) On any date on which Notes (including Liquidity Provider Notes) mature or the Redemption Date, funds in the Note Fund shall be used to pay the Notes in the following order of priority:

(i) With respect to the principal amount of the Notes:

(A) With respect to maturing Notes, moneys on deposit in the Principal Subaccount of the Commercial Paper Account of the Note Fund representing the principal portion of Basic Payments received under the Loan Agreements;

(B) Moneys on deposit in the Principal Subaccount of the Commercial Paper Account of the Note Fund representing the net proceeds of the sale of Notes; provided, however, that if, on any day, (i) the proceeds of the issuance and sale of Notes exceed the principal amount of the Notes maturing or being redeemed on such day, and (ii) Liquidity Provider Notes are Outstanding on such day, the amount of such excess proceeds shall be paid to the Liquidity Provider as a prepayment of the Liquidity Provider Notes; and

(C) Except in the case of a Redemption Date, funds in the subaccounts of the Advances Account, representing amounts received, under the Liquidity Facility.

(ii) With respect to interest on the Notes, funds representing the interest portion of Basic Payments made by or on behalf of the Governmental Unit (applied to the interest on the Notes in proportion to the aggregate amount of interest on the Notes maturing on such day) and, to the extent necessary, funds derived from the Initial Excess Interest Amount, shall be transferred from the General Account to the Commercial Paper Account.

Purchases Under Liquidity Facility

On any day on which Notes mature, if the principal amount of such Notes exceeds the principal amount of Notes sold by the Dealers on such day, the proceeds of which are on deposit in the Commercial Paper Account, the Issuing and Paying Agent shall give notice to the Liquidity Provider and its depository bank, if applicable, in accordance with the provisions of the Liquidity Facility at such time and in such manner as to insure full and timely payment of the Notes. The proceeds of the sale of Notes to the Liquidity Provider shall be deposited into the Advances Account on such day.

Earnings on Funds and Accounts

All earnings on moneys on deposit in each of the subaccounts within the General Account shall be transferred as received to the subaccount within the General Account created for the deposit of Loan Payments and credited against the Governmental Unit's obligation to pay interest on the Notes in

accordance with the Loan Agreements. To the extent that moneys on deposit in the Loan Fund are not immediately disbursed to the Governmental Unit, any investment earnings on such money shall be transferred as received to the subaccount within the General Account created for the deposit of Loan Payments and credited against the Governmental Unit's obligation to pay interest on the Notes in accordance with the Loan Agreement.

Alternate Liquidity Facility

(a) At any time permitted by the Liquidity Facility, the Issuer may cause to be delivered to the Trustee an Alternate Liquidity Facility for the Liquidity Facility, together with (i) written evidence from each rating agency then having a rating assigned to the Notes that such rating assigned by such rating agency to the Notes will not be withdrawn or reduced as a result of the substitution of such Alternate Liquidity Facility for such Liquidity Facility then in effect, unless all of the Outstanding Notes (A) mature on the day prior to the effective date of such substitution and (B) are paid or provided to be paid (including, without limitation, from the proceeds of the Liquidity Facility then in effect) immediately prior to such substitution, (ii) an opinion or opinions of counsel to the issuer of such Alternate Liquidity Facility, addressed to the Trustee and the Issuing and Paying Agent, to the effect that (A) such Alternate Liquidity Facility is the legal, valid and binding obligation of the issuer or issuers thereof, enforceable against such issuer or issuers in accordance with its terms (subject to customary exceptions relating to bankruptcy, insolvency and rights of creditors generally and to specific performance and equitable remedies), and (B) in connection with the sale of the Notes, it is not necessary to register such Alternate Liquidity Facility under the Securities Act of 1933, as amended, or to qualify an indenture relating to such Alternate Liquidity Facility under the Trust Indenture Act of 1939, as amended, (iii) an opinion of Bond Counsel to the effect that substitution of such Alternate Liquidity Facility for the Liquidity Facility then in effect is authorized under the Indenture and complies with the terms thereof and will not cause the interest on the Tax-Exempt or Tax-Exempt AMT Notes to be includable in the gross income of Owners for purposes of federal income taxation, and (iv) the written acknowledgment of the Liquidity Provider with respect to such Liquidity Facility then in effect that all conditions precedent to the substitution of the Alternate Liquidity Facility for such Liquidity Facility that are contained in such Liquidity Facility have been fulfilled (or provision satisfactory to such Liquidity Provider has been made for such fulfillment). Upon delivery of an Alternate Liquidity Facility for the Liquidity Facility then in effect, together with the documents described in the preceding clauses (i) through (iv), the Trustee shall accept such Alternate Liquidity Facility and, upon such acceptance, such Alternate Liquidity Facility shall be the Liquidity Facility with respect to the Notes and the issuer or issuers of such Alternate Liquidity Facility shall be the Liquidity Provider with respect to the Notes, in each case, for all purposes of the Indenture.

(b) The Issuer shall notify the Trustee, the Issuing and Paying Agent, the Dealers and the Liquidity Provider of the proposed substitution of an Alternate Liquidity Facility for a Liquidity Facility then in effect and the related substitution date at least 15 days prior to such substitution date. The Trustee shall give notice of the occurrence of such substitution date to the Owners of the Notes five (5) days before the occurrence thereof. Such notice may state that it is conditional upon the satisfaction of the provisions of the Indenture 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 up to three (3) days prior to the substitution date so given in such notice. Notice of such rescission shall

be given by the Trustee to affected Owners of Notes as promptly as practicable upon the failure of any condition or the occurrence of such other event.

(c) Without limitation of any provision of the previous two paragraphs, the Issuer shall use its best efforts to cause an Alternate Liquidity Facility to be substituted for a Liquidity Facility then in effect in accordance with paragraph (a) above if (i) the Liquidity Provider with respect to such Liquidity Facility has rescinded, terminated or repudiated such Liquidity Facility or any governmental authority with jurisdiction is challenging the validity or enforceability of such Liquidity Facility, or (ii) the Liquidity Provider fails or refuses to extend the Expiration Date of such Liquidity Facility. The Issuer shall not rescind or terminate a Liquidity Facility unless an Alternate Liquidity Facility has been substituted therefor in accordance with the foregoing provisions.

Investments

Moneys in the funds and accounts established under the Indenture shall, at the direction of the Issuer, be invested and reinvested in Investment Securities by the Trustee as directed and designated by the Issuer in a certificate of, or telephonic advice promptly confirmed by a certificate of, the Issuer. The Issuer shall have the right to designate the investments to be sold and to otherwise direct the Trustee in the sale or conversion to cash of the investments made with the moneys in the funds and accounts.

Notwithstanding the foregoing, moneys in the Note Fund (other than the Initial Excess Interest Amount Subaccount) shall either be held by the Trustee uninvested or, if invested, invested only in Government Obligations maturing as needed to make timely payment on the Notes. The Initial Excess Interest Amount shall be invested in Investment Securities maturing as needed described in clause (g) of the definition of "Investment Securities," the interest on which is excluded from gross income for Federal income tax purposes. Notwithstanding the foregoing, the requirement that the interest on such "Investment Securities" be excluded from gross income for Federal income tax purposes shall not apply to any Initial Excess Interest Amount funded for Taxable Notes.

Discharge of Indenture

If the Issuer shall pay all the Notes and obligations owed to the Liquidity Provider and shall pay or cause to be paid all other sums payable under the Indenture by the Issuer, then, and in that case, the right, title and interest of the Trustee therein shall thereupon cease, terminate and become void, except as provided in the Indenture with respect to nonpresented Notes. In such event, the Trustee shall assign, transfer and turn over to the Issuer the Trust Estate, except as provided in the Indenture with respect to nonpresented Notes and except that the Trustee shall, after paying any amounts owing to the Liquidity Provider, distribute any amounts in the Funds and Accounts to the Governmental Unit in accordance with the Indenture.

Any Outstanding Note shall, prior to maturity, be deemed to have been paid within the meaning of the Indenture if there shall have been deposited with the Issuing and Paying Agent either moneys or non-callable Government Obligations, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient (as verified by a report of an independent certified public accountant) to pay when due the principal of or interest on the Notes on the maturity date thereof.

Anything to the contrary provided elsewhere in the Indenture notwithstanding, the Indenture shall not be discharged as long as any amounts are owing to the Liquidity Provider.

Events of Default

Each of the following events shall constitute and is referred to in the Indenture as an "Event of Default":

- (a) default in the payment of principal of or interest on any Note after it has become due;
- (b) a failure by the Issuer to observe and perform any covenant, condition, agreement or provision (other than as specified in clauses (a) or (c) of this Section) contained in the Notes, or the Indenture on the part of the Issuer to be observed or performed, which failure shall continue for a period of sixty (60) days after written notice given pursuant to the Indenture; or
- (c) a Liquidity Provider Default has occurred and is continuing.

The failure of the Issuer to pay the Redemption Price plus accrued interest on any Redemption Date shall not constitute an Event of Default under (a) above.

Remedies

Upon the occurrence and during the continuance of an Event of Default, the Trustee may pursue any available remedy at law or in equity or by statute to enforce the payment of the Notes then Outstanding. Notwithstanding anything in the Indenture to the contrary, if an Event of Default has occurred and is continuing (other than a Liquidity Provider Default), the Liquidity Provider shall have the exclusive right to direct the Trustee to take whatever action or pursue whatever remedy is available to it pursuant to the Indenture in respect to the Notes.

No right or remedy by the terms of the Indenture conferred upon or reserved by the Trustee, the Liquidity Provider or the Noteholders is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given to the Trustee or the Noteholders under the Indenture or existing at law or in equity. The assertion or employment of any right or remedy shall not prevent the concurrent or subsequent assertion or employment of any other right or remedy.

Right of Liquidity Provider and Noteholders to Direct Proceedings

Anything in the Indenture to the contrary notwithstanding, following the occurrence and during the continuance of an Event of Default, the Liquidity Provider or, in the event a Liquidity Provider Default has occurred and is continuing, the Holders of a majority in aggregate principal amount of the Outstanding Notes, shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture, or for the appointment of a receiver or any other proceedings thereunder, provided that such direction shall be in accordance with

the provisions of law and of the Indenture, and provided further that such Liquidity Provider or such majority of Noteholders may not interfere with or waive the Trustee's duty to obtain advances under the Liquidity Facility and apply the proceeds thereof as provided in the Indenture or the Trustee's right to exercise remedies under and as provided in the Loan Agreements and apply the proceeds thereof as provided in the Indenture, and such Liquidity Provider shall not have such rights with respect to a Liquidity Provider Default.

Supplemental Indentures Without Owner Consent

The Issuer and the Trustee may, from time to time and at any time, without the consent of or notice to the Owners, but with the prior written consent of the Liquidity Provider, enter into Supplemental Indentures as follows:

- (a) To cure any formal defect, omission, inconsistency or ambiguity in the Indenture;
- (b) To add to the covenants and the agreements of the Governmental Unit or the Issuer in the Indenture other covenants, agreements, or to surrender any right or power reserved or conferred upon the Governmental Unit or the Issuer;
- (c) To confirm, as further assurance, any pledge of or lien on the Trust Estate;
- (d) to modify, amend or supplement the Indenture in such manner as to permit the future qualification thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute in effect;
- (e) To evidence the appointment of a separate or co-Trustee or the succession of a new Trustee or Issuing and Paying Agent under the Indenture;
- (f) To make any change affecting only Notes to be issued in the future;
- (g) To change or evidence or give effect to the delivery of an Alternate Liquidity Facility;
- (h) To secure or maintain ratings from Moody's and/or S&P and/or Fitch in both the highest short-term or commercial paper debt rating category;
- (i) To permit Tax-Exempt Notes to be issued at a discount rather than bearing a stated interest rate; or
- (j) To modify, alter, amend or supplement the Indenture in any other respect which in the judgment of the Trustee is not materially adverse to the Owners; provided however, in rendering such opinion, the Trustee may rely upon the opinion of Bond Counsel, the financial advisor to the Issuer, its counsel or such other professionals as it may deem useful and/or necessary.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture as described under this heading, there shall have been delivered to the Trustee the written consent of the Liquidity Provider to the execution of such Supplemental Indenture and an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, complies with their

respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest accrued and to accrue on the Tax-Exempt Notes and Tax-Exempt AMT Notes (other than Section 56(a)(5) of the Code or any successor provision with respect to Tax-Exempt AMT Notes).

Supplemental Indentures Requiring Owners' Consent

Except for any Supplemental Indenture entered into pursuant to the preceding section, subject to the terms and provisions contained in this section and not otherwise, Owners of not less than 51% in aggregate principal amount of the Notes Outstanding, with the prior written consent of the Liquidity Provider, shall have the right from time to time to consent to and approve the execution and delivery by the Issuer and the Trustee of any Supplemental Indenture deemed necessary or desirable by the Issuer for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided, however, that, unless approved in writing by all the Owners, nothing contained in the Indenture shall permit, or be construed as permitting, (i) except as provided in the Indenture, a privilege or priority of any Note or Notes over another Note or Notes, (ii) a reduction in the aggregate principal amount of the Notes required for consent to any Supplemental Indenture, or (iii) except as provided in the Indenture, the creation of any lien other than a lien ratably securing all of the Notes at any time Outstanding under the Indenture; and provided further, however, that unless approved in writing by the Owner of a Note, nothing contained in the Indenture shall permit, or be construed as permitting, (i) an extension of the maturity date of such Note, or (ii) a reduction in the principal amount of such Note or a change in the rate of interest on such Note.

Subject to the terms and provisions contained in this section, the Owners of all the Notes, with the consent of the Liquidity Provider, shall have the right, and the Issuer and the Trustee by their execution and delivery of the Indenture expressly confer upon such Owners the right, to modify, alter, amend or supplement the Indenture in any respect, including without limitation in respect of the matters described in clauses (i), (ii) and (iii) of the proviso contained in the preceding paragraph, by delivering to the Issuer and the Trustee a written instrument or instruments, executed by or on behalf of such Owners, containing a form of Supplemental Indenture which sets forth such modifications, alterations, amendments and supplements, and, upon the expiration of a thirty (30) day period commencing on the date of such delivery during which no notice of objection shall have been delivered by the Issuer or the Trustee to such Owners at an address specified in such written instrument, and upon the Liquidity Provider consenting in writing to such Supplemental Indenture, such Supplemental Indenture shall be deemed to have been approved and confirmed by the Issuer and the Trustee, to the same extent as if actually executed and delivered by the Issuer and the Trustee, and such Supplemental Indenture shall thereupon become and be for all purposes in full force and effect without further action by the Issuer or the Trustee. The foregoing provisions are, however, subject to the following conditions:

- (i) no such Supplemental Indenture shall in any way affect the limited nature of the obligations of the Issuer under the Indenture or shall adversely affect any of its rights thereunder;
- (ii) no such Supplemental Indenture shall be to the prejudice of the Issuing and Paying Agent or the Trustee; and

(iii) there shall have been delivered to the Issuer and the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by the Indenture and the Act, complies with their respective terms, will, upon the expiration of the aforesaid thirty (30) day period, be valid and binding upon the Issuer in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest accrued and to accrue on the Tax-Exempt Notes and Tax-Exempt AMT Notes (other than Section 56(a)(5) of the Code or any successor provision with respect to Tax-Exempt AMT Notes).

Amendments to the Loan Agreements

The Issuer and the Trustee may, without the consent of or notice to the Holders, but only with the prior written consent of the Liquidity Provider, consent to any amendment, change or modification of any Loan Agreement; provided, however, that if such amendment, change or modification of such Loan Agreement alters or postpones the payment of Basic Payments thereunder, the Issuer and the Trustee shall not consent thereto without the prior written consent of the Owners of not less than a majority of the principal amount of the Notes then Outstanding.

Amendments to Liquidity Facility

The Issuer and/or the Trustee may, without the consent of or notice to the Holders, but with written confirmation from each rating agency which then has a rating assigned to the Notes that such amendment, change or modification will not, in and of itself, result in a reduction, withdrawal or suspension of the rating then assigned by such rating agency to the Notes, enter into or consent to any amendment, change or modification of the Liquidity Facility. Notwithstanding the foregoing, the Issuer and/or the Trustee may enter into or consent to any amendment of any Liquidity Facility whereby such amendment only increases or decreases the Available Commitment (as defined in the Liquidity Facility) due to a Loan origination or a scheduled or unscheduled principal repayment under an existing Loan Agreement without written confirmation from each rating agency which then has a rating assigned to the Notes. The Issuer shall provide notice to each Rating Agency then rating the Notes of any amendment, supplement or other modification to the Liquidity Facility. In addition to the foregoing, any amendment, supplement or other modification to the Liquidity Facility involving an Immediate Termination Event or Suspension Event set forth in the Liquidity Facility and as defined therein shall only be effective (i) upon receipt by the Issuer of written confirmation from each Rating Agency then rating the Notes that the short-term rating thereon will not be withdrawn or reduced as a result of changes to said Immediate Termination Event or Suspension Event under the Liquidity Facility, and (ii) on the date which is no earlier than fifteen (15) calendar days after such amendment, supplement or modification of the Liquidity Facility contemplated by this paragraph has been posted on EMMA by the Issuer or the Dealers and written notice with respect thereto shall have been provided to the Holders of the Notes through DTC; provided such amendments shall not be effective for any Outstanding Notes on the effective date of such amendments through their related maturity; and provided further that such amendments will apply on and after the effective date for new Notes issued in accordance with the terms of the transaction.

SUMMARY OF CERTAIN PROVISIONS OF THE LOAN AGREEMENTS

The following is a summary of certain provisions of the Loan Agreements. Reference is made to the individual Loan Agreement for the full text thereof. Please note that certain provisions of the Existing Loan Agreements differ in certain respects from the form of Loan Agreement that might be applicable to future loans. See "SECURITY FOR THE EXISTING LOAN AGREEMENTS," herein.

"Liquidity Event" means the date of purchase of Notes by the Liquidity Provider pursuant to the Liquidity Facility.

"Loan Payment Date" means the fifteenth calendar day of the month or if such day is not a Business Day, the next succeeding Business Day.

"Loan Payment Period" means a period beginning on the first day of a month and ending on and including the last day of such month.

"Loan Payments" mean the Basic Payments, Additional Payments and other payments payable by the Governmental Unit pursuant to the provisions of the Loan Agreement.

"Maximum Rate" means the lesser of (i) 12% per annum or (ii) the maximum rate of interest on the relevant obligation permitted by applicable law.

"Optional Prepayment Price" means the amount which the Governmental Unit may, in its discretion, pay the Trustee in order to prepay the Loan in full, which amount shall be equal to (i) the amount of any past-due or currently due Loan Payments together with interest on such past-due Loan Payments to the date of such payment in full at the rate or rates provided in the Loan Agreements; (ii) the unpaid accrued interest at the current Loan Rate on the outstanding principal amount of the Loan since the end of the previous Loan Payment Period to the latest date on which such payment will be applied to the payment of Notes on the maturity dates thereof; (iii) the unpaid principal of the Loan; (iv) any amounts owed by such Governmental Unit under paragraph (a) set forth below under the subheading "Calculation of Loan Rate;" and (v) any other amounts owing to the Issuer under the Loan Agreement.

"Proportionate Share" means as of the date of calculation the outstanding principal amount of the Loan made under a Loan Agreement divided by the outstanding principal amount of all Loans made under all Loan Agreements.

Payment of Loan Payments

The Governmental Unit shall pay to the order of the Trustee for the account of the Issuer all Loan Payments in lawful money of the United States of America. No such Loan Payment shall be in an amount such that the interest on the Loan is in excess of the Maximum Rate. The Loan shall be repaid in Basic Payments consisting of (a) principal in the amounts and on the dates set forth in the Loan Agreement, and (b) interest calculated at the rate (the "Loan Rate") as described below. In addition, an interest payment in an amount equal to 52 days of interest at the Maximum Rate on the original

principal amount of the Loan (calculated on 365 days) shall be payable at Closing (the "Initial Excess Interest Amount") and the Operating Reserve Amount shall be payable at closing.

Loan Payments shall begin on the first Loan Payment Date for the first Loan Payment Period following the Closing.

Calculation of Loan Rate

The Issuer shall set and from time to time reset the Loan Rate, provided that the Loan Rate for each Loan Payment Period shall be a rate which produces an amount of interest at least equal to the amount described in paragraphs (a) and (b) below:

- (a) The interest accrued on the Notes (including Notes held by the Liquidity Provider), as the case may be, for the immediately preceding Loan Payment Period;
- (b) Any amount necessary to replenish the Initial Excess Interest Amount;
- (c) On the Loan Payment Date in April of each year following the closing, the Trustee shall apply any portion of the Initial Excess Interest Amount in excess of an amount equal to 52 days of interest at the Maximum Rate on the then outstanding principal amount of the Loan as a credit against the amount due and owing pursuant to paragraph (a) of this section;
- (d) To the extent that any of the Initial Excess Interest Amount is applied to pay interest on the Notes, the Initial Excess Interest Amount shall be replenished from amounts paid pursuant to paragraph (a) or (b) of this section on the immediately succeeding Loan Payment Date; and
- (e) Interest at the Loan Rate shall be calculated on the same basis as the Note Rate then in effect.

Payment of Additional Payments

By execution of the Loan Agreement, the Governmental Unit understands that payments thereunder will include payments in addition to the Basic Payments. Such payments include, but are not limited to, certain fees, costs and expenses of the Liquidity Provider, interest on any amounts due the Liquidity Provider, all amounts due and owing by the Governmental Unit pursuant to the Tax Regulatory Agreement entered into at the closing of the Loan and any other amounts incurred by the Governmental Unit. In addition to Basic Payments, the Governmental Unit agrees to pay on the Loan Payment Date and on demand of the Trustee in the case of a permitted acceleration of the Loan pursuant to the provisions of the Loan Agreement, as the case may be, the Governmental Unit's Proportionate Share of fees relating to the Notes and the Program to the extent that such items are not costs of issuance paid from the Loan Fund or otherwise paid under the Loan Agreement.

Optional Prepayment of Loan Payments

At the option of the Governmental Unit and after giving at least 30 days' written notice by certified or registered mail to the Issuer, the Trustee and the Dealers, the Governmental Unit may, at its

option, prepay the Loan Payments in whole by paying the then applicable Optional Prepayment Price or in part in integral principal multiples of \$100,000, on any date, not less than 30 and not more than 270 days from the receipt of such notice. Any partial prepayment shall be applied against future principal installments of the Governmental Unit under the Loan Agreement. After the date on which such prepayment in whole is applied to the payment of Notes, the Loan Agreement shall terminate, except for the obligations and covenants expressed therein to survive.

If the Issuer cannot determine the Optional Prepayment price for any reason, the Issuer shall retain possession of all funds in the Initial Excess Interest Account of the Governmental Unit and the Loan shall be deemed paid in full at the time the Issuer receives all payments required under the Loan Agreement. At such time as the Optional Prepayment Price is determined and paid to the Issuer, all amounts remaining in the Initial Excess Interest Account shall be returned to the Governmental Unit.

Mandatory Prepayment in Connection with Liquidity Facility

In the event that the Liquidity Provider has determined not to extend the term of the Liquidity Facility and the Governmental Unit and the Issuer are unable to provide an Alternate Liquidity Facility, the Governmental Unit shall prepay the Loan in accordance with the repayment provisions of the Liquidity Facility.

If the Loan has not been prepaid in full by the date which is 60 days prior to the due date of the final payment in accordance with the provisions of the Liquidity Facility, or if an Alternate Liquidity Facility has not been obtained, the Issuer and the Governmental Unit shall present a plan to issue fixed rate refunding bonds, the proceeds of which would be loaned to the Governmental Unit and used to prepay the Loan Agreement and retire the related Notes.

Upon the occurrence of a Liquidity Event, the Governmental Unit has covenanted to pay a rate of interest which is at least equal to the Liquidity Rate (as that term is defined in the Liquidity Facility).

In either case, failure to prepay the Loan in full within the relevant time period shall not constitute an Event of Default under the Loan Agreement; provided, however, that the Issuer or Liquidity Provider shall have the right to pursue any and all remedies, other than acceleration of the Loan, provided by law to which the Issuer or the Liquidity Provider is entitled in order to enforce performance by the Governmental Unit of this provision.

Security for Loan Repayment

Pursuant to the Loan Agreement, the Governmental Unit may either pledge specific revenues to secure its loan or covenant to budget and appropriate as described below. See "SECURITY FOR THE EXISTING LOAN AGREEMENTS," herein. The Governmental Unit may covenant and agree to appropriate in its annual budget, by amendment, if necessary and to the extent permitted and in accordance with budgetary procedures provided by the laws of the State, and to pay when due indirectly into the appropriate fund or account created in the Indenture, sufficient amounts of Non-Ad Valorem Revenues or Pledged Revenues of the Governmental Unit sufficient to satisfy the Loan Payment as required under the Loan Agreement. Such covenant and agreement on the part of the Governmental Unit to budget and appropriate such amounts of Non-Ad Valorem Revenues (or Pledged Revenues)

shall be cumulative, and shall continue until such Non-Ad Valorem Revenues (or Pledged Revenues) in amounts sufficient to make all required payments as and when due shall have been budgeted, appropriated and actually paid into the appropriate fund or account. "Non-Ad Valorem Revenues" is defined in the Loan Agreement to include all legally available moneys of the Governmental Unit in the funds specifically designated in the specified Loan Agreement (the "Designated Funds") derived from any source whatsoever other than ad valorem taxation on real and personal property, which are legally available for payment of Loan Payments. "Pledged Revenues" means those revenues pledged to the payment of the Loan Payments, as further defined in the Loan Agreement.

The description of the Designated Funds contained in the Loan Agreement may be amended from time to time with the consent of the Liquidity Provider. Non-Ad Valorem Revenue streams in the Designated Funds shall be established by the approved budget for the period in which the Loan is funded and cannot be removed from consideration unless an equal or greater expenditure item, acceptable to the Liquidity Provider as being a recurring expenditure, is transferred concurrently. New levies, assessments or significant expansions of existing revenues may be included or excluded from the Designated Funds at the time of enactment by action of the Governmental Unit's governing body.

Events of Default Defined

The following shall be "Events of Default" under the Loan Agreement and the terms "Event of Default" and "Default" shall mean (except where the context clearly indicates otherwise), whenever they are used in the Loan Agreement, any one or more of the following events.

(a) Failure by the Governmental Unit to timely pay any Loan Payment or any other payment required to be paid under the Loan Agreement;

(b) Failure by the Governmental Unit to observe and perform any covenant, condition or agreement on its part to be observed or performed under the Loan Agreement for a period of not less than thirty (30) days, after notice thereof to the Governmental Unit by the Trustee or the Issuer unless the Trustee and the Issuer shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice can be wholly cured within a period of time not materially detrimental to the rights of the Issuer or the Trustee, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Governmental Unit within the applicable period and diligently pursued until the failure is corrected;

(c) Any warranty, representation or other statement by the Governmental Unit or by an officer or agent of the Governmental Unit contained in the Loan Agreement or in any instrument furnished in compliance with or in reference to the Loan Agreement, was false or misleading in any material respect when made;

(d) The Governmental Unit or the Legislature of the State shall terminate the corporate existence of the Governmental Unit unless, in the opinion of the Issuer, adequate provision is made by law for the obligations of the Governmental Unit under the Loan Agreement;

(e) Any provision of the Loan Agreement material to the performance of the obligations of the Governmental Unit under the Loan Agreement shall at any time for any reason cease to be valid and

binding on the Governmental Unit or shall be declared to be null and void, or the validity or enforceability thereof shall be contested by the Governmental Unit (provided nothing in the Loan Agreement shall be construed to limit the right of the Governmental Unit to judicially determine if it is permitted by law to make indemnity arising under the Loan Agreement) or the Governmental Unit shall deny that it has any or further liability or obligation under the Loan Agreement;

(f) A petition is filed against the Governmental Unit under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, and is not dismissed within 60 days of such filing;

(g) The Governmental Unit files a petition in voluntary bankruptcy or seeking relief under any provision of any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction, whether now or hereafter in effect, or consents to the filing of any petition against it under such law;

(h) The Governmental Unit admits insolvency or bankruptcy or its inability to pay its debts as they become due or is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a custodian (including without limitation a receiver, liquidator or trustee) of the Governmental Unit or any of its property is appointed by court order or takes possession thereof and such order remains in effect or such possession continues for more than 60 days;

(i) An "Event of Default" of the Issuer under the Indenture shall have occurred. As used in this subparagraph (i), an "Event of Default" shall only include Events of Default of the Issuer not caused solely by a default of another Governmental Unit;

(j) The Governmental Unit shall be in default in the payment of any principal of or interest on any obligation for borrowed money or for the deferred purchase price of any property or asset (unless the failure to make payment of such deferred purchase price is consequent upon a contest or negotiation being diligently pursued) or on any obligation guaranteed by the Governmental Unit or in respect of which it is otherwise contingently liable beyond any period of grace stated with respect thereto in any such obligation or in any agreement under which any such obligation is created, or shall default in the performance of any agreement under which any such obligation is created if the effect of such default is to cause such obligation to become, or to permit any holder or beneficiary thereof, or a trustee or trustee on behalf thereof, with notice if required, to declare such obligation to be due prior to its normal maturity, and any of the foregoing may (in the reasonable judgment of the Issuer or the Trustee) have a material adverse effect on the ability of the Governmental Unit to perform its obligations under the Loan Agreement. Notwithstanding the foregoing sentence, in order to constitute an "Event of Default" under the Loan Agreement, any such amount must be for an amount in excess of \$1,000,000 or the debt or the obligation of the Governmental Unit must have been accelerated and be considered due and payable.

Remedies on Default

Whenever any Event of Default referred to above (other than an Event of Default with respect to the failure to pay certain amounts due and owing the Liquidity Provider described under the heading "Additional Payments" above) shall have happened and be continuing, (i) the Issuer or the Trustee,

shall, in addition to any other remedies in the Loan Agreement or by law provided, have the right, at its or their option without any further demand or notice, to take such steps and exercise such remedies as provided in the Indenture, and, without limitation, one or more of the following:

(a) Declare all Loan Payments of the Governmental Unit, in an amount equal to the Optional Prepayment Price applicable on the date of payment, and all other amounts due under the Loan Agreement, to be immediately due and payable, and upon notice to the Governmental Unit the same shall become immediately due and payable by the Governmental Unit without further notice or demand.

(b) Take whatever other action at law or in equity may appear necessary or desirable to collect amounts then due and thereafter to become due under the Loan Agreement or to enforce any other of its or their rights under the Loan Agreement.

Notwithstanding the foregoing, in the case of an Event of Default under paragraph (i) under the subheading "Events of Default Defined" above, the Issuer has agreed not to declare all Loan Payments due and payable, unless the Notes are due and payable at the time of the Event of Default.

SECURITY FOR THE EXISTING LOAN AGREEMENTS

Special Obligation

THE OBLIGATION OF THE CITY OF ORLANDO UNDER THE EXISTING LOAN AGREEMENTS SHALL NOT BE OR CONSTITUTE A GENERAL OBLIGATION OR INDEBTEDNESS OF THE GOVERNMENTAL UNIT AS A "BOND" WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION, BUT SHALL BE A SPECIAL OBLIGATION OF THE GOVERNMENTAL UNIT, PAYABLE SOLELY FROM AMOUNTS BUDGETED AND APPROPRIATED BY THE GOVERNMENTAL UNIT FROM NON-AD VALOREM REVENUES IN ACCORDANCE WITH THE TERMS OF THE EXISTING LOAN AGREEMENTS. NO HOLDER OF ANY NOTE SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER TO PAY SUCH NOTE, OR BE ENTITLED TO PAYMENT OF SUCH NOTE FROM ANY MONEYS OF THE GOVERNMENTAL UNIT EXCEPT AS PROVIDED IN THE EXISTING LOAN AGREEMENTS.

Covenant to Budget and Appropriate

Pursuant to the Existing Loan Agreements, the City of Orlando has covenanted and agreed to budget and appropriate in its annual budget, by amendment, if necessary, and to pay when due directly to the Trustee for deposit into the appropriate Fund or Account created in the Indenture, sufficient amounts of Non-Ad Valorem Revenues of the City of Orlando or other legally available funds sufficient to satisfy the Loan Payment as required under the Existing Loan Agreements after meeting essential governmental services. "Non-Ad Valorem Revenues" is defined in the Existing Loan Agreements to mean all revenues of the City of Orlando that are deposited to the credit of the City's General Fund or Utilities Service Tax Fund derived from any source whatsoever that are legally available for the payment of obligations of the City of Orlando, inclusive of operating transfers from other funds into the General Fund and exclusive of (a) revenues derived from ad valorem taxation and (b) internal transfers between the General Fund and the Utilities Services Tax Fund. The amount budgeted and appropriated

for interest due under the Existing Loan Agreements shall be based upon an assumed interest rate equal to (i) the greater of 120% of (a) the average rate of interest borne by the Loan for the 12-month period ending March 30 (or if the Loan has not been outstanding for such period, for such period as the Loan has been outstanding) or (b) the interest rate borne by the Notes for the monthly period ending in March of such year or (ii) such lower rate as may be approved in writing by the Liquidity Provider and filed with the Issuer and the Governmental Unit.

The obligation of the Governmental Unit pursuant to the Existing Loan Agreements includes an obligation to make amendments to the budget of the Governmental Unit to assure compliance with the terms and provisions thereof. If during any monthly period the Loan Rate (if continued until the end of the Fiscal Year) would cause the total remaining Loan Payments to exceed the amounts budgeted for such purposes, the Governmental Unit has covenanted and agreed to analyze the estimated average Loan Rate for the next four (4) weeks. If by the end of such four-week period, the Loan Rate (if continued until the end of the Fiscal Year) would cause the total remaining Loan Payments to exceed the amounts budgeted for such purposes, the Governmental Unit will initiate all necessary procedures to amend its budget. The assumed interest rate used in such budget amendment will be based upon 120% of the highest average monthly Loan Rate during the past three Loan Payment Periods.

New levies, assessments or significant expansions of existing revenues may be included or excluded from the Non-Ad Valorem Revenues at the time of enactment by action of the City Council. Prior to the refinancing of any Loan through the issuance of fixed rate refunding bonds in accordance with the Existing Loan Agreements, the Governmental Unit shall maintain a balance of cash and investments of less than one year maturity in the combined funds designated as Non-Ad Valorem Revenues at least equal to 15% of the outstanding principal balance of the Loan. Verification of such balance shall be provided to the Liquidity Provider on a quarterly basis. Verification of such balance by an independent accountant shall be provided to the Liquidity Provider on an annual basis and may be a part of the Governmental Unit's Comprehensive Annual Financial Report.

In the event that such balance is not maintained, the City of Orlando shall be required to fund a reserve fund for the Loan in an amount (the "Reserve Requirement") equal to the lesser of (a) 10% of the principal amount of the Loan at the time such reserve fund is funded, (b) maximum annual debt service on the Loan, or (c) 125% of average annual debt service, assuming for purposes of the computations in clauses (b) and (c) above, a fixed Loan Rate of 9.2%. Such reserve fund shall be held in a separate account by the Trustee for the benefit of the Issuer and shall be invested solely in investment securities that meet the criteria set forth in the Existing Loan Agreements.

Such covenant to budget and appropriate does not create any lien upon or pledge of such Non-Ad Valorem Revenues, nor does it preclude the Governmental Unit from pledging in the future its Non-Ad Valorem Revenues, nor does it require the Governmental Unit to levy and collect any particular Non-Ad Valorem Revenues, nor does it give the Noteholders a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the Governmental Unit. Such covenant to appropriate Non-Ad Valorem Revenues is subject in all respects to the payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereafter entered into (including the payment of debt service on bonds or other debt instruments). However, the covenant to budget and appropriate for the purposes and in the manner stated in the Existing Loan Agreements shall have the effect of making available for the payment of the Notes, in the manner described in the Existing Loan

Agreements, Non-Ad Valorem Revenues, and placing on the Governmental Unit a positive duty to appropriate and budget, by amendment if necessary, amounts sufficient to meet its obligations under the Existing Loan Agreements; subject, however, in all respects to the payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the Governmental Unit or which are legally mandated by applicable law.

The Notes and the obligations evidenced thereby shall not constitute a lien upon any project financed with the proceeds of a Loan, or on any other property of or in the Governmental Unit.

Additional Debt

The Governmental Unit has covenanted not to issue any Debt (as defined below) issued after the date of the Existing Loan Agreements (including designated maturity debt) ("Additional Debt") unless there shall be filed with the Issuer and the Governmental Unit a report by the Chief Financial Officer projecting that for each of the three fiscal years following the fiscal year in which such Additional Debt is issued, the following two tests will be met:

(1) (a) If the year in which the maximum annual debt service on indebtedness of the Governmental Unit for the payment of borrowed money other than Self-Sufficient Debt ("Debt") occurs is more than six years from the date of calculation, the maximum annual debt service with respect to all Debt then outstanding and the Additional Debt proposed to be issued will not exceed 35% of the Non-Ad Valorem Revenues for each such fiscal year forecasted by the Governmental Unit; or (b) if the year in which the maximum annual debt service with respect to Debt occurs is less than six years from the date of calculation, the maximum annual debt service with respect to all Debt then outstanding and the Additional Debt proposed to be issued will not exceed 25% of the Non-Ad Valorem Revenues for each such fiscal year forecasted by the Governmental Unit; and

(2) The higher of (a) the average annual debt service requirement with respect to all Debt then outstanding and the Additional Debt proposed to be issued, or (b) the aggregate annual debt service with respect to all such Debt then outstanding including the Additional Debt to be issued for the fiscal year following the year in which the calculation is made will not exceed 25% of the Non-Ad Valorem Revenues for each such fiscal year forecasted by the Governmental Unit.

In addition to the foregoing, the Governmental Unit may issue at any time and from time to time Additional Debt for the purpose of refunding any debt, any series of bonds, or any maturity of bonds within a series, without the necessity of complying with the requirements contained in paragraph (1) above, provided that prior to the issuance of such Debt there shall be filed with the City Council of the City of Orlando and the Issuer a certificate from the Chief Financial Officer to the effect that (a) the net proceeds from such Additional Debt will be sufficient to cause the lien created by the resolution or ordinance authorizing such Debt to be refunded to be defeased, and (b) the debt service requirement with respect to such Additional Debt in each bond year following the issuance thereof shall be equal to or less than the debt service requirement for such bond year with respect to the Debt which would have been outstanding in that bond year had the same not been refunded.

For purposes of the foregoing, "Self-Sufficient Debt" means any indebtedness of the Governmental Unit for borrowed money that is either (a) secured by or payable exclusively from a

source of revenues other than Non-Ad Valorem Revenues, or (b) primarily payable from revenues of the type described in clause (a) above and secondarily from Non-Ad Valorem Revenues if the Non-Ad Valorem Revenues have not been used (or, as provided below, deemed to have been used) to pay any portion of such indebtedness for the three fiscal years preceding the date of determination and if the Governmental Unit projects that the Non-Ad Valorem Revenues will not be so used during the next two fiscal years; and either (c) that is secured by a revenue source that has been in effect for at least three fiscal years and that would have provided coverage of at least 125% of the average annual debt service on such obligations secured by such revenue source in each of the three preceding fiscal years, or (d) if the revenue source has not been in existence for at least three fiscal years, that is secured by a revenue source that would have provided coverage of at least 150% of the average annual debt service on such obligations and that is projected to provide at least 150% debt service coverage (based on revenue and debt service projections of the Governmental Unit) in each of the three ensuing fiscal years; and (e) in any such case, in the three preceding fiscal years, no debt service of which has been paid (or as provided below, deemed to have been paid) from Non-Ad Valorem Revenues deposited in the Governmental Unit's General Fund or the Utilities Services Tax Fund. For purposes of calculating the coverage requirements described in this paragraph, the historical and projected receipts of a particular revenue source shall be adjusted retroactively to the initial date of the calculation period to reflect changes in rates, levies or impositions enacted prior to the date of calculation. For purposes of this definition, Non-Ad Valorem Revenues will be deemed to have been used to pay debt service on any debt if Non-Ad Valorem Revenues have been transferred in the relevant period, other than pursuant to a capital transfer, to a fund or account used to pay debt service on such debt.

For purposes of calculating maximum annual debt service if the terms of the Debt are such that interest thereon for any future period of time is to be calculated at a rate which is not then susceptible of precise determination ("Variable Rate Debt"), interest on such Variable Rate Debt shall be computed as follows:

(a) if the principal amount of Variable Rate Debt (including any Variable Rate Debt proposed to be incurred) is less than or equal to 25% of the principal amount of all Debt (including the Debt proposed to be incurred), an interest rate equal to the higher of 12% per annum or The Bond Buyer 40 Index shall be assumed; or

(b) if the principal amount of Variable Rate Debt (including any Variable Rate Debt proposed to be incurred) is more than 25% of the principal amount of all Debt (including the Debt proposed to be incurred), the maximum rate which could be borne by such Variable Rate Debt shall be assumed.

For purposes of calculating maximum annual debt service, the Loan shall be assumed to amortize in up to 20 years on a level debt service basis. In the event that the Governmental Unit is required to fund a reserve fund, the funding of such reserve fund shall be included in the calculation of debt service.

The Covenant Ordinance

The Governmental Unit has other debt issues outstanding which are secured by a covenant to budget and appropriate legally available non-ad valorem revenues, which is the same source of security as for the Existing Loan Agreements. Such indebtedness is issued pursuant to the terms of an

Ordinance of the City enacted on December 9, 1991, as supplemented and amended (the "Covenant Ordinance"). See "APPENDIX D -- Summary of Certain Provisions of the Covenant Ordinance." All references herein to the Covenant Ordinance are qualified in their entirety by such document, copies of which may be obtained from the Chief Financial Officer of the City of Orlando, One City Commons, 400 South Orange Avenue, 4th Floor, Orlando, Florida 32801, telephone number (407) 246-2341.

General Information regarding Non-Ad Valorem Revenues

Under the Covenant Ordinance, Covenant Revenues are defined as Non-Ad Valorem Revenues. For purposes of calculating Covenant Revenues and Self-Sufficient Debt pursuant to the Covenant Ordinance, amounts required to be transferred from the General Fund to community redevelopment trust funds pursuant to Section 163.387, Florida Statutes are deemed to be revenues derived from ad valorem taxation and not Covenant Revenues. For the calculation of Covenant Revenues for the past five Fiscal Years, see the table entitled "Calculation of Covenant Revenues and Anti-Dilution Test Limitation" below.

General Fund. The following is a statement of revenues, expenditures and changes in fund balance which provides a history of revenues which have been deposited in the City's General Fund for the past five Fiscal Years. This table does not represent revenues which will necessarily be available for payment of amounts due under the Existing Loan Agreements. Revenues which are not available for debt service include, but are not limited to, property taxes (revenues derived from ad valorem taxation). The following table shows all revenues and expenditures of the General Fund.

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CITY OF ORLANDO, FLORIDA
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR FISCAL YEARS ENDED SEPTEMBER 30, 2008 THROUGH 2012

Revenues	<u>2008⁽¹⁾</u>	<u>2009⁽¹⁾</u>	<u>2010⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>Unaudited</u> <u>2012⁽¹⁾</u>
Property Taxes⁽²⁾					
Real and/Personal Property	\$119,036,736	\$136,857,559	\$121,728,733	\$102,038,441	\$98,911,357
Interest on Delinquent Taxes	350,283	378,577	440,553	262,823	231,972
Total Property Taxes	\$119,387,019	\$137,236,136	\$122,169,286	\$102,301,264	\$99,143,329
Occupational Licenses and Franchise Fees					
Occupational Licenses	\$8,228,033	\$8,147,487	\$8,272,742	\$8,296,804	\$8,127,299
Franchise Fees	31,577,024	33,042,696	34,359,542	34,065,382	34,506,814
Total Occupational Licenses and Franchise Fees	\$39,805,057	41,190,183	42,632,284	42,362,186	42,634,113
Intergovernmental					
Orlando Utilities Commission Contribution	\$45,952,140	\$45,900,000	\$45,596,000	\$47,976,000	\$47,161,000
State Revenue Sharing	9,183,993	8,392,219	8,390,316	8,826,154	9,241,612
State Sales Tax	29,634,620	26,743,523	27,654,564	29,800,754	30,998,163
Insurance Premium Taxes ⁽²⁾	3,234,284	3,226,367	4,351,594	4,215,657	4,227,746
Other State Shared Revenues	807,906	1,139,711	853,517	878,354	863,901
Other Intergovernmental ⁽³⁾	3,060,232	2,552,464	2,563,018	2,625,904	2,674,233
Total Intergovernmental	\$91,873,175	\$87,954,284	\$89,409,009	\$94,322,823	\$95,166,655
Other Licenses, Fees and Permits					
Building Inspection and Permits	\$2,644,012	\$1,742,124	\$1,638,434	\$2,130,654	\$3,260,622
Police Fees	2,662,315 ⁽⁴⁾	1,312,102	1,234,137	1,510,571	1,544,369
Recreation and Other Fees	8,440,943 ⁽⁵⁾	10,281,008	10,919,425	10,730,362	20,875,647 ⁽⁷⁾
Total Other Licenses, Fees and Permits	\$13,747,270	\$13,335,234	\$13,791,996	\$14,371,587	\$25,680,638
Fines and Forfeitures	\$3,493,787	\$4,840,614	\$3,857,939	\$3,461,252	\$3,358,691
Other Revenue					
Income on Investments	\$8,224,673	\$11,408,481	\$7,896,741	\$5,481,698	\$10,297,351
Rent	1,116,767	1,061,826	972,335	1,086,246	1,073,928
Administrative Services	12,510,124	12,901,894	12,360,951	16,442,544	17,332,593
Miscellaneous Revenues	24,552,874 ⁽⁶⁾	15,185,932	13,938,275	13,735,399	11,933,269
Total Other Revenues	\$46,404,438	\$40,558,133	\$35,168,302	\$36,745,887	\$40,637,141
Total Revenues	\$314,710,746	\$325,114,584	\$307,028,816	\$293,564,999	\$306,620,567

	<u>2008⁽¹⁾</u>	<u>2009⁽¹⁾</u>	<u>2010⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>Unaudited 2012⁽¹⁾</u>
Expenditures					
Current Operating:					
General Administration	\$25,434,020	\$ - ⁽⁸⁾	\$ -	\$ -	\$ -
Executive Offices	16,462,166	20,151,725 ⁽⁹⁾	18,176,809	18,127,633	18,264,492
Housing and Community Development	315,500	340,955	293,386	283,370	234,106
Economic Development	12,627,682	13,208,672	11,715,619	12,658,111 ⁽¹³⁾	12,876,685
Public Works	10,408,467	13,843,085	15,292,099	21,728,515 ⁽¹³⁾	20,295,800
Transportation	11,887,935	12,451,210	12,060,674	- ⁽¹³⁾	-
Families, Parks and Recreation	30,412,139	30,647,244	28,133,393	28,519,123	27,809,959
Police	110,743,928	114,211,182	112,077,380	111,894,842	112,389,179
Fire	73,907,475	77,241,367	80,543,693	78,453,498	87,414,936 ⁽¹⁶⁾
Finance	5,851,138	- ⁽¹⁰⁾	-	-	-
Business and Financial Services	-	-	27,145,410	27,361,591	26,539,626
Orlando Venues	399,044	28,420,927 ⁽¹¹⁾	706,825	540,835	525,659
Debt Service	14,704,637	917,566	14,343,154	15,190,766	12,751,071
Other Expenditures	20,011,658	32,059,667	18,020,079	14,388,885	13,675,325
Total Expenditures	333,165,789	343,493,600	338,508,521	329,147,169	332,776,838
Excess (Deficiency) of Revenues over Expenditures	(18,455,043)	(18,379,016)	(31,479,705)	(35,582,170)	(26,156,271)
Other Financing Sources and (Uses)					
Operating Transfers In	47,048,125	48,139,058	50,605,333	67,202,660 ⁽¹⁴⁾	48,945,715
Operating Transfers (Out)	(29,332,081)	(26,912,197)	(15,177,387) ⁽¹²⁾	(14,350,536)	(16,175,246)
Bond and Loan Proceeds	413,093	3,525,000	5,000,000	2,400,000	2,000,000
Total Other Financing Sources and (Uses)	18,129,137	24,751,861	40,427,946	55,252,124	34,770,469
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other (Uses)	(325,906)	6,372,845	8,948,241	19,669,954	8,614,198
Fund Balance at Beginning of Year as Restated	72,823,907	72,498,001	78,870,846	100,988,240⁽¹⁵⁾	120,658,194
Fund Balance at End of Year	\$72,498,001	\$78,870,846	\$87,819,087	\$120,658,194	\$129,272,392

(1) Extracted from the City of Orlando's audited Comprehensive Annual Financial Reports, except for Fiscal Year 2012.

(2) The City's Covenant Revenues in the General Fund do not include Property Taxes. In addition, Insurance Premium Taxes are required to be used solely to fund pension benefits pursuant to Chapters 175 and 185, Florida Statutes and may not be used for debt service.

(3) A small portion of intergovernmental revenues may represent grants which are limited for use for specific purposes.

(4) Includes Greater Orlando Aviation Authority one-time settlement on an outstanding agreement with the City.

(5) The City's Dubsread Golf Course was closed for business for the majority of FY 2008 for capital renovations. It reopened for business in July 2008.

(6) Includes Risk Management's surpluses from prior years rebated to the General Fund in Fiscal Year 2008.

(7) Includes EMS transport fees of \$10,058,968.

(8) General Administration Department was dissolved, with a portion going to Executive Offices and a portion going to the newly created Office of Business and Financial Services.

(9) Human Resources Division was moved from General Administration to Executive Offices.

(10) The Finance Department became the Office of Business and Financial Services in Fiscal Year 2009.

(11) The Office of Business and Financial Services was created from the consolidation of the Finance Department and a portion of the General Administration Department.

(12) Primarily due to reduction in Transfers for Capital Improvement projects.

(13) Transportation Department was dissolved, with a portion going to Public Works and a portion going to Economic Development.

(14) The increase in Operating Transfers In is due to the transfer of accumulated surplus fund balance from the Utility Services Tax Fund.

(15) In 2011, beginning fund balance was restated due to the implementation of GASB Statement 54.

(16) Includes the EMS Transport fund (which was classified as a Non-major special revenue fund in 2011).

Utilities Services Tax Fund. The Utilities Services Tax is defined in the Covenant Ordinance as the taxes imposed, levied and collected by the Governmental Unit pursuant to Section 166.231, Florida Statutes, and other applicable provisions of law, on the purchase of electricity, fuel oil, metered or bottled gas (natural liquefied petroleum gas or manufactured), water service, and other services on which a tax may be imposed by law, and until October 1, 2001 also included the purchase of telecommunication services. The Governmental Unit deposits Utilities Services Taxes in the Utilities Services Tax Fund. The Utilities Services Taxes have been previously pledged for the payment of the Governmental Unit's Wastewater System Revenue Bonds, currently outstanding in the principal amount of \$21,405,000, which pledge is expected to be continued in combined refunding and new money wastewater bonds to be issued in 2013, resulting in debt secured by a subordinate lien on the Utilities Services Tax of approximately \$38,000,000. The Governmental Unit is also permitted to issue senior lien debt secured by the Utilities Services Tax, although none is currently outstanding.

Florida law authorizes any municipality in the State of Florida to levy a utilities service tax on the purchase within such municipality of electricity, metered natural gas, liquefied petroleum gas either metered or bottled, manufactured gas either metered or bottled, water service and fuel oil as well as any services competitive with those specifically enumerated. This tax may not exceed 10% of the payments received by the sellers of such utilities services from purchasers (except in the case of fuel oil, for which the maximum tax is four cents per gallon). The purchase of natural gas or fuel oil by a public or private utility either for resale or for use as fuel in the generation of electricity, or the purchase of fuel oil or kerosene for use as an aircraft engine fuel or propellant or for use in internal combustion engines, is exempt from the levy of such tax.

Pursuant to the Constitution of the State of Florida, Florida Statutes and the Code of the City (the "City Code"), the Governmental Unit levies a Utilities Services Tax, also referred to herein as Public Services Tax, within the incorporated area of the City at the rate of 10% on sales of all utility services for which it is allowed to tax, and with the restriction that the tax on fuel oil cannot exceed four cents per gallon. The City Code exempts from levy of such Utilities Services Tax (a) purchases of special fuels for use as an airplane engine fuel or propellant, (b) purchases of special fuels to be used as a raw material in a manufacturing process or a cleaning agent or solvent, (c) purchases of special fuels for use in an internal combustion engine to propel any form of vehicle, and (d) "fuel adjustment charges," which means any increases in the cost of utility service to the ultimate consumer resulting from an increase in the cost of fuel to the utility subsequent to October 1, 1973. Under the City Code, the purchase of fuel oil to be used as a raw material in a manufacturing process or to be used as a cleaning agent or solvent is excluded from the tax.

Florida law provides that a municipality may exempt from the utilities services tax the first 500 kilowatts of electricity purchased per month for residential use. The Governmental Unit has not adopted such an exemption but it does exempt purchases by the United States Government, the State of Florida, the County, the City of Orlando and its agencies, boards, commissions and authorities from the levy of such tax. In addition, the Governmental Unit exempts purchases used exclusively for church purposes by any State of Florida recognized church.

The Utilities Services Tax must be collected by the seller from purchasers at the time of sale and remitted to the Governmental Unit as prescribed by the City Code. Such tax will appear on a

periodic bill rendered to consumers for electricity, metered and bottled gas, water service and fuel oil. The seller is liable for taxes that are due and not remitted to the Governmental Unit.

The following is a statement of revenues, expenditures and changes in fund balance which provides a history of revenues which have been deposited in the Utilities Services Tax Fund for the past five Fiscal Years:

**CITY OF ORLANDO, FLORIDA
UTILITIES SERVICES TAX FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR FISCAL YEARS ENDED SEPTEMBER 30, 2008 THROUGH 2012**

	<u>2008⁽¹⁾</u>	<u>2009⁽¹⁾</u>	<u>2010⁽¹⁾</u>	<u>2011⁽¹⁾</u>	<u>Unaudited 2012⁽¹⁾</u>
Revenue					
Electric	\$25,576,240	\$27,877,075	\$30,130,306	\$29,941,145	\$28,970,349
Communications Services Tax	18,677,086	16,797,799	15,953,813	13,946,582	12,665,167
Other	762,048	705,099	756,240	686,616	798,367
Total Utilities Service Taxes	<u>45,015,374</u>	<u>45,379,973</u>	<u>46,840,359</u>	<u>44,574,343</u>	<u>42,433,883</u>
Income on Investments	316,815	2,550,518	1,953,288	277,974	377,480
Total Revenues	<u>\$45,332,189</u>	<u>\$47,930,491</u>	<u>\$48,793,647</u>	<u>\$44,852,317</u>	<u>\$42,811,363</u>
Expenditures					
Other	(21,950)	-	-	(1,036,385)	(86,032)
Operating Transfers					
Transfers to other funds	(41,605,548)	(45,308,404)	(47,663,011)	(64,315,932) ⁽²⁾	(42,725,331)
Excess (Deficiency) of Revenues Over Expenditures and Operating Transfers	3,704,691	2,622,087	1,130,636	(20,500,000)	-
Beginning Fund Balance	<u>21,201,537</u>	<u>24,906,228</u>	<u>27,528,315</u>	<u>28,658,951</u>	<u>8,158,951</u>
Ending Fund Balance	<u>\$24,906,228</u>	<u>\$27,528,315</u>	<u>\$28,658,951</u>	<u>\$8,158,951</u>	<u>\$8,158,951</u>

⁽¹⁾ Extracted from the City's Comprehensive Annual Finance Reports for Fiscal Years 2009 through 2011. Fiscal Year 2012 amounts are unaudited.

⁽²⁾ Accumulated surplus fund balance was transferred to the General Fund.

Local Communications Services Tax. The Communications Services Tax Simplification Act, enacted by Chapter 2000-260, Laws of Florida, as amended by Chapter 2001-140, Laws of Florida, and codified in part as Chapter 202, Florida Statutes (the "Communications Services Tax Act") established, effective October 1, 2001, a communications services tax on the sale of communications services as defined in Section 202.11, Florida Statutes, and as of the same date repealed Section 166.231(9), Florida Statutes, which previously granted municipalities the authority to levy a utility services tax on the purchase of telecommunication services. Florida Statute Section 202.19 provides that counties and municipalities may levy a discretionary communications services tax (the "local communications services tax") on communications services, the revenues from which may be pledged for the repayment of current or future bonded indebtedness. The Governmental Unit set the rates for its local communication services tax pursuant to a Resolution bearing Documentary No. 33876-A, adopted by the City Council on June 18, 2001.

Prior to the effective date of the Communications Services Tax Act, the Governmental Unit exercised the option to levy a utility services tax at the rate of seven percent (7%) on the purchase of telecommunications services which originated or terminated within the Governmental Unit, excluding the variable usage charges for cellular mobile telephone or telecommunications service, specialized mobile radio and pagers and paging services. Telecommunications service was defined to be local telephone service, toll telephone service, telegram or telegraph service, teletypewriter, facsimile or computer exchange service, private communication service, cellular mobile telephone or telecommunication service and specialized mobile radio, pagers and paging service but excluding Internet access service, electronic mail service, electronic bulletin board service, or similar on-line computer service. Pursuant to an Ordinance bearing City Documentary No. 33876 enacted by the City Council on June 18, 2001, the Governmental Unit repealed its utility services tax on the purchase of telecommunications services effective October 1, 2001 to coordinate with the effective date of the local communications services tax.

One effect of the Communications Services Tax Act was to replace the former utility services tax on telecommunication services, as well as revenues from franchise fees on cable and telecommunication service providers, with the local communications services tax. This change in law was intended to be revenue neutral to the counties and municipalities. The local communications services tax is applied to a broader base of communications services than the former utility services tax on telecommunications.

Communication services are defined as the transmission, conveyance, or routing of voice, data, audio, video, or any other information or signals, including cable services, to a point, or between or among points, by or through any electronic, radio, satellite, cable, optical, microwave, or other medium or method now in existence or hereafter devised, regardless of the protocol used for such transmission or conveyance. The term does not include:

- (a) Information services.
- (b) Installation or maintenance of wiring or equipment on a customer's premises.
- (c) The sale or rental of tangible personal property.
- (d) The sale of advertising, including, but not limited to, directory advertising.
- (e) Bad check charges.
- (f) Late payment charges.
- (g) Billing and collection services.
- (h) Internet access service, electronic mail service, electronic bulletin board service, or similar on-line services.

Effective October 1, 2001, any sale of communications services charged to a service address in the Governmental Unit became subject to the City's local communications services tax at a rate of 5.3%. The rate of the local communications services tax was reduced to 5.0% on October 1, 2002. The Governmental Unit on May 17, 2004, enacted an Ordinance raising the tax rate to 5.1% effective January 1, 2005. The Governmental Unit elected not to charge permit fees related to the installation and maintenance of wires on its rights-of-way, and thus is entitled to a 0.12% "add-on", for a total tax rate (also effective January 1, 2005) of 5.22%. The Communications Services Tax Act further provides that, to the extent that a provider of communications services is required to pay a tax, charge, or other fee under any franchise agreement or ordinance with respect to the services or

revenues that are also subject to the tax, such provider is entitled to a credit against the amount of such tax payable to the State in the amount of such tax, charge, or fee with respect to such service or revenues. The amount of any such credit is deducted from the amount the Governmental Unit is entitled to receive under the Communications Service Tax Act. It also provides that the Governmental Unit may exceed the maximum permissible rate in order to maintain its collection of the same annual dollar amount from and after October 1, 2001, that it received for the fiscal period ending September 30, 2001.

Providers of communications services collect the local communities services tax revenues, deduct a collection fee (between 0.25% and 0.75%) and remit the proceeds to the Florida Department of Revenue. The Florida Department of Revenue deducts a 1% administrative fee and deposits the local communications services tax revenues into the local communication services tax clearing trust fund. The local communications services tax revenues are then distributed monthly to the appropriate jurisdictions. The Governmental Unit deposits to the Utility Services Tax Fund a portion of its monthly local communications services tax revenues in an amount which fairly approximates that amount previously deposited therein in the form of the utility services tax on telecommunications services. The portion of the local communications services tax revenues so deposited to the Utility Services Tax Fund is treated as Covenant Revenues to the same extent as all other utility services tax revenues continuing to be deposited to the Utility Services Tax Fund under the terms and conditions of the Covenant Ordinance and all applicable resolutions supplemental thereto.

The Florida Legislature adopted HB 281 in May 2010, which, in an effort to simplify and improve the efficiency of the administrative process, amended the methodology for reflecting communication services tax bad debts by allowing providers of communications services registered in the State to report credits for bad debts by netting credits against taxes due. Effective July 1, 2010, but retroactive for July 1, 2000, providers of communications services can now determine the amount of credit for bad debt attributable to a local jurisdiction by employing a proportionate allocation method based on current gross taxes due. The retroactive operation of the HB 2811 does not create a right to a refund of tax, penalty, or interest remitted prior to July 1, 2012. HB 281 has had little, if any, impact on the Governmental Unit's collection of local communication services taxes.

The amount of local communications services tax revenues received by the Governmental Unit is subject to a number of factors. These factors include: changes in the dollar volume of taxable sales within the Governmental Unit; the advancement of new technologies that give consumers competing options that are not subject to the local communications services tax; and legislative changes.

Stabilization Reserve Account. The Covenant Ordinance requires the Governmental Unit to fund, over a period of not to exceed 36 months, the Stabilization Reserve Account in an amount equal to the Stabilization Reserve Requirement if the unreserved fund balances of the Governmental Unit's General Fund and Utilities Services Tax Fund are, in the aggregate, less than 10% of the Governmental Unit's Aggregate Budgeted Expenditures therefrom for such Fiscal Year.

Pursuant to the Covenant Ordinance, "Stabilization Reserve Requirement" is defined as an amount equal to 100% of the Average Annual Debt Service Requirement with respect to all Bonds Outstanding under the Covenant Ordinance calculated as of the date the requirement to fund the Stabilization Reserve Account arises pursuant to the Covenant Ordinance and recalculated annually upon the completion of the audit required pursuant to the Covenant Ordinance and as of the date of issuance of any Additional Bonds, so long as such requirement remains effective. "Aggregate Budgeted Expenditures" is defined in the Covenant Ordinance to mean for any Fiscal Year, the aggregate of the budgeted total expenditures, plus transfers out of the General Fund and Utilities Services Tax Fund, less internal transfers between the General Fund and Utilities Services Tax Fund as provided in the Annual Budget for each such Fiscal Year.

The following table shows that for the past five Fiscal Years the Governmental Unit has not been required to deposit any money in the Stabilization Reserve Account and there are currently no moneys on deposit in the Stabilization Reserve Account.

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**CITY OF ORLANDO
STABILIZATION RESERVE ACCOUNT
STABILIZATION RESERVE ACCOUNT REQUIREMENT
HISTORICAL PERSPECTIVE
FOR FISCAL YEARS ENDED SEPTEMBER 30, 2008 THROUGH 2012**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Unaudited 2012</u>
Calculation of Appropriate Reserve⁽¹⁾					
General Fund					
Reserved Fund Balance	\$1,675,559	\$882,125	\$834,752	\$5,624,392	\$6,783,508
Unreserved Fund Balance	<u>70,822,442</u>	<u>77,988,721</u>	<u>86,984,335</u>	<u>115,033,802</u>	<u>122,488,884</u>
Total Fund Balance	\$72,498,001	\$78,870,846	\$87,819,087	\$120,658,194	\$129,272,392
Utilities Services Tax Fund					
Unreserved Fund Balance	<u>\$24,906,228</u>	<u>\$27,528,315</u>	<u>\$28,658,951</u>	<u>\$8,158,951</u>	<u>\$8,158,951</u>
Total Fund Balance	\$24,906,228	\$27,528,315	\$28,658,951	\$8,158,951	\$8,158,951
Unreserved Fund Balance					
General Fund	\$70,822,442	\$77,988,721	\$86,984,335	\$115,033,802	\$122,488,884
Utilities Services Tax Fund	<u>24,906,228</u>	<u>27,528,315</u>	<u>28,658,951</u>	<u>8,158,951</u>	<u>8,158,951</u>
Total Unreserved Fund Balances General Fund and Utilities Services Tax Fund	<u>\$95,728,670</u>	<u>\$105,517,036</u>	<u>\$115,643,286</u>	<u>\$123,192,753</u>	<u>\$130,647,835</u>
Comparison to Minimum Reserve Covenant⁽²⁾					
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund Budgeted Expenditures	\$369,886,891	\$359,746,733	\$356,434,871	\$347,241,867	\$354,292,717
10% Aggregate Fund Balance Requirement	\$ 36,988,689	\$ 35,974,673	\$35,643,487	\$34,724,187	\$35,429,272
Actual Appropriable Reserve	\$ 95,728,670	\$105,517,036	\$115,643,286	\$123,192,753	\$130,647,835
Actual Percentage	25.88%	29.33%	32.44%	35.48%	36.88%

⁽¹⁾ During fiscal year 2011, the City implemented GASB 54 "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54). GASB 54 changed the fund balance classifications from reserved and unreserved to nonspendable, restricted, committed, and unassigned based on constraints on how the fund balance can be expended. The Covenant Bond Ordinance refers to reserved and unreserved fund balance. For purposes of documenting compliance with the requirements of the Covenant Bond Ordinance, beginning with Fiscal Year 2011 the reserved fund balance is calculated as the sum of nonspendable, restricted and committed fund balances for each respective fund, and unreserved fund balance is calculated as the sum of assigned and unassigned fund balance for each respective fund.

⁽²⁾ Comparing beginning of the year Fund Balances to the final budgeted General Fund expenditures.

Obligations Payable from Covenant Revenues

Outstanding Bonds; Additional Bonds. The Governmental Unit has previously issued the following Bonds pursuant to the Covenant Ordinance, which are currently Outstanding in the indicated amounts: (a) \$33,690,000 original principal amount of Capital Improvement Special Revenue Bonds, Series 2002 (the "Series 2002 Bonds"), of which \$3,690,000 are Outstanding; (b) \$23,335,000 original principal amount of Capital Improvement Special Revenue Bonds, Series 2005A (the "Series 2005A Bonds"), of which \$16,270,000 are Outstanding; (c) \$24,495,000 original principal amount of Capital Improvement Special Revenue Bonds, Series 2006A (the "Series 2006A Bonds"), of which \$18,495,000 are Outstanding; (d) \$4,780,000 original principal amount of Capital Improvement Special Revenue Bonds Series 2007A (the "Series 2007A Bonds"), all of which are

Outstanding; (e) \$58,905,000 original principal amount of Capital Improvement Special Revenue Bonds, Series 2007B (the "Series 2007B Bonds"), \$53,605,000 of which are Outstanding; (f) \$14,510,000 Capital Improvement Refunding Special Revenue Bonds, Series 2008A (the "Series 2008A Bonds") \$3,125,000 of which are outstanding; (g) \$9,175,000 original principal amount of Capital Improvement Refunding Special Revenue Bonds, Series 2008B (the "Series 2008B Bonds") \$1,510,000 of which are outstanding; (h) \$11,950,000 original principal amount of Capital Improvement Special Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), all of which remain outstanding; (i) \$15,965,000 original principal amount of Capital Improvement Refunding Special Revenue Bonds, Series 2009B (the "Series 2009B Bonds"), all of which are outstanding; (j) \$40,000,000 original principal amount of Taxable Capital Improvement Special Revenue Bonds, Series 2009C (the "Series 2009C Bonds"), all of which remain outstanding; (k) \$9,160,000 aggregate original principal amount of Capital Improvement Refunding Special Revenue Bonds, Series 2010A (the "Series 2010A Bonds"), all of which are outstanding; (l) \$17,650,000 aggregate original principal amount of Capital Improvement Refunding Special Revenue Bonds, Series 2010B ("the "Series 2010B Bonds"), \$17,585,000 of which remain outstanding; (m) \$40,260,000 original principal amount of Capital Improvement Refunding Special Revenue Bonds, Series 2010C (the "Series 2010C Bonds"), \$35,780,000 of which are outstanding; (n) \$9,000,000 original principal amount of Capital Improvement Refunding Special Revenue Bonds, Series 2011A (the "Series 2011A Bonds"), all of which are outstanding; and (o) \$9,965,000 original principal amount of Capital Improvement Refunding Special Revenue Bonds, Series 2012A (the "Series 2012A Bonds"), all of which are outstanding.

Pursuant to the Covenant Ordinance, the Governmental Unit has reserved the right to issue Additional Bonds. The Covenant Ordinance provides for the issuance of both Additional Bonds (which shall be payable on a parity with the Outstanding Bonds) and Non-Self Sufficient Debt. Additionally, the Covenant Ordinance allows the Governmental Unit to issue Non-Self Sufficient Debt for which there may be granted a prior lien on all or a portion of the Covenant Revenues, provided the Governmental Unit first complies with the requirements for the issuance of Additional Bonds, the Non-Self Sufficient Anti-Dilution Test and the Stabilization Reserve Account requirements. Additional Bonds, Non-Self Sufficient Debt and Covenant Obligations are all payable from the Covenant Revenues.

Covenant Obligations. The following is a summary of the currently outstanding Covenant Obligations:

Sunshine State Loans. The Governmental Unit has borrowed the aggregate original principal amount of \$175,720,000 through the Existing Loan Agreements issued under the Program, of which \$115,740,000 is currently outstanding. The Existing Loan Agreements, together with any other loans hereafter obtained from Sunshine State, are collectively referred to herein as the "Sunshine State Loans." Although the Sunshine State Loans are not Bonds issued pursuant to the Covenant Ordinance, they are payable from Covenant Revenues and constitute Non-Self Sufficient Debt under the Covenant Ordinance. See "MANAGEMENT DISCUSSION AND ANALYSIS – Variable Rate Exposure" herein for a discussion of the City's variable rate exposure related to the Program.

SunRail. Construction has begun on a commuter rail system serving portions of central Florida ("SunRail"). Phase 1, a 31-mile segment between DeBary and Sand Lake Road in Orange

County, is expected to be operational by May of 2014. Phase 1 includes stations at DeBary/Fort Florida Road; Sanford/SR 46, Lake Mary, Longwood, Altamonte Springs, Maitland, Winter Park/Park Avenue, Florida Hospital, LYNX Central, Church Street, Orlando, Amtrak/ORMC and Sand Lake Road. Phase 2 would provide extended service for stations at Meadow Woods, Osceola Parkway, Kissimmee Amtrak and Poinciana Industrial Park, and a new northern terminus at the DeLand Amtrak station. Phase 2 is expected to be operational by approximately 2015.

As part of the effort to implement SunRail, the Governmental Unit, together with the Florida Department of Transportation ("FDOT") and Orange, Osceola, Seminole and Volusia Counties (such counties, together with the Governmental Unit, are referred to collectively as the "Local Government Partners") have developed financing and operating plans for the acquisition, construction and operation of SunRail. The financing and operating plan for SunRail is being implemented pursuant to an Interlocal Funding Agreement for Acquisition and Construction of the Central Florida Commuter Rail System entered into among FDOT and the Local Government Partners (the "Interlocal Funding Agreement"), and an Interlocal Governance Agreement for the Creation of the Central Florida Commuter Rail Commission entered into among the Local Government Partners (the "Interlocal Governance Agreement").

Pursuant to the Interlocal Funding Agreement, each of the Local Government Partners is required to contribute a portion of the funds necessary to pay the cost of acquiring, constructing and equipping SunRail (the "Initial Capital Contribution"). The Governmental Unit has entered into a loan agreement with the State of Florida Infrastructure Bank Loan Program in the total principal amount of \$16,340,000 (the "SIB Loan") to fund its Initial Capital Contribution of approximately \$13,700,000. The Governmental Unit expects to use the difference between the principal amount of the SIB Loan and the Initial Capital Contribution to finance the system, design, engineering and improvements to SunRail stations located in the Governmental Unit. The SIB Loan bears interest at a rate of 2.45%. As of September 30, 2012, the Governmental Unit had drawn \$14,874,867 of the \$16,340,000 in total principal amount available under the SIB Loan, and had repaid \$2,448,087 for an outstanding loan balance of \$12,426,780. The Governmental Unit does not plan to draw the remaining available principal amount of \$1,465,133. Repayment of the outstanding amounts began in Fiscal Year 2013 and is expected to continue through Fiscal Year 2021.

Pursuant to the Interlocal Governance Agreement, each Local Government Partner is required to pay its "Share of Local Operating Support" to fund operating deficits of SunRail, commencing seven years after SunRail is placed in service. Each Local Government Partner's Share of Local Operating Support will be calculated pursuant to a formula based upon the number of passengers embarking and disembarking at stations located in its jurisdiction. Because the Governmental Unit's obligation to pay its Share of Local Operating Support does not involve the borrowing of money, the Governmental Unit's Share of Local Operating Support will not constitute Non-Self Sufficient Debt for purposes of the Covenant Ordinance. However, pursuant to the Interlocal Governance Agreement, the Governmental Unit will covenant to budget and appropriate legally available non-ad valorem revenues in each year sufficient to pay its Share of Local Operating Support. In addition, pursuant to the Interlocal Governance Agreement, the Governmental Unit has agreed to pay its share of the cost of the Five-Year Capital Plan of SunRail for each Fiscal Year,

commencing seven years after SunRail is placed in service, based upon the percentage of track miles located in its jurisdiction.

The Sunshine State Loans and the SIB Loan constitute Non-Self Sufficient Debt as defined in the Covenant Ordinance, and are secured by a covenant to budget and appropriate legally available non-ad valorem revenues of the Governmental Unit sufficient to make the required payments thereof, but are not Additional Bonds issued under the Covenant Ordinance. The City's obligation under the Interlocal Governance Agreement to pay its Share of Local Operating Support with respect to SunRail, while constituting neither Additional Bonds nor Non-Self Sufficient Debt, is a Covenant Obligation.

Pursuant to the Covenant Ordinance, the Governmental Unit has reserved the right to issue additional Non-Self Sufficient Debt.

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CITY OF ORLANDO, FLORIDA
schedule of debt service for Covenant Obligations

Year Ending Sept. 30	Series 2002 Bonds and Rolls of Designated Maturities⁽¹⁾	Series 2004 Bonds and Rolls of Designated Maturities⁽¹⁾	2005A, 2006A, 2007B, 2008B 2009A, B, and C Bonds, Series 2010B and C Bonds⁽²⁾	Sunshine State Governmental Financing Commission⁽³⁾⁽⁴⁾ Taxable Series H Commercial Paper Loans	Tax-Exempt Series H Commercial Paper Loans	Other Non- Self Sufficient Debt⁽⁵⁾	Total⁽⁴⁾
2013	\$ 1,065,537	\$ 586,500	\$ 17,780,673	\$ 444,645	\$ 5,154,225	\$ 2,045,133	\$ 27,076,712
2014	1,064,706	586,500	17,594,244	444,645	5,154,225	2,045,133	26,889,453
2015	925,281	586,500	17,141,768	444,645	6,961,264	2,045,133	28,104,591
2016	798,781	567,375	16,924,361	1,846,181	6,873,341	2,045,133	29,055,172
2017	5,073,533	478,066	16,797,414	1,757,252	6,785,419	2,045,133	32,936,816
2018	585,347	340,366	21,600,295	1,668,323	6,697,496	2,045,133	32,936,960
2019	532,532	340,366	21,490,204	1,579,394	6,609,574	2,045,133	32,597,203
2020	532,532	340,366	21,359,053	1,490,465	6,521,651	2,045,133	32,289,200
2021	532,532	340,366	21,172,156	-	6,433,729	1,124,085	29,602,868
2022	532,532	340,366	21,046,609	-	6,345,806	-	28,265,313
2023	2,692,532	340,366	19,849,819	-	6,257,884	-	29,140,601
2024	2,639,180	1,720,366	14,250,911	-	6,169,961	-	24,780,418
2025	2,687,727	1,686,280	14,111,299	-	13,061,250	-	31,546,556
2026	2,617,108	1,652,194	12,285,770	-	12,633,750	-	29,188,822
2027	2,551,612	1,618,108	10,301,845	-	12,206,250	-	26,677,815
2028	2,481,116	1,584,022	10,148,494	-	11,778,750	-	25,992,381
2029	2,415,743	1,549,936	9,984,820	-	11,351,250	-	25,301,749
2030	2,350,371	1,510,850	7,631,699	-	10,923,750	-	22,416,669
2031	2,274,998	1,476,888	7,575,825	-	10,496,250	-	21,823,961
2032	2,209,999	1,442,925	7,515,348	-	10,068,750	-	21,237,022
2033	-	1,408,963	7,457,128	-	9,641,250	-	18,507,340
2034	-	-	7,390,585	-	9,213,750	-	16,604,335
2035	-	-	7,320,318	-	-	-	7,320,318
2036	-	-	7,245,745	-	-	-	7,245,745
2037	-	-	7,166,288	-	-	-	7,166,288
2038	-	-	7,091,075	-	-	-	7,091,075
2039	-	-	3,490,238	-	-	-	3,490,238
2040	-	-	3,406,795	-	-	-	3,406,795
TOTALS:	\$36,563,699	\$20,497,669	\$357,130,779	\$9,675,550	\$187,339,575	\$17,485,149	\$628,692,416

⁽¹⁾ Estimated. The Series 2002 Bonds, the Series 2007A Bonds, the 2008A Bonds, the Series 2010A Bonds, the Series 2011A Bonds and the Series 2012A Bonds are Designated Maturity Debt under the Covenant Ordinance.

The 2008A Bonds, the Series 2010A Bonds and the Series 2012A Bonds are included in Series 2002 debt service as rolls of Designated Maturities. As of January 1, 2013 there are four outstanding maturities of the Series 2002 Bonds Designated Maturities (2014, 2015, 2016 and 2018) which are anticipated to be rolled over, with final maturities in the years 2017 and 2023 through 2032, inclusive. The Series 2007A Bonds and the Series 2011A Bonds are included in Series 2004 debt service as rolls of Designated Maturities. There are three outstanding maturities of the Series 2004 Bonds Designated Maturities (2015, 2016 and 2017) which are anticipated to be rolled over, with final maturities in the years 2024 through 2033, inclusive. The interest rate for all subsequent maturities is estimated at 2.47%, which is based upon the yield of the 10-year "AA" rated bond as published by Municipal Market Data, as of September 30, 2011. See "APPENDIX D -- SUMMARY OF CERTAIN PROVISIONS OF THE CITY OF ORLANDO COVENANT ORDINANCE – Definitions of Terms" attached hereto for the definition of Designated Maturity Debt.

⁽²⁾ Interest on the Series 2009C Bonds does not include credit for any Build America Bonds cash subsidy payment expected to be received by the Governmental Unit.

⁽³⁾ The estimated interest rates used to compute the interest on the variable rate debt are as follows:

	Series H Taxable	Series H Tax-Exempt
Interest	4.90%	3.50%
LOC/Liquidity	1.10	1.10
Remarketing	0.10	0.10
Other	0.05	0.05
Total	6.15%	4.75%

- (4) With regard to the Covenant Program's variable rate debt which is not required by authorizing resolution to be amortized, the Governmental Unit has covenanted to amortize the obligation over a minimum of the last one third of the nominal (normally 30 years) maturity.
- (5) Includes the anticipated repayment of the amount drawn to date on the FDOT State Infrastructure Bank Loan but does not include the Governmental Unit's Share of the Local Operating Support. See "OBLIGATIONS PAYABLE FROM COVENANT REVENUES -- Covenant Obligations - SunRail" herein.

PROPERTY TAX EXEMPTIONS AND REFORM

In June 2007, the Florida Legislature enacted Chapter 2007-321, Laws of Florida, which had a significant impact on the amount and rate of ad valorem taxes levied by local governments. Among other things, Chapter 2007-321 statutorily required each county, municipality, and special district to roll back their millage rates for Fiscal Year 2007-2008 to a level that, with certain adjustments and exceptions, would generate the same level of ad valorem tax revenue as in Fiscal Year 2006-2007. Depending upon the relative growth of each local government's own ad valorem tax revenues from 2001 to 2006, such rolled back millage rates would be determined after first reducing Fiscal Year 2006-2007 ad valorem tax revenues by zero to nine percent. The Governmental Unit fell under the 7% ad valorem tax revenue reduction category. As a result, the Governmental Unit's millage rate was reduced from 5.6916 mills in Fiscal Year 2006-07 to 4.9307 mills in Fiscal Year 2007-08.

Chapter 2007-321 also limited the growth of ad valorem tax levies in future years (except those levied by school districts) based upon the growth in a jurisdiction's population, as measured by new construction, and the statewide growth in per capita personal income. Notwithstanding the foregoing, the governing body of a county, municipality, or special district may levy a millage rate in excess of the then applicable rolled back millage rate upon a two-thirds or unanimous vote of such governing body (or three-fourths vote for jurisdictions that have a governing body comprised of nine or more members) depending on the level of the proposed increase. The rolled back millage rate may also be exceeded based on an affirmative vote of the voters in such jurisdiction. The Governmental Unit applied the authority granted in this provision and upon the City Council's approval increased the City's millage rate from 4.9307 to 5.6500 mills for Fiscal Year 2008-09, which millage rate it maintains currently. See "MANAGEMENT DISCUSSION AND ANALYSIS" herein.

Chapter 2007-321 further provides that in the event a county or municipality fails to comply with certain requirements of the legislation, such county or municipality will forfeit its distribution of the half-cent sales tax state revenue sharing for the 12-months following the determination of non-compliance.

In January 2008, Florida's voters approved three amendments to Florida's constitution which provided: (i) an additional homestead exemption of \$25,000 applied to the assessed property value

above \$50,000; (ii) a cap of 10 percent on yearly assessment increases on non-homestead residential and commercial property; (iii) portability of the three percent cap on homestead residential property, up to \$500,000, when relocating to a new home in the state; and (iv) a \$25,000 exemption from the tangible personal property tax (the "Personal Property Tax Exemption"). The 10 percent cap on assessments went into effect on January 1, 2009. All other reforms took effect retroactive to January 1, 2008.

In November 2008, Florida's voters also approved additional constitutional amendments, which impacted property taxes by: (a) allowing the Florida Legislature, by general law, to exempt from assessed value of residential homes, improvements made to protect property from wind damage and installation of a new renewable energy source device; (b) assessing specified working waterfront properties based on current use rather than highest and best use; and (c) providing property tax exemption for real property that is perpetually used for conservation; and, for land not perpetually encumbered, requiring the Florida Legislature to provide classification and assessment of land use for conservation purposes solely on the basis of character or use.

In November 2010, Florida voters approved an additional homestead exemption for deployed military personnel. The exemption, which became effective January 1, 2011, is calculated to equal the percentage of days during the prior calendar year that the military homeowner was deployed outside of the United States in support of military operations designated by the legislature. In November 2012, Florida voters approved additional homestead exemptions (i) for disabled veterans who were not Florida residents when they entered the military, (ii) for surviving spouses of military veterans or first responders and (iii) that cities and counties may grant to low-income seniors who meet certain long-term residency and other requirements.

During recent years, various legislative proposals and constitutional amendments relating to ad valorem taxation and restrictions on local government revenues and expenditures have been introduced. Many of these proposals sought to limit local government revenues and expenditures, provide for new or increased exemptions to ad valorem taxation, limit the amount of revenues that local governments could generate from ad valorem taxation or otherwise restrict the ability of local governments in the State to levy ad valorem taxes at recent historical levels. There can be no assurance that legislation introduced to date, or any additional legislative proposals introduced in the future, will be enacted, or might apply to, or have a material adverse effect upon, the Governmental Unit or its finances.

Covenant Revenues do not include ad valorem tax revenues. However, pursuant to the Covenant Ordinance, funding requirements for essential governmental services of the Governmental Unit must be satisfied prior to budgeting and appropriating Covenant Revenues for the payment of the Bonds and other obligations under the Covenant Ordinance. Ad valorem revenues have historically been used in part by the Governmental Unit to fund essential governmental services of the Governmental Unit. Therefore, a decrease in ad valorem tax revenues may in turn increase the amount of Covenant Revenues required to fund essential governmental services of the Governmental Unit and thereby reduce the amount of Covenant Revenues available to be budgeted and appropriated to satisfy the obligations of the Governmental Unit under the Covenant Ordinance.

MANAGEMENT DISCUSSION AND ANALYSIS

Fiscal Year 2010-2011

The City Council adopted a balanced budget of \$356.4 million on September 20, 2010. Despite a 15% decline in property values, the adopted budget was built on a millage rate consistent with the prior two fiscal years (5.65 mills). This resulted in a \$19.2 million reduction in ad valorem tax revenue, providing direct economic relief to the City's residents and businesses. Overall revenue in the General Fund was projected to decline by 4% or \$14.6 million from the revised Fiscal Year 2010 budget.

The Governmental Unit continued to reduce ongoing operating expenses in recognition of the current and future economic environment. A voluntary separation program was offered once again, with options similar to the previous year plus additional options for employees in the defined benefit pension plan. As a result of this program and other programmatic changes, 148 positions were deleted, for savings of over \$6.7 million. Of those deletions, 117 positions (\$5.2 million) were in the General Fund. Examples of programmatic reductions include reduced hours at City facilities, contracted park operation and maintenance, and reduced central store, warehouse, and fleet operations. The Governmental Unit also eliminated its Transportation Department and transferred those duties to other operating departments.

The Governmental Unit budgeted \$20.5 million of reserves to balance the Fiscal Year 2011 budget. Those reserves were to come from reserves that were budgeted and not needed in previous years, as well as the anticipated positive budgetary results from Fiscal Year 2010. Even with the use of the budgeted amounts from reserves, the City maintained its unencumbered reserve balance at a level greater than the 25% target.

The Governmental Unit ended Fiscal Year 2011 with a General Fund budgetary surplus of \$18.8 million. Continued efforts to control expenditures resulted in an overall under-expenditure of budgeted expense of \$22.8 million. The Governmental Unit did not have to utilize the budgeted reserve amounts. Revenues were slightly below projections (\$1.5 million), primarily because of State-mandated changes to red light camera revenue distribution that was enacted after the City's budget was adopted.

Fiscal Year 2011-2012

On September 19, 2011, the City Council adopted a balanced budget of \$347.2 million. While ad valorem tax revenues declined once again, the decline (3%) was substantially lower than the previous two fiscal years. The Governmental Unit's millage rate remained the same at 5.65 mills. The overall budget declined \$9.1 million from the revised Fiscal Year 2011 budget, primarily caused by the reduction in ad valorem tax revenue (\$3.5 million) and the correction for red light camera revenue (\$4 million).

Despite the revenue reduction, the operating budget funded current operations at the same level of service. There were no positions added nor were there any substantive operational changes. The one major initiative contained in the Fiscal Year 2012 budget was the conversion of the

Governmental Unit's employee health insurance program from fully insured to self-insured. That change is expected to generate over \$6 million in annual savings. The Governmental Unit continued to make its required annual contribution for all three defined benefit pension plans as well as its other post employment benefit plan.

The Governmental Unit budgeted \$20.5 million of reserves to balance the Fiscal Year 2012 budget. Those reserves came from reserves budgeted and not needed in prior fiscal years. The budgeted reserves were equal to the amount in excess of the Governmental Unit's 25% reserve target. The Governmental Unit ended the year in a positive position, meaning the anticipated \$20.5 million use of excess budgeted reserves was again not necessary. The 2012 operating profit was approximately \$2.0 million, mostly coming from personal service savings and interest earnings in excess of budget estimates.

Fiscal Year 2012-2013

On September 20, 2012, the City Council adopted a balanced budget of \$354.3 million. Ad valorem tax revenue will remain flat from Fiscal Year 2012, with overall property values increasing only .56%. While the growth in total value is small, this is the first overall increase in four years, which is a positive indicator for the Governmental Unit. The approved millage rate remained the same at 5.65 mills. The overall budget increased \$7.1 million from the adopted Fiscal Year 2012 budget, primarily through the use of reserves in excess of the Governmental Unit's 25% reserve target.

The operating budget funds current operations at the same level of service. There were no positions added nor were there any substantive operational changes. The only significant change to the operating budget from Fiscal Year 2012 is the addition of funding to acquire a five-acre parcel of land in the southeast corner of Lake Eola Park, the City's iconic central park, to protect that land from potential future development. It is important to recognize that the Governmental Unit continues to make its required annual contribution for all three defined benefit pension plans as well as its other post employment benefit plan.

The Governmental Unit budgeted \$29.5 million of reserves to balance the Fiscal Year 2013 budget. Those reserves came from reserves budgeted and not needed in prior fiscal years. The budgeted reserves are equal to the amount in excess of the Governmental Unit's 25% reserve target.

Additional Bonds Plans

The Governmental Unit does not expect to issue any Additional Bonds for capital purposes within the next three years based on its capital improvement plan. The Governmental Unit is considering issuing wastewater system revenue bonds to fund wastewater capital improvements. The Governmental Unit's wastewater system bonds are Self-Sufficient Debt. However, the Governmental Unit's Utilities Services Taxes have been previously pledged for the payment of the Governmental Unit's wastewater system revenue bonds, which pledge is anticipated to be continued and encompass such additional wastewater system bonds. See "COVENANT REVENUES -- Utilities Services Tax Fund."

Variable Rate Exposure

The Governmental Unit's Series H Sunshine State Loans related to the Notes are its only outstanding variable rate debt. The total amount of Series H Sunshine State loans currently outstanding is \$115,740,000.

ADDITIONAL OBLIGATIONS PAYABLE FROM NON-AD VALOREM REVENUES

General

The Covenant Ordinance provides for the issuance of both Additional Bonds (which shall be payable on a parity with the outstanding Bonds) and Non-Self-Sufficient Debt. Additionally, the Covenant Ordinance allows the Governmental Unit to issue Non-Self-Sufficient Debt for which there may be granted a prior lien on all or a portion of the Covenant Revenues, provided the Governmental Unit first complies with the requirements described below. The Covenant Ordinance does not provide any restrictions on the issuance of Self-Sufficient Debt.

Non-Self-Sufficient Debt means any indebtedness of the Governmental Unit for the payment of borrowed money other than Self-Sufficient Debt. Self-Sufficient Debt means any indebtedness of the Governmental Unit for borrowed money that is either (a) secured by or payable exclusively from a source of revenues other than Covenant Revenues, or (b) primarily payable from revenues of the type described in clause (a) above and secondarily from Covenant Revenues if the Covenant Revenues have not been used (or, as provided below, deemed to have been used) to pay any portion of such indebtedness for the three fiscal years preceding the date of determination and if the Governmental Unit projects that the Covenant Revenues will not be so used during the next two fiscal years; and either (c) that is secured by a revenue source that has been in effect for at least three fiscal years and that would have provided coverage of at least 125% of the average annual debt service on such obligations secured by such revenue source in each of the three preceding fiscal years, or (d) if the revenue source has not been in existence for at least three fiscal years, that is secured by a revenue source that would have provided coverage of at least 150% of the average annual debt service on such obligations secured by such revenue source in at least the last full fiscal year preceding the issuance of such obligations and that is projected to provide at least 150% debt service coverage (based on revenue and debt service projections of the Governmental Unit) in each of the three ensuing fiscal years; and (e) in any such case, in the three preceding fiscal years, no debt service of which has been paid (or, as provided below, deemed to have been paid) from Covenant Revenues deposited in the General Fund or the Utilities Services Tax Fund. For purposes of calculating the coverage requirements described in this paragraph, the historical and projected receipts of a particular revenue source shall be adjusted retroactively to the initial date of the calculation period to reflect changes in rates, levies or impositions enacted prior to the date of calculation. For purposes of this definition, Covenant Revenues will be deemed to have been used to pay debt service on any debt if Covenant Revenues have been transferred in the relevant period, other than pursuant to a Capital Transfer, to a fund or account used to pay debt service on such debt. Pursuant to the Covenant Ordinance, a Capital Transfer means any Interfund transfer from the Governmental Unit's General Fund or the Utilities Services Tax Fund to another fund of the Governmental Unit, designated for a specific capital project (and not for debt service with respect to debt incurred for such capital project).

Non-Self-Sufficient Debt-Anti Dilution Test

(1) The Governmental Unit has covenanted in the Covenant Ordinance not to issue any Non-Self-Sufficient Debt (including Designated Maturity Debt as defined below) unless there shall be filed with the Governmental Unit a report by an independent certified public accountant or such other party as the Rating Agency shall approve without withdrawing or reducing the rating then applicable to the Bonds outstanding under the Covenant Ordinance, projecting that for each of the three fiscal years following the fiscal year in which such Non-Self-Sufficient Debt is issued, the following two tests will be met:

(a) If the year in which the Maximum Annual Debt Service on Non-Self-Sufficient Debt occurs is more than six years from the date of calculation, the Maximum Annual Debt Service with respect to all Non-Self-Sufficient Debt then outstanding and the Non-Self-Sufficient Debt proposed to be issued will not exceed 35% of the Covenant Revenues for each such fiscal year forecasted by the Governmental Unit; or (2) if the year in which the Maximum Annual Debt Service with respect to Non-Self-Sufficient Debt occurs is less than six years from the date of calculation, the Maximum Annual Debt Service with respect to all Non-Self-Sufficient Debt then outstanding and the Non-Self-Sufficient Debt proposed to be issued will not exceed 25% of the Covenant Revenues for each such fiscal year forecasted by the Governmental Unit; and

(b) The higher of (1) the average annual debt service requirement with respect to all Non-Self-Sufficient Debt then outstanding and the Non-Self-Sufficient Debt proposed to be issued, or (2) the aggregate annual debt service with respect to all such Non-Self-Sufficient Debt then outstanding including the Non-Self-Sufficient Debt proposed to be issued for the fiscal year following the year in which the calculation is made, will not exceed 25% of the Covenant Revenues for each such fiscal year forecasted by the Governmental Unit.

(2) Concurrently with the issuance of Non-Self-Sufficient Debt, the Mayor or Mayor Pro Tem of the Governmental Unit shall certify (a) the dates and the principal amounts of such Non-Self-Sufficient Debt (other than Designated Maturity Debt) that will be paid or redeemed in advance of the final maturity thereof to the extent that (1) separate serial maturities or amortization installments have not been established for such Non-Self-Sufficient Debt and (2) amortization of such debt is otherwise required pursuant to the Covenant Ordinance, as discussed under "Additional Obligations Payable from Non-Ad Valorem Revenues - Amortization of Variable Rate Bonds and Designated Maturity Debt," herein, and (b) with respect to Designated Maturity Debt, the principal amortization for each series thereof is in accordance with the Covenant Ordinance, as discussed under "Additional Obligations Payable From Non-Ad Valorem Revenues - Amortization of Variable Rate Bonds and Designated Maturity Debt," herein, assuming that the final maturity of each series of Designated Maturity Debt shall be no later than thirty years from the date of original issuance thereof. Each proposed amortization installment set forth in such certificate shall be on a date which is on or after the first optional redemption date for such Non-Self-Sufficient Debt.

(3) The Governmental Unit may, from time to time, amend the amortization certificate requirements established pursuant to paragraph (2) above if the new amortization schedule would not cause the Governmental Unit to violate the anti-dilution tests set forth in paragraph (1) above

and the amortization requirements of Variable Rate Bonds and Non-Self-Sufficient Debt as set forth in the Covenant Ordinance, as discussed under "Additional Obligations Payable From Non-Ad Valorem Revenues - Amortization of Variable Rate Bonds and Designated Maturity Debt," herein, as re-calculated on the date of amendment to such amortization schedule.

(4) The certificate of amortization provided pursuant to paragraph (2) above, as amended from time to time as provided in paragraph (2) above, shall not create an enforceable right or expectation of Bondholders to have Bonds redeemed or retired but is intended to document the Governmental Unit's ability and intent to comply with the requirements of the Covenant Ordinance.

Issuance of Additional Bonds under the Covenant Ordinance. The Governmental Unit may not issue any obligations payable from the amounts deposited in the funds and accounts created under the Covenant Ordinance, or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of any Bonds issued pursuant to the Covenant Ordinance upon such funds and accounts, except under the conditions and in the manner described below.

Except as otherwise provided in the Covenant Ordinance, no series of Additional Bonds may be issued under the Covenant Ordinance unless the Governmental Unit shall have first complied with the requirements set forth below, among others:

1. There shall have been obtained and filed with the Governing Body the report required for the issuance of such Additional Bonds as Non-Self-Sufficient Debt as described under paragraphs (1) and (2) above under "Non-Self-Sufficient Debt - Anti Dilution Test."

2. In addition to the foregoing, the Governmental Unit may issue at any time and from time to time Additional Bonds for the purpose of refunding any series of Bonds, or any maturity of Bonds within a series, without the necessity of complying with the requirements contained in subparagraph (1) above, provided that prior to the issuance of such Bonds there shall be filed with the Governing Body of the Governmental Unit a certificate from an independent certified public accountant to the effect that (a) the net proceeds from such Additional Bonds will be sufficient to cause the lien created by the Covenant Ordinance with respect to the Series of Bonds to be refunded to be defeased and (b) the debt service requirement with respect to such Additional Bonds in each bond year following the issuance thereof shall be equal to or less than the debt service requirement for such bond year with respect to the Bonds which would have been outstanding in that bond year had the same not been refunded pursuant to the Covenant Ordinance. In addition, prior to the issuance of such Bonds, there shall be filed with the Governing Body of the Governmental Unit an opinion of Bond Counsel to the effect that (a) the proceeds from the sale of such Additional Bonds have been set aside in irrevocable escrow for the payment of the Bonds to be refunded in the manner described in the Covenant Ordinance and (b) the issuance of such Additional Bonds and the use of the proceeds thereof as described above will not have the effect of causing the interest on any Bond then outstanding under the Covenant Ordinance (other than Bonds issued as taxable debt), including the Bonds to be refunded, to become includable in the gross income of the owner thereof for federal income tax purposes.

Bonds issued pursuant to the terms and conditions of the Covenant Ordinance shall be deemed on a parity with all Bonds then outstanding, and all of the covenants and other provisions of the Covenant Ordinance shall be for the equal benefit, protection and security of the Holders of any Bonds originally authorized and issued pursuant to the Covenant Ordinance and the Holders of any Bonds evidencing additional obligations subsequently created within the limitations of and in compliance with the Covenant Ordinance; provided, however, that separate subaccounts in the Reserve Account created pursuant to the Covenant Ordinance shall secure only the series of Bonds with respect to which such subaccount was created. Bonds may be issued only for the purpose of financing one or more Projects, or for the purpose of refunding any obligations theretofore issued for such purposes.

Amortization of Variable Rate Bonds and Designated Maturity Debt. The Governmental Unit has covenanted that it will not issue Bonds constituting variable rate debt under the terms of the Covenant Ordinance unless the maximum interest rate payable on such Bonds does not exceed 15% per annum.

With respect to each series of Non-Self-Sufficient Debt issued on or after the date of issuance of the first series of Bonds issued under the Covenant Ordinance, the Governmental Unit covenants to refund or redeem Bonds or other Non-Self-Sufficient Debt of such series in such amounts and at such times as shall cause the original principal (or, with respect to Capital Appreciation Debt, accreted value at maturity) of such series of Bonds or other Non-Self-Sufficient Debt to be amortized (by payment or defeasance) no less quickly than in equal annual installments over at least the last one-third of the original stated term to maturity (or with respect to Designated Maturity Debt, over the last one-third of the amortization schedule with respect to such Designated Maturity Debt as set forth in the Amortization Certificate). Pursuant to the Covenant Ordinance, "Designated Maturity Debt" means all Non-Self-Sufficient Debt of a Series, or a particular maturity thereof, with a stated maturity of fifteen (15) years or less, designated as such by supplemental ordinance or resolution of the Governmental Unit adopted prior to the issuance thereof, for which either (i) no Serial maturities or Amortization Installments or mandatory sinking fund redemption installments (with respect to other Non-Self-Sufficient Debt) have been established or (ii) the aggregate of such Serial maturities and Amortization Installments or mandatory sinking fund redemption installments that have been established is less than the principal amount of such Non-Self-Sufficient Debt. For purposes of the Covenant Ordinance, the Series 2002 Bonds maturing in the year 2014 and all of the Series 2007A Bonds, the Series 2008A Bonds, the Series 2010A Bonds, the Series 2011A Bonds and the Series 2012A Bonds have been designated by the Governmental Unit as Designated Maturity Debt.

Calculation of Covenant Revenues and Anti-Dilution Test Limitation Under the Covenant Ordinance. As stated in the Covenant Ordinance, the Governmental Unit may issue Non-Self-Sufficient Debt (including Additional Bonds) if it has complied with the requirements of the Covenant Ordinance. The following table shows the percentage of Non-Self-Sufficient Debt as a percentage of Covenant Revenues for each of the last five years (this table differs from the anti-dilution test calculation shown in the Governmental Unit's Comprehensive Annual Financial Report, which is prepared for purposes other than the issuance of Additional Bonds under the Covenant Ordinance).

**CITY OF ORLANDO
CALCULATION OF COVENANT REVENUES
AND ANTI-DILUTION TEST LIMITATION**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
COVENANT REVENUES					
General Fund Revenue	\$314,710,746	\$325,114,584	\$307,028,816	\$293,564,999	\$306,620,568
Interfund Transfer In	47,048,125	48,139,058	50,605,333	67,202,660	48,945,714
Utilities Services Tax Fund Revenue	<u>45,332,189</u>	<u>47,930,491</u>	<u>48,793,647</u>	<u>44,852,317</u>	<u>42,811,363</u>
Total Revenues	\$407,091,060	\$421,184,133	\$406,427,796	405,619,976	398,377,645
Less: Ad-valorem Tax Revenues	119,387,019	137,236,136	122,169,286	102,301,264	99,143,329
Revenues Not Legally Available for Debt Service ⁽¹⁾	3,234,284	3,226,367	4,351,594	4,215,657	4,227,746
Internal Transfer ⁽²⁾	<u>41,605,548</u>	<u>45,308,404</u>	<u>47,663,011</u>	<u>64,315,932</u>	<u>42,725,331</u>
Total Covenant Revenues	<u>\$242,864,209</u>	<u>\$235,413,226</u>	<u>\$232,243,905</u>	<u>\$234,787,123</u>	<u>\$252,281,239</u>
25% Limitation ⁽³⁾	\$60,716,052	\$58,835,307	\$58,060,976	\$58,696,781	\$63,070,310
Maximum Annual Debt Service ⁽⁴⁾	\$27,964,574	\$30,474,987	\$36,003,294	\$33,004,686	\$32,936,960
% of Limit	46.06%	51.78%	62.01%	56.23%	52.22%
% of Covenant Revenues	11.51%	12.95%	15.50%	14.06%	13.06%

⁽¹⁾ Represents amounts that the City believes are not legally available for debt service. There are no assurances that in future years the percentage of revenues not legally available for debt service will not increase.

⁽²⁾ To alleviate duplicate counting revenues are reduced by amounts transferred into the General Fund from the Utility Services Tax Fund.

⁽³⁾ Defined as 25% of the available Covenant Revenues if the year in which the Maximum Annual Debt Service on Non-Self-Sufficient Debt occurs is less than six years from the date of calculation. The percentage is 35% if the year in which the Maximum Annual Debt Service on Non-Self-Sufficient Debt occurs is more than six years from the date of calculation.

⁽⁴⁾ Includes all Non-Self-Sufficient Debt. The estimated interest rates to compute the debt service are as follows:

	Series H <u>Taxable</u>	Series H <u>Tax-Exempt</u>
Interest	4.9000%	3.5000%
LOC/Liquidity	1.1000%	1.1000%
Remarketing	0.1000%	0.1000%
Other	<u>0.0500%</u>	<u>0.0500%</u>
Total	<u>6.1500%</u>	<u>4.7500%</u>

Limitations on Receipt of Non-Ad Valorem Revenues

The ability of the Governmental Unit to appropriate Non-Ad Valorem Revenues in sufficient amounts to pay amounts due under the Existing Loan Agreements is subject to a variety of factors, including the responsibility to provide essential governmental services, and the obligation of the Governmental Unit to have a balanced budget. No representation is being made by the Governmental Unit that any particular non-ad valorem revenue sources will be available in future years, or if available, will be budgeted to pay amounts due under the Existing Loan Agreements. For further information regarding non-ad valorem revenues of the Governmental Unit, reference is made to Appendix B attached hereto.

Continued consistent receipt of Non-Ad Valorem Revenues is dependent upon a variety of factors, including formulas specified under Florida law for the distribution of certain of such funds which take into consideration the ratio of residents in incorporated areas of Orange County to total

County residents. The amounts and availability of any of the Non-Ad Valorem Revenues to the Governmental Unit are also subject to change, including reduction or elimination by change of State law or changes in the facts or circumstances according to which certain of the Non-Ad Valorem Revenues are allocated. In addition, the amount of certain of the Non-Ad Valorem Revenues collected by the Governmental Unit is directly related to the general economy of the Governmental Unit. Accordingly, adverse economic conditions could have a material adverse effect on the amount of Non-Ad Valorem Revenues collected by the Governmental Unit. The Governmental Unit may also pledge certain of the Non-Ad Valorem revenues to future obligations that it issues. Such Non-Ad Valorem Revenues would be required to be applied to such obligations prior to paying amounts due under the Existing Loan Agreements.

CITY OF ORLANDO ADMINISTRATION

Management of the Governmental Unit

The Mayor is the Chief Executive Officer with eight departments reporting to him (Business & Financial Services, Economic Development, Families, Parks & Recreation, Fire, Housing and Community Development, Orlando Venues, Police, and Public Works). He is assisted in the day-to-day oversight of city operations by the Chief Administrative Officer. Separately, under the Mayor's Chief of Staff, there are five offices (City Clerk, Communications & Neighborhood Relations, Community Affairs, Constituent Relations and Intergovernmental Relations).

Mayor Buddy Dyer is a native of Central Florida, born in Orlando and raised in the nearby City of Kissimmee. Following graduation from high school, he was awarded a scholarship to Brown University where his studies were concentrated on civil engineering. Upon graduation, Mayor Dyer returned to Orlando to work as an environmental engineer, later enrolling in the University of Florida Law School, where he was named editor-in-chief of the University of Florida Law Review. Following graduation from law school, Mayor Dyer began his legal career with the Orlando law firm of Winderweede, Haines, Ward & Woodman. Prior to becoming Mayor, Buddy Dyer served the Orlando area for ten years as State Senator in the Florida Legislature. Mayor Dyer was first elected in 2003 to fill an unexpired term and was subsequently re-elected to full four-year terms in 2004, 2008 and 2012.

Financial and Budgetary Support Systems

The Chief Financial Officer (CFO) is responsible for the oversight of the City's financial affairs. This includes the functions of accounting, accounts payable, accounts receivable, operating and capital budgeting, fleet management, facilities management, real estate management, financial forecasting, financial reporting, debt management, grants management, investment management, investor relations, payroll, purchasing, pension management, risk management and technology management. In addition, the CFO provides counseling to various departments and business units and is an active participant in strategic planning activities.

The City has gained recognition for its Comprehensive Annual Financial Report ("CAFR"). A Certificate of Achievement for Excellence in Financial Reporting has been awarded to the City by the Government Finance Officers Association of the United States and Canada ("GFOA") for each

Fiscal Year since 1978. The City was also an early participant in the GFOA's Distinguished Budget Presentation Awards program and received the budget award for its budget document for fiscal years 1984 through 1989. Due to perceived problems with consistency in the budget awards program at the time, the City elected to discontinue participation but maintain internally the high standards which had been recognized. In light of substantial changes to the program, the City resumed its participation beginning with its fiscal year 2004 Budget document. The City has been awarded the Distinguished Budget Presentation Award for each Fiscal Year since 2004.

Rebecca W. Sutton was appointed Chief Financial Officer on December 5, 2005. Before joining the City, she served the State of Florida as its Deputy Chief Financial Officer from September 2002 to December 2005, and as Deputy Secretary/CIO for the Department of Management Services from December 2001 to September 2002. Prior to her service with the State, Ms. Sutton worked for American Management Systems (AMS) implementing ERP system projects for large state and local governments. Before joining AMS, she served as the Controller for the City of Dallas and the Director of Finance for Carrollton, Texas. Ms. Sutton began her career as an auditor for state and local governments for a worldwide accounting firm. She holds a Bachelor of Business Administration from Texas Tech University and a Master of Business Administration from the University of Florida.

Christopher P. McCullion was appointed City Treasurer on September 8, 2008. Prior to his appointment, Mr. McCullion served as the Assistant Treasurer for the City of Orlando. He has served in various positions in municipal government since 2000 in the areas of operating and capital budgeting, investment management, debt management and economic development. He holds a Bachelor of Science in Business Administration, a Bachelor of Arts in Political Science, and a Master of Business Administration, all from the University of Florida.

City Budget Policy

The City Council annually adopts a budget resolution for all operating funds of the Governmental Unit except for certain restricted accounts of propriety funds and pension trust funds. Budgetary control is legally maintained at the fund level. The City's budget resolution provides transfer authority to (a) the Mayor and the Chief Financial Officer within and between departments and funds as long as the total budget of the City (net of interfund transfers) is not increased, (b) the Chief Financial Officer to implement grant budgets as the grant applications are accepted by the Governmental Unit and (c) the Chief Financial Officer to amend (reappropriate) each new budget to the extent of outstanding encumbrances at year end. City Council action is required for (a) the use of budgeted Council contingency and (b) approval of a supplemental budget.

INVESTMENT POLICY

On September 25, 1995, the City Council adopted its initial Investment Policy, which has been amended and ratified annually since that date (the "Investment Policy"). The Investment Policy sets forth guidelines and parameters for making decisions and taking actions relating to the Governmental Unit's aggregate investment portfolio. The aggregate investment portfolio includes all funds held by the Governmental Unit except (a) pension fund assets and (b) funds whose uses are

restricted by debt covenants, prior contract or legal, regulatory or other constraints. On February 27, 2012, the City Council adopted the current version of the Investment Policy.

In December 2000, the Governmental Unit privatized most of its investment activities when it hired external managers to invest up to 90% of its aggregate investment portfolio. The City manages a minimum of 10% of the portfolio internally to meet liquidity needs and to meet the investment objectives contained in the Investment Policy.

Under the Investment Policy, (a) no less than 10% of the aggregate investment portfolio shall be allocated to the liquidity portfolio (the duration of the liquidity portfolio cannot exceed 1.25 years and the duration of any single holding in the liquidity portfolio shall not exceed three years), (b) the average effective duration of the aggregate investment portfolio shall be within +/- 30% of its benchmark index, (c) not less than 30% of the aggregate investment portfolio shall be invested in a combination of obligations of the U.S. Government, its agencies and instrumentalities, with a minimum of 10% of this 30% of the portfolio invested in U.S. Government and Agency debt obligations, (d) no more than 35% of the aggregate investment portfolio shall be invested in mortgage backed securities, (e) no more than 30% of the aggregate investment portfolio shall be invested in specialty risk categories, (f) no more than 10% of the aggregate investment portfolio shall be invested in corporate securities rated below Baa3 by Moody's Investors Service, BBB- by Standard & Poor's, or BBB- by Fitch Ratings, (g) no more than 10% of the aggregate investment portfolio shall be invested in investment grade securities denominated in foreign currency, (h) no more than 10% of the aggregate investment portfolio shall be invested in emerging markets securities, and (i) no more than 5% of the aggregate investment portfolio shall be invested in non-U.S. dollar, unhedged securities. Investment in items (d) through (i) above shall be externally managed and require the prior approval of the City Council.

The following comprise authorized investment instruments under the Investment Policy subject to limits and standards defined therein: U.S. Government and Agency Debt Obligations, U.S. Government Instrumentality Debt Obligations, High Grade Corporate Debt, Mortgage Backed Securities, Bank Certificates of Deposit, Repurchase Agreements, Money Market Mutual/Trust Funds, State and Local Taxable or Tax-Exempt Debt, Fixed Income Mutual Funds, Specialty Risk Investments (below investment grade corporate securities, debt issued in foreign currencies, and emerging market debt), Derivative Securities, and Reverse Repurchase Agreements.

The Governmental Unit is authorized to enter into reverse repurchase agreements (generally defined as a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest). The market value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in market value of the securities. If the dealers default on their contractual obligations to resell these securities to the Governmental Unit or provide securities or cash of at least equal value, the Governmental Unit would suffer an economic loss equal to the difference between the market value plus accrued interest of the underlying securities and the repurchase agreement obligations, including accrued interest. The Governmental Unit is not currently a party to any reverse repurchase agreements.

The Investment Policy may be modified from time to time by the City Council.

There are certain restrictions on the investment of funds held under the Covenant Ordinance. See "APPENDIX D -- SUMMARY OF CERTAIN PROVISIONS OF THE CITY OF ORLANDO COVENANT ORDINANCE – Investment of Moneys" attached hereto.

INTEREST RATE RISK MANAGEMENT PRODUCTS POLICY

In October, 2005, the Governmental Unit adopted an Interest Rate Risk Management Products Policy (the "Derivatives Policy") to provide guidelines for the use of interest rate risk management products such as swaps, caps, floors, collars and options in connection with the incurrence of debt obligations of the Governmental Unit. The Derivatives Policy provides that the objectives for which the Governmental Unit will consider the use of such products are (a) as a hedging strategy – to prudently reduce exposure to changes in interest rates in the context of a particular financing or overall asset/liability management of the Governmental Unit; or (b) to reduce cost – to achieve a lower net cost of borrowing with respect to the Governmental Unit's debt. Pursuant to the Derivatives Policy, interest rate mitigation products will not be used for speculative purposes. The City Council adopted the current version of the Interest Rate Risk Management Products Policy on February 27, 2012.

The Derivatives Policy provides that prior to entering into an agreement, the Governmental Unit's Chief Financial Officer will evaluate the risks inherent in the transaction, potentially including amortization risk, basis risk, credit risk, counterparty risk, interest rate risk, rollover risk, tax event risk and termination risk. Identification of the risks and discussion of means, if any, employed to mitigate the risks are to be included in the Chief Financial Officer's report recommending approval of the transaction. The Derivatives Policy includes policies with respect to counterparty ratings and collateralization requirements. The Governmental Unit's Chief Financial Officer is designated by the Derivatives Policy as the party responsible for determining the appropriate use of interest rate risk management products in conjunction with the City's debt financing and for making recommendations for the use of such products to the Governmental Unit's Finance Committee, Mayor and City Council. The Chief Financial Officer is required to review and report annually on the activities and assumptions related to the various interest rate risk mitigation transactions. The Derivatives Policy may be modified from time to time by the City Council. The Governmental Unit is not currently a party to any interest rate swap transactions.

PENSION AND OTHER POST EMPLOYMENT BENEFITS

Pension Plans

The following information contained in this section has been provided by the City of Orlando's Office of Business and Financial Services and, unless expressly indicated otherwise, is unaudited. For a more detailed discussion and additional information regarding the Governmental Unit's pension plans, other post employment benefits, and other employment and termination benefits see Note III.G. in the Notes to Financial Statements included in the Governmental Unit's Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2011 referred to below under the caption "FINANCIAL STATEMENTS."

General. The City of Orlando maintains three separate single employer defined benefit pension plans for City employees (Police Pension Plan, Firefighter Pension Plan, and General Employees Pension Plan, which includes substantially all other full-time City employees, including component unit employees). Although the assets of the plans are often commingled for investment purposes, each plan's assets may be used only for the benefit of the members and beneficiaries of that plan in accordance with the terms of each plan document.

Effective October 1, 1998, the Governmental Unit created a Defined Contribution plan ("DC Plan") within the General Employees' Pension Fund for all general employees hired on or after that date. At the same time, the existing Defined Benefit plan ("DB Plan") for general employees was closed to new participants. In addition, each employee in the DB Plan could elect to stay in the DB Plan or move the present value of his or her future benefits to the DC Plan any time prior to October 1, 2001. Employees with ten years of service as of October 1, 1998 have until the end of their City career to make this choice. Defined benefit plans remain in place for police and firefighters. The City hired a third-party administrator (who offers numerous investment options including various model portfolios) to assist individual employees in the management of their individual DC Plan accounts.

The City Council of the City serves as the Retirement Board of the General Employees' Pension Plan. The Police Pension Plan and the Fire Pension Plan are each governed by independent Boards of Trustees consisting of two elected members of the Plan, two City appointees, and a fifth trustee elected by the other four trustees. The Boards of each plan, in consultation with their actuaries, are responsible for setting the actuarial assumptions used to determine the future liabilities of the plan. These assumptions include, among other things, an assumption for the investment rate of return (currently 8% annually for each plan). This rate of return assumption is a key driver in the calculation of the funded status of the plan and in the calculation of the City's required pension contributions. Other than the General Employees Pension Plan, the Governmental Unit is not directly involved in setting these actuarial assumptions. If either of the Boards for the Police or Fire Pension Plans decide to adopt new actuarial assumptions, the respective plan's funded status and the Governmental Unit's annual required contribution amounts may be impacted. It is impossible at this time to predict whether any of the Boards will make changes to the plans' actuarial assumptions, or the magnitude of any such impact on the plans' funded status or the Governmental Unit's annual required contributions, should any such changes be adopted.

The following table shows the number of members in the Governmental Unit's General Employees Pension Plans, Police Pension Plan and Firefighter Pension Plan and each Plan's respective accounting policies, assets and provisions, all as of September 30, 2011.

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ACCOUNTING POLICIES AND PLAN ASSETS:	General Employee			
	Defined	Defined	Fire fighter	Police
	Benefit (DB)	Contribution (DC)		
Authority	City Ordinance	City Ordinance	Special Act Legislation	Special Act Legislation
Basis of Accounting	Accrual	Accrual	Accrual	Accrual
Assets Valuation:				
Reporting	Fair Value	Fair Value	Fair Value	Fair Value
Actuarial Valuation	Market Smoothing	N/A	Market Smoothing	Market Smoothing
Legal Reserves	None	N/A	None	None
Long-Term Receivable	None	N/A	None	None
Internal/Participant Loans (millions)	None	\$ 5.2	None	None
Non-governmental investment in excess of 5%	None	N/A	None	None

MEMBERSHIP AND PLAN PROVISIONS:

MEMBERS:

Active Participants:	234	1,460 (1)	482	696
Vested	234	96.83 % (1)	232	417
Not vested	-	3.17 % (1)	250	279
Retirees and Beneficiaries	781	N/A	413	568
Terminated Vested	119	N/A	2	9

NORMAL RETIREMENT BENEFITS:

Age	65	59 1/2	N/A (2)	N/A (2)
Years of Service (minimum)	5 (3)	N/A	20	20
Accrual - Less than 20 Years	2.5 %	N/A	2.0 % (4)	2.0 % (5)
20 Years	2.5 %	N/A	3.4 % (4)	3.5 % (5)
Years Over 20 to 25	2.5 %	N/A	3.4 % (4)	2.0 % (5)
25 Years of Service	62.5 %	N/A	85.0 % (4)	80.0 % (5)
Maximum	75.0 %	N/A	100.0 % (4)	100.0 % (5)
Years to vest	5	6 (6)	10	10

DISABILITY BENEFITS:

Line of Duty	(7)	(7)	80 %	80 %
Non-Line of Duty (Maximum with 20 Yrs. Or less)	(7)	(7)	60 %	60 %

CONTRIBUTIONS:

Actuarial Rate				
City (8)	56.92 % (8)	10.00 % (9)	33.82 % (8)	31.06 % (8)
Participants	4.88 %	3.00 % (9)	7.49 % (10)	8.47 % (11)
Annual Pension Cost (millions) (8)(12)	\$8.95	\$6.44	\$12.75	\$15.30
Contributions Made (millions) (11)(12)	\$8.95	\$6.44	\$12.75	\$15.30

CONDENSED FINANCIAL (In Millions):

Cash, Receivables, and Investments	\$ 159.9	\$ 126.4	\$ 244.3	\$ 356.8
Security Lending Collateral	11.3	0.0	24.2	36.0
Participant Loans	0.0	5.2	0.0	0.0
Total Assets	<u>171.2</u>	<u>131.6</u>	<u>268.5</u>	<u>392.8</u>
Security Lending Obligation	11.3	0.0	24.2	36.0
Other	0.1	0.0	1.6	0.2
Total Liabilities	<u>11.4</u>	<u>0.0</u>	<u>25.8</u>	<u>36.2</u>
Net Assets	<u>\$ 159.8</u>	<u>\$ 131.6</u>	<u>\$ 242.7</u>	<u>\$ 356.6</u>
Contributions	\$ 9.6	\$ 10.2	\$ 15.5	\$ 19.7
Net Investment Income (Loss)	3.6	(0.3)	5.7	10.0
Benefits and Refunds	(13.7)	(7.2)	(17.2)	(23.6)
Other operating expenses	(0.1)	0.0	(0.3)	(0.3)
Transfers in(out)	(0.9)	0.0	0.0	0.0

- (1) Total participants include former employees with account balances. The percentages reflect the portion of the invested assets which are vested and not vested.
- (2) Although "Normal" retirement for all three defined benefit plans is with 25 years service at any age, Firefighters and Police Officers may retire with 20 years at any age.
- (3) The General Employees' Defined Benefit Plan allows retirement after ten years of service if 55 or older with a 2% per year benefit penalty for each year before 65, 65 with five years of service, and retirement at any age with 25 years of service.
- (4) Effective July 1, 2009, the revised Firefighter Pension Plan's "Normal" retirement yields a 68% of "average monthly salary" pension benefit for 20 years of credited service (equals 3.4% per year), additional years up to a maximum of 5 years earn an additional 3.4% for a maximum of 85% with 25 years of credited service. The Firefighter Plan provides for 2% accruals which are retroactively adjusted as the participant reaches 20 years. Service over 42.5 years earns an additional 2% up to a maximum 100%. (Before July 1, 2009, 20 years of credited service yielded a 60% pension benefit (3% per year), additional years up to a maximum of 5 years earned an additional 14% for a maximum of 80% with 25 years. Service over 40 years earned an additional 2% up to a maximum 100%. Service less than 20 years earned 2% which was retroactively adjusted as the participant reached 20 years.
- (5) Effective July 1, 2003, the revised Police Pension Plan's "Normal" retirement yields a 70% of "average monthly salary" pension benefit for 20 years of credited service (equals 3.5% per year), additional years up to a maximum of 5 years earn an additional 2% for a maximum of 80% with 25 years of credited service. The Police Plan provides for 2% accruals which are retroactively adjusted as the participant reaches 20 years. Service over 40 years credited service earns an additional 2% up to a maximum 100% at 50 year credited service.
- (6) A General Employee under the Defined Contribution Plan earns 25% vesting (in the employer's contribution) starting with three years of credited service and another 25% for each successive year of credited service through the sixth year of credited service.
- (7) The General Employees' Pension Plans have a separate Long-Term Disability program which provides varying benefits between the age at injury and normal retirement. The City Police and Firefighter Pension Plans include a specific disabilities provision within the respective pension plan programs.
- (8) The City rate and cost for Firefighter and Police Pension Plans include actuarially estimated contributions from the State; the contributions received from the State were \$2,253,558 and \$2,155,329, respectively (excluding excess contributions which may not be used to offset the actuarially required amount). The Firefighter State contribution received in FYE 2011 was short \$156,448 from the actuarial calculation. For all three defined contribution plans, the City made an October 1, 2010 contribution based on a dollar amount supplied by the actuary. The percents of contribution in the General Employee DB and Firefighter actuarial reports were not calculated based on the City's October 1, 2010 lump sum contribution. Since the State is now requiring that contributions are at least the actuarially calculated percent of pensionable payroll, the actuaries have separately supplied those rates. For the General Employee DB Plan, the original actuarial rate was 59.15% and was based on an at least quarterly contribution schedule and was assumed to be contributed, on average, halfway through the fiscal year. The General Employee DB Plan October 1, 2010 Lump Sum Contribution rate is 56.92%. Similarly, the Firefighters' plan rate was 34.06% for City and State, the actuary's revised Oct. 1, 2010 Lump Sum rate is 33.82%. The Police Plan's actuary does calculate the percent based on an October 1st lump sum payment, which was 31.06%
- (9) The employer pays 7% and matches the employee contribution (up to 3%).
- (10) Since January 2003, both Firefighter Management and Non-Management contribute 7.49%. Effective October 2004, District Chiefs contribute 6.99%.
- (11) This is the contribution for Non-management Police employees as presented in the actuarial report. Police Management contributes 7.47%.
- (12) The annual required contribution and actual contributions are disclosed herein under the subheading "Pension Contributions."

Actuarial Assumptions and Fund Valuations. The Pension Boards for the General Employees and Police DB Plans, based on recommendations from the actuary and staff, utilize a four-year forward market smoothing approach to asset valuation for actuarial calculation purposes. Under this approach, one-quarter of the difference between (a) assumed and actual investment returns for the General Employees' Plan, and (b) the assumed return and actual investment income and realized gains (losses) for the Police DB Plan are recognized in the year of occurrence and the remaining three-quarters is recognized over the next three fiscal years.

The actuary for the Firefighters DB Plan uses the 20% Write Up Method to determine the Actuarial Value of Assets and smooth market returns. With this method, 20% of the difference in the Market Value of Assets and the Expected Actuarial Value of Assets with an 8% return is added to the Expected Actuarial Value. The result or Preliminary Actuarial Value of Assets is compared to a corridor, which is at least 80% of the Market Value and not more than 120% of Market Value; if less than or more than the corridor, the minimum or maximum of the corridor is used for the final Actuarial Value of Assets.

The Governmental Unit's three DB Plans participate in a pooled investment portfolio, which provides for dollar-weighted equivalent participation in both the investment return and associated costs. For information about the distribution of asset type for each of the Governmental Unit's DB Plans refer to Note III.G. in the Notes to Financial Statements included in the City's Comprehensive Annual Financial Report for the Fiscal Year ended September 30, 2011.

The following table provides the actuarial methods and assumptions for the Governmental Unit's three DB Plans.

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ACTUARIAL METHODS AND ASSUMPTIONS

	<u>General Employee</u>	<u>Firefighter</u>	<u>Police</u>
ACTUARIAL VALUATION:			
Frequency	Annual	Annual	Annual
Latest Date	9/30/11	10/1/11	10/1/11
Basis for Fiscal Year 2011 Contribution	9/30/09	10/1/09	10/1/09
Cost Method	Aggregate	Entry Age Normal	Entry Age Normal
AMORTIZATION:			
Method	N/A (1)	Level % of Pay	Level % of Pay
Open/Closed	N/A (1)	Closed	Closed
New Period Policy			
Gains/Losses	N/A (1)	20 Yrs (2)	15 Yrs
Assumption Change	N/A (1)	20 Yrs (2)	25 Yrs
Benefit Change	N/A (1)	20 Yrs (2)	25 Yrs
Equivalent Single Period Remaining	N/A (1)	17 Yrs	14 Yrs
ASSET VALUATION METHOD (3):			
	4 Year Smoothed	20% Write Up	4 Year Smoothed
ASSUMPTIONS (3):			
Investment Earnings	8.00 %	8.00 %	8.00 %
Salary Increases:			
Inflation and Other	4.00 %	4.00 %	4.00
Merit, Longevity, etc.	(4)	(4)	(4)
Mortality Table	GA94	GA94	GA94
Retirements	(5)	(5)	(5)
Disability	(6)	(6)	(6)
Turnover	(7)	(7)	(7)
Post Retirement Benefits	(8)	(9)	(10)

- (1) The General Employees' Plan uses the Aggregate Actuarial Cost Method which does not separately amortize Unfunded Actuarial Liabilities.
- (2) The Firefighter actuary made a "Fresh Start" Amortization of the Unfunded Actuarial Accrued Liability for a period of 20 years with their October 1, 2005 valuation.
- (3) The Asset Valuation Methods and Assumptions stated here are the ones used for calculating the plan contributions for the Fiscal Year ended September 30, 2011.
- (4) The merit and longevity component assumptions reflect a gradation based on age, higher at younger ages, decreasing to a minimum amount near retirement. These ranges are 2.6% at age 30 decreasing to 0.3% at age 60 for the General Employees' Plan, and 2.5% at age 20 decreasing to 0.0% at age 60 for the Firefighters' Plan. For the Police Plan it is 2.5% at age 25 decreasing to 0.0% at age 50. Additionally for the Police Plan there is an assumed increase for participants with 10 years of service or less on a scale ranging from 5.0% at 0 years to 0.5% at 10 years. The current assumptions were first used for the October 1, 2005 valuation.
- (5) Probabilities of retirement by eligible members are assigned for each attained age for the General Employees' Plan; for the Firefighters' and Police Plans probabilities are assigned by years of service starting with 20 years and 10 years respectively. The current assumptions were first used for the October 1, 2005 valuations for the General Employees' and Police Plans, and for the October 1, 2001 valuation for the Firefighters' Plan.
- (6) Probabilities of active members becoming disabled are assigned by attained age for all three plans. The current assumption rates were first used for the October 1, 2005 valuations for the General Employees' and Police Plans. The October 1, 2007 valuation for the Firefighter Plan increased the disability assumption by 5% for a proposed January 1, 2008 plan change eliminating the pre-existing exclusion.
- (7) Probabilities of termination of employment are assigned by attained age for the General Employees' and Firefighters' Plans. For the Police Plan, the probability of termination is assigned by length of credited service for less than 5 years, and by attained age thereafter. These assumptions and/or rates were first used for the October 1, 2005 valuations.
- (8) For active members on or after October 1, 1998, the monthly pension is annually increased by 2% of the monthly amount paid during the prior year. Increases occur on the anniversary of the member's pension commencement date. Increases begin at the later of (a) one full year of retirement, or (b) the earlier of the attainment of age 64 or the completion of four years of retirement.
- (9) All members retiring with 20 or more years of service are assumed to receive a 5% cost-of-living increase every 3 years.
- (10) Assumes an annual cost-of-living adjustment of 2% beginning at age 55.

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Funded Status and Funding Progress. The current and historical funded status for the Governmental Unit's General Employees, Firefighter and Police DB Plans is provided below:

General Employees Defined Benefit Pension Plan⁽¹⁾⁽²⁾
Current and Historical Funded Status and Funding Progress
(dollar amounts in millions)

Valuation Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2006	\$168.45	\$185.47	\$17.02	90.8%	\$19.63	86.70%
2007	179.93	194.11	14.18	92.7	19.14	74.09
2008	176.36	200.85	24.49	87.8	18.36	133.39
2009	172.35	209.54	37.19	82.3	16.60	224.04
2010	173.70	219.82	46.12	79.0	13.61	338.87
2011	168.61	220.72	52.11	76.4	12.72	409.67

⁽¹⁾ This plan uses the Aggregate Actuarial Cost Method which cannot be used to prepare a schedule of funding progress because it does not separately determine actuarial accrued liabilities. To provide information that serves as a surrogate for the funding progress of the plan per GASB 50, the Entry Age Normal Cost Method has been used to calculate the funded status. The information presented in this table has been restated and calculated using the Entry Age Normal Cost Method which calculates the funding progress by a ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability (AAL).

⁽²⁾ The General Employees' Pension Fund's Funded Status and Funding Progress has been calculated after changes in benefits and/or actuarial assumptions and/or actuarial cost methods.

Firefighters Defined Benefit Pension Plan⁽¹⁾
Current and Historical Funded Status and Funding Progress
(dollar amounts in millions)

Valuation Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2006	\$216.88	\$230.70	\$13.82	94.0%	\$28.28	48.87%
2007	236.15	246.07	9.92	96.0	31.28	31.71
2008	244.16	264.82	20.66	92.2	34.18	60.44
2009	249.47	293.22	43.75	85.1	35.66	122.69
2010	261.62	318.65	57.03	82.1	36.67	155.52
2011	271.23	335.87	64.64	80.8	36.51	177.05

⁽¹⁾ Under the Entry Age Normal actuarial cost method, the actuarial present value of future benefits for each member is allocated for the member's pensionable compensation on a level basis between the entry age of the member and the estimated exit age. The portion of the present value of future benefits not provided for by the present value of future normal costs is called the actuarial accrued liability.

Police Defined Benefit Pension Plan⁽¹⁾
Current and Historical Funded Status and Funding Progress
(dollar amounts in millions)

Valuation Year	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2006	\$310.42	\$332.99	\$22.57	93.2%	\$41.84	53.94%
2007	342.12	354.67	12.55	96.5	44.81	28.01
2008	350.37	381.00	30.63	92.0	46.07	66.49
2009	349.93	406.40	56.47	86.1	47.34	119.29
2010	388.96	443.70	54.74	87.7	48.42	113.05
2011	389.39	467.00	77.61	83.4	47.59	163.08

⁽¹⁾ Under the Entry Age Normal actuarial cost method, the actuarial present value of future benefits for each member is allocated for the member's pensionable compensation on a level basis between the entry age of the member and the estimated exit age. The portion of the present value of future benefits not provided for by the present value of future normal costs is called the actuarial accrued liability.

Pension Contributions. Pursuant to the Florida Constitution, the Governmental Unit, like all other local governments, is required to make the actuarially determined contributions to its DB Plans. The Florida Division of Retirement reviews and approves each local government's actuarial report to ensure its appropriateness for funding purposes. Additionally, the State collects two locally authorized insurance premium surcharges (one for the Police Pension Plan on casualty insurance policies and one for the Firefighter Pension Plan on certain real and personal property insurance policies within the corporate limits) which can only be distributed after the State has ascertained that the local government has met their actuarial funding requirement for the most recently completed Fiscal Year. These on-behalf payments received from the State are recognized as revenue and expense in the General Fund and are used to reduce the Governmental Unit's contribution to the Police and Fire Pensions.

Investments are reported at fair value and are managed by third party money managers. The Governmental Unit's independent custodian and the individual money managers price each instrument (using various third party pricing sources) and reconcile material differences. Investments that do not have an established market are reported at estimated fair value. Performance reporting, manager fees and the Governmental Unit's asset valuation are based on the custodian's determination of value.

The following table provides the historical Governmental Unit contributions, employee contributions and total contributions for the last six Fiscal Years.

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**Defined Contribution Plan
Annual Contributions for Fiscal Years Ended
September 30, 2006 through 2011
(in millions)**

Fiscal Year ended September 30,	City Contribution	Employee Contribution	Total Contributions
2006	\$3.7	\$2.6	\$6.3
2007	5.8	2.2	8.0
2008	6.4	2.3	8.7
2009	6.9	2.8	9.7
2010	5.1	2.8	7.9
2011	6.4	2.9	9.3

The Governmental Unit has traditionally contributed the annual required contribution and thus has never needed to report a net pension obligation. The following tables reflect the Six-Year Trend Information for the Governmental Unit's General Employees, Firefighters and Police DB Plans.

**General Employees
Defined Benefit Pension Plan
Six-Year Trend**

Fiscal Year Ended September 30,	Annual Pension Cost (APC) (in millions)	Percentage of APC Contributed	Net Pension Obligation
2006	\$4.12	100%	\$0
2007	4.27	100	0
2008	3.85	100	0
2009	5.61	100	0
2010	9.29	100	0
2011	8.95	100	0

**Firefighters
Defined Benefit Pension Plan
Six-Year Trend**

Fiscal Year Ended September 30,	Annual Pension Cost (APC) (in millions)	Percentage of APC Contributed	Net Pension Obligation
2006	\$7.65	100%	\$0
2007	7.88	100	0
2008	8.55	100	0
2009	9.96	100	0
2010	11.31	100	0
2011	12.75	100	0

**Police
Defined Benefit Pension Plan
Six-Year Trend**

Fiscal Year Ended September 30,	Annual Pension Cost (APC) (in millions)	Percentage of APC Contributed	Net Pension Obligation
2006	\$11.99	100%	\$0
2007	11.14	100	0
2008	11.67	100	0
2009	13.58	100	0
2010	13.82	100	0
2011	15.30	100	0

Other Post Employment Benefits

Plan Descriptions. The City of Orlando administers a single-employer defined benefit retiree healthcare plan ("DB OPEB Plan") and a single-employer defined contribution (DC) retirement health care expense reimbursement plan ("DC OPEB Plan"). The DB OPEB Plan provides healthcare benefits (hospitalization, medical, and prescription drug coverage) to eligible retired city employees. The DC OPEB Plan provides reimbursement to eligible retirees for medical expenses (e.g., health insurance and prescription expenses) incurred by the retiree, their spouse, and/or eligible dependents.

The Governmental Unit also sponsors a retiree life insurance plan, a single-employer defined benefit life insurance plan ("Life Insurance Plan") that provides eligible retired city employees with a death benefit of \$1,000, \$2,500 or \$3,000, depending on date of retirement.

The Governmental Unit administers the DB OPEB Plan and the Life Insurance Plan through the City of Orlando OPEB Trust Fund, an irrevocable trust. The OPEB Trust Fund is under the direction of a board of trustees, which consists of the City Council. Plan assets of the City of Orlando OPEB Trust Fund are irrevocable and legally protected from creditors and dedicated to providing postemployment health and life insurance coverage to current and eligible future retirees in accordance with the terms of the Plans.

Benefit provisions for Police, Fire, and General Employees within a bargaining group are established and amended through negotiations between the City and the respective unions. Section 808.51 of the City's policies and procedures manual (City Payment of Retiree Health Insurance) assigns the authority to establish benefit provisions for non-bargaining General Employees to the City Council.

The Governmental Unit negotiated with its general employee bargaining groups that all new employees hired on or after January 1, 2006 will not be eligible for any retiree health insurance coverage funded by the Governmental Unit, nor to any Governmental Unit contribution toward such coverage. In addition, non-bargaining General Employees, including Elected Officials, hired, or initially elected on or after January 1, 2006, will not be eligible for any retiree health insurance

coverage funded by the Governmental Unit, nor to any Governmental Unit contribution toward such coverage.

The Governmental Unit negotiated with the International Association of Firefighters to establish a DC retirement health care expense reimbursement plan, effective December 31, 2006 (also known as a Retirement Health Savings (RHS) Program). Employees hired after July 31, 2006 are no longer eligible to participate in the DB retiree healthcare plan. For employees hired after July 31, 2006, the City will contribute \$85 monthly to the RHS Program for each employee after completion of 90 days of employment. Governmental Unit contributions will vest 50% after completion of 10 years of credited pension service, 75% after completion of 15 years of credited pension service, and 100% upon completion of 20 years of credited pension service.

The Governmental Unit negotiated with the Fraternal Order of Police (FOP) to establish a DC retirement health care expense reimbursement plan, effective December 31, 2006 (also known as a Retirement Health Savings (RHS) Program). FOP employees hired on or after December 31, 2006 are no longer eligible to participate in the DB retiree healthcare plan. For employees hired on or after December 31, 2006, the City will contribute \$40 biweekly to the RHS Program for each employee after completion of 90 days of employment. City contributions will vest 50% after completion of 10 years of credited pension service, 75% after completion of 15 years of credited pension service, and 100% upon completion of 20 years of credited pension service.

Participants in the DB OPEB Plan are eligible to receive a portion of their post employment health insurance premiums paid by the Governmental Unit if they retire directly from employment. Eligibility conditions for retirement are as follows:

General Employees under the DB Pension Plan and DC Pension Plan	Age 55 with 10 or more years of service, or any age with 25 or more years of service
Police	Any age with 20 or more years of service
Firefighters	Any age with 20 or more years of service

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Pursuant to Section 112.0801, Florida Statutes, the Governmental Unit is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. The Governmental Unit will pay all or a portion of the eligible retiree's health insurance premiums as shown below:

General Employees under the DB Pension Plan and DC Pension Plan	<u>Years of Service at Retirement</u>	<u>City Contribution</u>
	Less than 10	0%
	10 to less than 15	50%
	15 to less than 20	75%
	20 or more	100%
Police	The City contribution is 100% for employees hired before January 1, 2007 and retired on or after October 1, 2005. If retired prior to October 1, 2005, City contributions are capped at the amount being paid at retirement until age 55. Once the retiree attains age 55, the City contribution is 100%.	
Firefighter	The City contribution is 100% for employees hired before July 31, 2006 and retired on or after October 1, 2006. If retired prior to October 1, 2006, City contributions are capped at the amount being paid at retirement until age 55. Once the retiree attains age 55, the City contribution is 100%.	

Membership of each plan consisted of the following at September 30, 2011, the date of the latest actuarial valuation:

	<u>DB OPEB Plan</u>	<u>DC OPEB Plan</u>
Retirees and beneficiaries receiving benefits	1,607	14
Plan members entitled to, but not currently receiving benefits	53	22
Active plan members	<u>2,808</u>	<u>260</u>
Total	4,468	296

Investments. Investments are reported at fair value using quoted market prices. The difference between the cost and fair value of investments is recorded as unrealized gains (or losses) and is included in net investment earnings. On September 21, 2009, the Governmental Unit approved an Investment Policy Statement for the OPEB Trust Fund. Assets in the OPEB Trust Fund will be invested in a broad range of investments suitable for a portfolio with a long-term investment horizon.

Funding Policy. For Police, Fire, and General Employees within a bargaining group, contribution requirements of the plan members and the Governmental Unit are established and may be amended through negotiations between the Governmental Unit and the respective unions. For non-bargaining General Employees, the City Council establishes and may amend the contribution

requirements of plan members and the Governmental Unit. For the life insurance plan, contractual requirements for the Governmental Unit are established and may be amended by the City Council.

Actuarial Methods and Assumptions. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Governmental Unit and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant actuarial methods and assumptions were as follows:

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OPEB ACTUARIAL METHODS AND ASSUMPTIONS

	<u>General Employees'</u>	<u>Police</u>	<u>Fire</u>
ACTUARIAL VALUATION:			
Frequency	Annual	Annual	Annual
Basis for Fiscal Year 2011 Contribution	9/30/2009	9/30/2009	9/30/2009
Cost Method	Entry Age	Entry Age	Entry Age
UAAL AMORTIZATION:			
Method	Level % of Payroll	Level % of Payroll	Level % of Payroll
Open/Closed	Open	Open	Open
Remaining Amortization Period	30 years	30 years	30 years
ASSET VALUATION METHOD (1):	N/A	N/A	N/A
ACTUARIAL ASSUMPTIONS (1):			
Investment Earnings	8.00 %	8.00 %	8.00 %
Salary Increases:			
Inflation and Other	4.00 %	4.00 %	4.00 %
Merit, Longevity, etc.	(2)	(2)	(2)
Mortality Table	GAM94 (3)	GAM94 (4)	GAM94 (5)
Healthcare Inflation Rate	9% initial 4% ultimate	9% initial 4% ultimate	9% initial 4% ultimate

- (1) The Asset Valuation Methods and Assumptions stated here are the ones used for calculating the plan contributions for the Fiscal Year ended September 30, 2011.
- (2) The merit and longevity component assumptions reflect a gradation based on age, higher at younger ages, decreasing to a minimum amount near retirement. These ranges are 4.0% at age 20 decreasing to 0.3% at age 60 for General Employees', and 2.5% at age 20 decreasing to 0.0% at age 60 for Firefighters'. For Police it is 2.5% at age 20 decreasing to 0.0% at age 50.
- (3) For General (Healthy and Disabled) the 1994 Group Annuity Mortality Table (GAM94) for men and women, effective with the September 30, 2005 valuation.
- (4) For Police (Healthy) the GA94 Mortality Table set back 0 years for men and women is used for actives, inactive, and retirees on or after October 1, 2004. The GA83 Mortality Table is used for retirees and beneficiaries in a pay status before October 1, 2004. For Disabled, Healthy life mortality is set forward 5 years.
- (5) For Fire (Healthy) the GA94 Mortality Table set back 0 years for men and women is used; for disabled the PBGC Non-OASDI Table is used.

Funded Status and Funding Progress. The funded status of the DB OPEB Plan as of September 30, 2011, the date of the latest actuarial valuation, was as follows:

Actuarial accrued liability	\$	292,396,202
Actuarial value of plan assets		<u>43,849,752</u>
Unfunded actuarial accrued liability (UAAL)	\$	<u>248,546,450</u>
Funded ratio		15.00%
Covered payroll	\$	164,237,000
Unfunded actuarial accrued liability as a percentage of covered payroll		151.33%

DB OPEB Contributions. The Governmental Unit's annual other postemployment benefit cost (expense) for the DB OPEB Plan is calculated based on the annual required contribution ("ARC") of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize the unfunded actuarial liability over a period not to exceed thirty years. The Governmental Unit's annual OPEB cost for the Fiscal Year ended September 30, 2011 is shown on the following table:

Annual required contribution	\$	20,890,421
Contributions made		<u>(20,890,421)</u>
Increase in net OPEB Obligation		-
Net OPEB obligation - beginning of year		<u>-</u>
Net OPEB obligation - end of year	\$	<u>-</u>

The Governmental Unit's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for Fiscal Years 2008 through 2011 is shown below. Fiscal Year 2008 was the year of implementation of GASB Statement 45 and the Governmental Unit elected to implement prospectively. Therefore, prior year comparative data is not available.

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Fiscal Year Ended September 30,	Annual Required Contribution (in millions)	Percentage Contributed	Net OPEB Obligation
2008	\$19.9	100%	\$0
2009	20.4	100	0
2010	20.2	100	0
2011	20.9	100	0

DC OPEB Contributions. The following table shows the Governmental Unit's and the retired employees' respective contributions to the DC OPEB Plans, which funds the Retirement Health Savings Program, for Fiscal Years 2007 through 2011.

Fiscal Year Ended September 30,	City	Employee	Total
2007	\$ 8,454	\$121,954	\$130,407
2008	101,582	37,691	139,273
2009	166,691	0 ⁽¹⁾	166,691
2010	193,808	0 ⁽¹⁾	193,808
2011	217,129	0 ⁽¹⁾	217,129

⁽¹⁾ The City suspended employee contributions beginning in Fiscal Year 2009.

Financial Statements. The financial statements for the DB OPEB Plan as of September 30, 2011, are as follows:

STATEMENT OF NET ASSETS AT SEPTEMBER 30, 2011		STATEMENT OF CHANGES IN NET ASSETS AT SEPTEMBER 30, 2011	
	OPEB Trust Fund		OPEB Trust Fund
ASSETS		ADDITIONS	
Cash and Cash Equivalents	\$ 52,031	Contributions:	
Investments at Fair Value	4,158,522	Employer	\$ 20,890,421
Total Assets	4,164,553	Plan Members	3,149,584
		Total Contributions	24,040,005
LIABILITIES		Total Net Investment Income (Loss)	(163,313)
Accounts Payable	5,446	Total Additions	23,876,692
NET ASSETS		DEDUCTIONS	
Held in Trust for OPEB Benefits	\$ 4,163,517	Retiree Healthcare Benefits	15,817,850
		Administrative Expense	67,348
		Total Deductions	15,885,198
		Increase in Net Assets	7,991,494
		Net assets - Beginning of Year	33,643,613
		Net assets - End of Year	\$ 41,635,107

TAX EXEMPTION

The Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements which must be met subsequent to the issuance and delivery for the Tax-Exempt Notes and Tax-Exempt AMT Notes in order that interest thereon be and remain excluded from gross income for purposes of Federal income taxation. Noncompliance may cause interest on the Tax-Exempt Notes and Tax-Exempt AMT Notes to be included in Federal gross income retroactive to the date of issuance of the Tax-Exempt and Tax-Exempt AMT Notes, regardless of the date on which such noncompliance occurs or is ascertained. The Issuer has covenanted in the Indenture and the Governmental Unit has or will covenant in the Loan Agreements to comply with such requirements in order to maintain the exclusion from Federal gross income of the interest on the Tax-Exempt Notes and Tax-Exempt AMT Notes.

In the opinion of Bond Counsel, assuming compliance with the aforementioned covenants, under existing laws, regulations, judicial decisions and rulings, and subject to all restrictions set forth herein, interest on the Tax-Exempt Notes and Tax-Exempt AMT Notes is excluded from gross income for purposes of Federal income taxation. Interest on the Tax-Exempt Notes and Tax-Exempt AMT Notes will not be an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations; however, interest on the Tax-Exempt Notes is included in the calculation of adjusted current earnings for purposes of calculating the alternative minimum tax on corporations. Interest on the Tax-Exempt AMT Notes will be an item of tax preference and thus is included in alternative minimum taxable income for purposes of the alternative minimum tax imposed on individuals and corporations under the Code. Interest on the Taxable Notes is included in gross income for purposes of federal income taxation.

Except as described above, Bond Counsel will express no opinion regarding the Federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of Notes.

Prospective purchasers of the Tax-Exempt Notes and Tax-Exempt AMT Notes should be aware that the ownership of the Notes 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 Tax-Exempt Notes and Tax-Exempt AMT Notes, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the Tax-Exempt Notes and Tax-Exempt AMT Notes, (iii) the inclusion of interest on the Tax-Exempt Notes and Tax-Exempt AMT Notes in earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax, (iv) the inclusion of interest on the Tax-Exempt Notes and Tax-Exempt AMT Notes 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 the Tax-Exempt Notes and Tax-Exempt AMT Notes in "modified adjusted gross income" by recipients of certain Social Security and Railroad Retirement benefits for purposes of determining whether such benefits are included in gross income for Federal income tax purposes.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE NOTES AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL

TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE NOTEHOLDERS. PROSPECTIVE NOTEHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

The opinions of Bond Counsel may be relied upon by the holders of Notes, who may continue to rely on said opinions only to the extent that: (i) there is no change in existing regulations, Internal Revenue Service ruling positions or procedures or law that may adversely affect the validity of the Notes or the exclusion of the interest on the Tax-Exempt Notes and Tax-Exempt AMT Notes from the gross income for federal tax purposes of the holders thereof, (ii) the representations, agreements and covenants contained in the Indenture and in the Loan Agreements, as the same may be supplemented and amended from time to time with the knowledge and consent of Bond Counsel, remain true and accurate and are complied with, (iii) there has not been delivered to the Issuer an opinion of Bond Counsel of more recent date with respect to the matters referred to therein and (iv) the opinions have not been expressly withdrawn as evidenced by a letter to the Issuer and the Trustee. Nothing contained in the opinions shall be construed as any undertaking by Bond Counsel to monitor any changes in applicable law or to monitor or confirm the accuracy of any such representations or warranties or compliance with any such agreements or covenants. In addition, Bond Counsel undertakes no duty to expressly advise any Noteholder of any change or development of which it becomes aware that may adversely affect said opinions.

RATINGS

The Notes have previously been rated A-1 by Standard & Poor's Ratings Group, P-1 by Moody's Investors Service and F1 by Fitch, Inc. based upon the Liquidity Facility in effect. The Indenture requires the Issuer to obtain a ratings confirmation with respect to its entering into the Second Amended and Restated Commercial Paper Purchase Agreement, which confirmation will be received on or prior to January 22, 2013. In addition, the City of Orlando has received issuer credit ratings of Aa2 from Moody's, AA- (stable outlook) from S&P and AA+ (stable outlook) from Fitch based on its covenant-to-budget security. Such ratings reflect only the views of such respective organizations at the time such ratings are given, and the Issuer makes no representation as to the appropriateness of the ratings. An explanation of such ratings may be obtained only from the respective rating agency.

There is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the respective rating agencies if, in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes.

DISCLOSURE REQUIRED BY SECTION 517.01(1), FLORIDA STATUTES

The Florida Securities and Investor Protection Act provides, in Section 517.051, Florida Statutes, as amended, that no person may directly or indirectly offer or sell securities except by an offering circular containing full and fair disclosure regarding defaults by the issuer any time after December 31, 1975, together with all other information which a reasonable investor would consider material in order to make an informed decision with respect to an investment in the Notes. As provided in the rules of the Florida Department of Banking and Finance (the "Department"), Rule

3E-400.003, Florida Administrative Code (the "Rule"), the Department requires the Issuer to make certain disclosures concerning, among other information, the dates, 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 Issuer, and certain financial information unless the Issuer determines that such information would not be considered material by a reasonable investor.

The Issuer has not defaulted in the payment of the principal of or interest on any indebtedness.

FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report, inclusive of audited financial statements of the Issuer for the fiscal years ended September 30, 2011 and September 30, 2010 and the report thereon of Thomas Howell Ferguson P.A. dated January 31, 2012 are included herein as APPENDIX E. Such financial statements speak only as of their respective dates. The financial statements and the referenced reports have been included in this Commercial Paper Memorandum as a public document and the consent of Thomas Howell Ferguson P.A. was not requested. Thomas Howell Ferguson P.A. has not performed any services related to the issuance of the Notes.

The basic financial statements of the City of Orlando, Florida as of and for the Fiscal Year ended September 30, 2011 have been audited by Ernst & Young LLP, independent auditors. The auditors' report, together with the Basic Financial Statements and Management's Discussion and Analysis and the required supplemental information for the Fiscal Year ended September 30, 2011 (collectively, the "Fiscal Year 2011 Financial Statements") are included in the City Comprehensive Annual Financial Report (the "CAFR") for the same period. The Fiscal Year 2011 Financial Statements of the CAFR are incorporated herein by reference and paper copies are available by contacting the Office of the Chief Financial Officer, City of Orlando, One City Commons, 400 South Orange Avenue, Orlando, Florida 32801. The CAFR is available online on the Business and Financial Services section of the Governmental Unit's website at www.cityoforlando.net/admin/accounting/reports.htm. Except for the Fiscal Year 2011 Financial Statements of the CAFR, none of the other information contained on the Governmental Unit's website is included by reference in this Commercial Paper Memorandum. The auditor's report incorporated herein by reference is provided as a publicly available document. Ernst & Young, LLP has not been requested to consent to such incorporation and has not participated in the preparation or review of this Commercial Paper Memorandum. The CAFR is available online at the Investor Relations section of the Governmental Unit's website at www.cityoforlando.net/admin/accounting/reports.htm.

LITIGATION

There is not now pending or, to the knowledge of the Issuer or the City of Orlando, threatened, any litigation restraining or enjoining the issuance or delivery of the Notes or the execution and delivery of the Existing Loan Agreements or questioning or affecting the validity of the Notes or the Existing Loan Agreements or the proceedings or authority under which they are to be issued. There is no litigation pending or, to the Issuer's knowledge, threatened, which in any manner questions the right of the Issuer to secure the Notes in the manner provided in the Indenture

and the Act. Neither the creation, organization or existence, nor the title of the present members of the City of Orlando City Council or other officers of the Governmental Unit to their respective offices is being contested. The Governmental Unit from time to time engages in certain routine litigation, the outcome of which is not expected to have any material adverse effect on the issuance and delivery of the Notes or the performance of the Governmental Unit's obligations under the Existing Loan Agreements.

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MISCELLANEOUS

This Commercial Paper Memorandum has been duly approved, executed and delivered by the Issuer.

**SUNSHINE STATE GOVERNMENTAL
FINANCING COMMISSION**

By: /s/ Rebecca W. Sutton
Chair

This Commercial Paper Memorandum shall be deemed to be amended, supplemented and reissued as of the latest date of any Appendix hereto.

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APPENDIX A

INFORMATION RELATING TO JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

JPMorgan Chase Bank, National Association (the "Bank") is a wholly owned subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. The Bank offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of September 30, 2012, JPMorgan Chase Bank, National Association, had total assets of \$1,850.2 billion, total net loans of \$592.0 billion, total deposits of \$1,186.7 billion, and total stockholder's equity of \$142.6 billion. These figures are extracted from the Bank's unaudited Consolidated Reports of Condition and Income (the "Call Report") as of September 30, 2012, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles. The Call Report including any update to the above quarterly figures is filed with the Federal Deposit Insurance Corporation and can be found at www.fdic.gov.

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2011, of JPMorgan Chase & Co., the 2011 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the "SEC") by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Commercial Paper Memorandum is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC's website at www.sec.gov.

The information contained in this Appendix relates to and has been obtained from the Bank. The delivery of the Commercial Paper Memorandum shall not create any implication that there has been no change in the affairs of the Bank since the date hereof, or that the information contained or referred to in this Appendix is correct as of any time subsequent to its date.

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF ORLANDO, FLORIDA

General

The City was incorporated on July 31, 1875, and is located in the approximate center of the State of Florida in Orange County (the "County"). The County, established by the Florida Legislature in 1824, is located midway between Jacksonville to the north and Miami to the south, between St. Petersburg-Tampa on the Gulf of Mexico on the west and Daytona Beach on the Atlantic coast on the east. Two of the State's major highways, Interstate 4 for east-west travel and the Florida Turnpike for north-south travel, intersect just outside of the City. The County encompasses approximately 1,003 square miles, ranking nineteenth in the State in terms of land area. The County enjoys an excellent climate, with temperatures ranging from an average of approximately 60° (F) in January to an average of approximately 83° (F) in August.

The Orlando MSA is one of the leading tourist destinations in the world, and has one of the largest number of hotel accommodations and one of the highest hotel occupancy rates in the United States. Orlando hosts approximately 51.5 million visitors annually. Metro Orlando has approximately 115,199 hotel rooms, which is the second largest concentration of hotel rooms in the United States. The Orlando/Orange County Convention Center houses more than 7,000,000 square feet of public, exhibit and meeting space, making it one of the largest in the nation.

The City and the Amway Center are home to the Orlando Magic, a franchise in the National Basketball Association, the Orlando Predators of the Arena Football League, and the Orlando Solar Bears, who compete in the ECHL hockey league. The City and the Amway Center served as hosts for the NBA's 2012 All-Star Game and events. The Orlando MSA is the spring training home of the Houston Astros and the Atlanta Braves. The City's Florida Citrus Bowl is home to the Orlando City Lions, the 2011 Champions of the United Soccer Leagues' PRO League, and is host of the annual NCAA Football Capital One Bowl, Champs Sports Bowl and Florida Classic games.

The Orlando MSA has five major institutions of higher education having a collective enrollment of over 160,000 full and part-time students.

The southeastern corner of the City of Orlando is home to the new Medical City at Lake Nona (the "Medical City"). The Medical City is the current or proposed site for several medical, life sciences, and clinical research facilities which will create a biomedical and life sciences cluster in Orlando. Some of the facilities at Medical City include the Burnham Institute of Medical Research, which opened in Spring 2009, the University of Central Florida Medical School, which began classes in Fall 2009, a U.S. Department of Veterans Affairs Medical Center, which is expected to be completed in 2013, a Nemours Children's Hospital, completed in 2012, and a University of Florida Joint Research Facility.

City Government

The City operates under a strong Mayor form of government. The Mayor, who is the City's Chief Executive Officer and the presiding officer of the City Council, is elected for a term of four years. The Mayor's responsibilities include the enforcement of laws, control of City departments and divisions, appointment and removal of officers and employees, supervision of City property, and negotiation of contracts. The Mayor sets the Council meeting agendas, makes recommendations for the creation of ordinances and resolutions, and presents the annual budget for approval to the City Council.

The City Council is the legislative branch of City government, and is responsible for taxation, finances, zoning regulations, and boundaries. The City Council (six district City Commissioners and the Mayor) review plans and specifications for public improvements, enact legislation governing City operations, and approve the City budget. They are elected for four-year terms, with the Mayor and the even-numbered District Commissioners being elected two years after the odd-numbered District Commissioners are elected.

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Population

The following Table 1 indicates the population trends for the County, the City, the Orlando MSA and the State since 1960.

TABLE 1
CITY OF ORLANDO, ORANGE COUNTY, ORLANDO MSA AND FLORIDA POPULATION
(1960-2012)
(in thousands)

Year	City of Orlando ⁽¹⁾		Orange County ⁽¹⁾		Orlando MSA ⁽¹⁾		Florida ⁽¹⁾	
	Population	% Change	Population	% Change	Population	% Change	Population	% Change
1960	88.1	-- %	263.5	-- %	337.5	-- %	4,951.6	-- %
1970	99.0	12.4	344.3	30.7	453.3	34.3	6,791.4	37.2
1980	130.4	31.7	481.7	39.9	723.9	59.7	9,747.0	43.5
1990	164.7	26.3	677.5	40.6	1,072.7	48.2	12,937.9	32.7
2000 ⁽²⁾	188.0	14.1	867.2	28.0	1,644.6	53.3	15,982.4	23.5
2001	192.0	2.1	884.7	2.0	1,684.6	2.4	16,261.0	1.7
2002	194.9	1.5	955.9	8.1	1,762.9	4.9	16,713.1	2.8
2003	201.9	3.6	980.2	2.5	1,801.3	2.2	16,917.3	1.2
2004	208.9	3.5	999.9	2.0	1,837.7	2.0	17,177.8	1.5
2005	217.6	4.2	1,043.4	4.4	1,953.4	6.3	17,912.7	4.3
2006	224.1	2.9	1,079.5	3.5	2,032.9	4.1	18,349.1	2.4
2007	228.8	2.1	1,105.6	2.4	2,083.9	2.5	18,680.4	1.8
2008	234.1	2.3	1,115.0	0.9	2,103.5	0.9	18,807.2	0.7
2009	233.1	-0.4	1,108.9	-0.5	2,097.4	-0.3	18,750.5	-0.3
2010	238.3	2.2	1,146.0	3.2	2,134.4	1.8	18,801.3	0.3
2011	242.0	1.6	1,157.3	1.0	2,154.1	0.9	18,905.0	0.6
2012	245.4	1.4	1,175.9	1.6	2,184.6	1.4	19,074.4	0.9

⁽¹⁾ U.S. Census of Population (1960, 1970, 1980, 1990, 2000 and 2010). Annual estimates: University of Florida Bureau of Economic and Business Research (via State of Florida Office of Economic & Demographic Research).

⁽²⁾ As of December 31, 1992, Lake County (population 231,072) was added to the Orlando MSA. MSA consists of Orange, Osceola, Seminole and Lake Counties.

REVENUE SOURCES OF THE CITY

General

The City relies on a broad mix of general revenues to finance primary government operations. These revenues include local tax revenues and monies received from State revenue sharing. The local tax revenues for the City are comprised of a Real Estate and Personal Property Tax, Franchise Fees, and the Utilities Services Tax. The State revenue sharing is comprised of the Motor Fuel Tax, the Beverage License Tax, Sales Tax, and the Insurance Premium Tax.

The City's various local taxes produced \$176,034,826 for the Fiscal Year ended September 30, 2012. During the period 2003-2012, all of the City's taxes produced revenues as shown in the following Table 2.

**TABLE 2
CITY OF ORLANDO
TAX REVENUES BY SOURCE**

<u>Fiscal Year</u>	<u>Property Taxes</u>			<u>Utilities Service</u>	<u>Total Taxes</u>
	<u>Operations</u>	<u>Debt Service</u>	<u>Franchise Fees</u>	<u>Taxes⁽¹⁾</u>	
2003	71,676,753	--	22,643,184	37,725,266	132,045,203
2004	76,985,876	--	23,239,101	38,106,887	138,331,864
2005	82,993,998	--	25,686,695	39,376,317	148,057,010
2006	92,732,716	--	29,582,095	40,944,806	163,259,617
2007	116,111,767	--	30,332,886	42,899,176	189,343,829
2008	119,387,019	--	31,577,024	45,015,374	195,979,417
2009	137,236,136	--	33,042,696	45,379,973	215,658,805
2010	122,169,286	--	34,359,542	46,840,359	203,369,187
2011	102,301,264	--	34,065,382	44,574,343	180,940,989
2012	99,143,329	--	34,457,613	42,433,883	176,034,826

Source: City's Office of Business and Financial Services.

⁽¹⁾ To the extent tax receipts are not pledged to senior UST bonds, tax receipts are pledged as collateral for the payment of debt service for the City's outstanding wastewater revenue bonds and, if not needed, is released monthly. The released Utilities Services Tax revenues are placed in a Special Revenue fund.

Property Tax Rates, Collections and Uses. The Real Estate and Personal Property Taxes provide the City with a major source of revenue for a variety of functions. The City is limited by the Constitution of the State to an ad valorem tax levy of 10 mills on each dollar of assessed valuation for operating expenditures. The Orange County Property Appraiser is charged with determining the value of such property, whereupon property taxes are collected by the Orange County Tax Collector.

Property taxes are billed by the Tax Collector each year and are payable during the period commencing November 1 of such year and ending March 31 of the following year. If the amounts on the tax notice are paid during the November following the billing or during the succeeding three months, the taxpayer is granted a discount equal to four percent (4%) in November and decreasing one percent (1%) per month to one percent (1%) in February. All unpaid property taxes become delinquent on April 1 of the year following the November in which they are billed. Commencing in April, a one and one-half percent (1.5%) per month penalty accrues on the unpaid tax notice. Delay in the mailing of tax notices to taxpayers may result in a delay throughout this process.

The collection of delinquent taxes is, in essence, based upon the sale by the Tax Collector of "tax certificates" on the assessed property and the remittance to the City of the proceeds of such sale. In the event of a delinquency in the payment of taxes, the landowner may, prior to the sale of tax certificates, pay delinquent taxes plus costs, advertising charges, and an interest charge of up to eighteen percent (18%) per annum on the amount of delinquent taxes. If the landowner does not act, the Tax Collector is required to sell a tax certificate to the person who pays the taxes owing and interest and penalties thereon and certain costs, and who accepts the lowest interest rate (not to exceed 18% per annum) to be borne by the certificate. If there are no bidders, the County is to hold, but not pay for, tax certificates with respect to the property, bearing interest at the maximum legal rate of interest. The County may sell such certificates to the public at any time before a tax deed has been issued or the property is placed on the list of land available for sale at the principal amount thereof plus interest at the rate of not more than eighteen percent (18%) per annum and a fee. The

demand for such certificates is dependent upon various factors which include the interest (and the rate thereof) which can be earned by ownership of such certificates and the value of the property which is the subject of such certificates (which may be subject to sale after two years at the demand of the certificate holder). In recent years, the County has experienced high demand for tax certificates due to the interest rates borne by such certificates and the value of the underlying property.

In Table 3, the City's record of property tax rates and tax levies, including all overlapping governments, is presented for the Fiscal Years 2003-2012.

In Table 4, the City's assessed and estimated actual valuations are presented for Fiscal Years 2004-2013. The assessed value for each Fiscal Year is determined on January 1 of the prior calendar year. For example, the assessed value on January 1, 2012, is used to determine the tax levy for the Fiscal Year ending September 30, 2013.

**TABLE 3
CITY OF ORLANDO, FLORIDA
PROPERTY TAX RATES AND LEVIES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Millage Rates \$1.00 per \$1,000 of taxable value)**

Fiscal Year Ended	<u>City of Orlando</u>	<u>Orange County</u>	<u>Orange County School Board</u>	<u>Total⁽¹⁾</u>
<u>Sept 30</u>				
2003	5.6916	5.1639	7.8780	18.7335
2004	5.6916	5.1639	7.8880	18.7435
2005	5.6916	5.1639	7.5400	18.3955
2006	5.6916	5.1639	7.7610	18.6165
2007	5.6916	5.1639	7.1690	18.0245
2008	4.9307	4.4347	7.1210	16.4864
2009	5.6500	4.4347	7.1500	17.2347
2010	5.6500	4.4347	7.6730	17.7577
2011	5.6500	4.4347	7.8940	17.9787
2012	5.6500	4.4347	8.5450	18.6297

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Tax Levies

Fiscal Year Ended <u>Sept 30</u>	<u>Orlando</u>	<u>Orange County</u>	<u>School Board</u>	<u>Total⁽¹⁾</u>
2003	\$ 74,900,751	\$304,442,689	\$465,261,662	\$ 844,605,102
2004	80,335,154	322,167,250	492,807,405	895,309,809
2005	85,978,687	347,990,339	509,092,508	943,061,534
2006	96,656,886	390,016,805	587,088,190	1,073,761,881
2007	120,938,102	476,443,402	662,235,752	1,259,617,256
2008	123,577,724	477,308,508	768,318,223	1,369,204,455
2009	143,742,916	477,154,438	807,121,092	1,428,018,446
2010	126,948,891	426,515,585	778,897,484	1,332,361,960
2011	106,542,700	372,605,138	701,787,328	1,180,935,166
2012	102,728,294	361,772,554	737,805,295	1,202,306,143

Source: Orange County Property Appraiser.

⁽¹⁾ Tax rates and levies of a fraction of one mill assessed in various years by other units against districts covering less than the entire City or County are omitted here. (Example: Property in the Downtown Development District was subject to a \$1.00 per thousand tax.)

**TABLE 4
CITY OF ORLANDO, FLORIDA
ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
NET OF EXEMPTIONS**

Fiscal Year Ended <u>Sept 30</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Centrally Assessed Property</u>	<u>Less: Tax Exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Market Value of Taxable Property</u>	<u>Assessed Value⁽¹⁾ as a Percentage of Actual Value</u>
2004	17,826,867,977	3,785,686,483	4,441,630	7,502,161,956	14,114,834,134	5.6916	27,860,293,818	77.6
2005	18,839,304,727	3,954,869,583	4,972,831	7,692,703,648	15,106,443,493	5.6916	29,359,532,714	77.7
2006	21,718,727,226	3,993,538,522	3,105,583	8,732,794,295	16,982,577,036	5.6916	32,815,528,509	78.4
2007	27,231,600,376	4,157,742,536	3,429,600	10,274,893,962	21,117,878,550	5.6916	39,600,138,397	79.3
2008	31,931,514,368	4,236,036,306	6,308,224	11,105,208,010	25,068,650,888	4.4347	45,274,679,908	79.9
2009	32,896,763,046	4,437,260,553	3,338,690	11,895,965,001	25,441,397,288	5.6500	46,773,159,322	79.8
2010	28,843,867,942	4,406,740,903	3,642,541	10,785,230,199	22,469,021,187	5.6500	41,949,861,013	79.3
2011	24,597,821,689	4,246,983,346	2,680,548	9,990,155,215	18,857,330,368	5.6500	36,663,082,202	78.7
2012	23,210,423,756	4,353,205,965	3,857,605	9,385,273,686	18,182,213,640	5.6500	35,225,158,431	78.3
2013	24,297,138,448	4,506,800,257	3,852,456	9,667,468,606	18,195,843,934	5.6500	36,782,903,504	78.3

Source: Orange County Property Appraiser

Note: Assessed values are determined as of January 1 for the collection of taxes in the following fiscal year. For example, the assessed values as of January 1, 2012 are used for the collection of property taxes in the Fiscal Year ending September 30, 2013.

Real property is assessed at 85% of estimated market value and Personal Property assessments at 55%. Estimated actual taxable value is calculated by dividing assessed value by those percentages. Centrally assessed property consists of railroad lines which are assessed by the State of Florida. Tax rates are per \$1,000 of assessed value.

⁽¹⁾ Includes tax exempt property.

Property Assessments. Utilities and Carriers (railroads, truck lines, air lines, bus lines, etc.) are assessed by the County Property Appraiser, and some intangible personal property related to banks is assessed by the State Department of Revenue. The County Property Appraiser reports to the State's Department of Revenue in Tallahassee. Property assessments are made on a continuing basis.

Utilities Service Taxes

The Utilities Service Tax (also referred to herein as "Utilities Tax") is assessed at 10% of the sales price of bottled or metered gas, water and electricity, and as a \$.04 per gallon tax on fuel oil. Through September 30, 2002, there was also an assessed 7% Utilities Service Tax on telecommunications services; however, this revenue source has been replaced by the local portion of the Communications Services Tax on telecommunications and cable services authorized by the State of Florida. The rate for the local portion of the Communications Service Tax adopted by the City was 5.3% during the transition period from October 1, 2001, through September 30, 2002, and 5.0% starting October 1, 2002. These rates were set with the expectation that the City would be kept revenue neutral with the communications services tax replacement of the utilities services tax on telecommunications as well as franchise fees on telecommunications and cable services. This rate was raised to 5.22% effective January 1, 2005.

Franchise Fees

Franchise fees are received by the City from firms which are permitted to operate and provide various public services to the residents of the City. Fees received by the City for local services provided by the natural gas company are based on a percentage of the gross revenues with a minimum annual fee. Refuse collection firms pay fees to the City based on the number of monthly pick-ups and a minimum annual fee. As part of the Communications Services Tax Simplification Act enacted by the State of Florida, effective October 1, 2001, counties and municipalities are prohibited from requiring the payment of franchise fees on telecommunications and cable services.

State Revenue Sharing

The City receives certain funds from the State which are derived from the motor fuel tax, sales tax and beverage licenses. Additionally, the City receives funds from the Insurance Premium Tax for Municipal Police and Firefighter Retirement Funds, and also a small amount from mobile home license fees.

TAXPAYERS

Taxable assessed value information for the City's ten largest property tax payers is shown in Table 5.

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**TABLE 5
CITY OF ORLANDO, FLORIDA
SCHEDULE OF TEN LARGEST TAXPAYERS
September 30, 2011**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Valuation</u>	<u>Percentage</u>
Universal City Development Partners Ltd	Entertainment	\$1,005,667,971	5.38%
HIW-KC Orlando LLC	Developer	157,292,532	0.84
Forbes Taubman Orlando LLC	Developer	99,265,450	0.53
ZML-Sun Center, LLP	Developer	90,470,253	0.48
Orlando Outlet Owner LLC	Commercial	77,860,795	0.42
ACP/UTAH Orange Ave. LLC	Developer	63,038,700	0.34
Paramount Lake Eola LP	Mixed Use Development	54,984,039	0.29
MMM Lakewood, Ltd. LLP	Developer	53,958,698	0.29
CNL APF Partnership LP	Developer	52,133,333	0.28
OOC Owner LLC	Commercial	48,334,073	0.26
Total Taxable Assessed Value of 10 Largest Taxpayers		\$1,703,005,844	9.10%
Total Taxable Assessed Value of Other Taxpayers		\$17,006,092,825	90.90%
Total Taxable Assessed Value of All Taxpayers		\$18,709,098,669	100.00%

Source: Orange County Tax Collector's Office.

INDUSTRY AND COMMERCE

The following information on Industry and Commerce in the Orlando MSA was obtained from the Metro Orlando Economic Development Commission.

The Orlando area is located in the center of Florida's High Tech Corridor. This corridor extends from the Tampa Bay region through Metro Orlando and on to Volusia County and the Space Coast. Fortune, Forbes, Business Week, Entrepreneur and Time magazines have touted the region, using such terms as emerging leader; fastest growing; and among the best cities in the nation for high technology, film, television and digital media production, and business development. The City's advantageous location, quality workforce, and progressive business environment draw corporations to Metro Orlando.

Corporate headquarters based in Metro Orlando benefit from a strong pro-business atmosphere and unlimited potential that only the nation's very best business communities can offer. Neighbors include AirTran, Darden Restaurants, Ruth's Chris Steakhouse and Tupperware International.

Orlando has worked hard and cohesively to position itself as an international force in global business. As the world's sixteenth largest economy, Florida's international sector continues to grow. Metro Orlando leads that growth. In fact, recent expansions at our key transportation centers, Orlando International Airport and Port Canaveral, further connect our community with the rest of the world. And a strong high tech industry of 3,500 companies and 53,000 employees puts the region at the forefront of innovation.

A number of strong and established industry sectors are based in Metro Orlando. Community and industry leaders are dedicated to advancing the growth of these sectors as the region enhances its standing as a corporate and high tech hub. The area's major industrial sectors include:

Advanced Manufacturing. From production of high performance components for medical equipment, computing, power generation systems, frequency control products, automotive systems and more, Metro Orlando is emerging as a significant locale for advanced manufacturing. Crossing over many traditional industry sectors, these companies share a reliance on research, engineering and intensive manufacturing. Key businesses in the industry have established headquarters in Metro Orlando, which reinforces the region's position as a center for advanced manufacturing. In addition to production, advanced manufacturing companies in the region are involved in the design and prototyping of complex products. The sector enjoys strong support from public and private organizations, benefits from a central location with infrastructure vital to distribution activity and possesses a highly skilled, diverse workforce. Additionally, local well-respected educational institutions attract research dollars and consistently produce an impressive number of graduates that adds to the quality of workforce availability in Metro Orlando.

Agritechnology. Metro Orlando is emerging as a prime location for the rapidly developing field of agritechnology, a segment of biotechnology that focuses on genetic engineering, cloning and high tech horticulture and agriculture. Key projects led by agritech companies based in the area include cloning hard-to-grow plants, extracting plant oils for medicinal and botanical purposes, developing alternative irrigation processes to conserve precious water and protect the environment, and extracting liquid from vegetables for use in pharmaceuticals, nutraceuticals, food colors, flavors, and cosmetics. Local agritech companies are collaborating with state and federal agencies and educational institutions on various research and development projects aimed at leveraging this emerging science to increase energy efficiency in growing operations and protecting the environment. In Florida, the agricultural and natural resources industries, which comprise agritech-related sectors, generate \$35 billion in net sales and employ more than 336,000 people. Metro Orlando is the state's largest region for this industry and is committed to helping build the agritech sector locally.

Aviation and Aerospace. The aviation and aerospace sector in Metro Orlando has developed over the past 60 years from a collection of military installations and small airstrips to become a hub for global commercial air travel, advanced flight training, air defense projects and space exploration. Aviation in the region is anchored by the first-rate Orlando International Airport. One of the top largest airports in the world, Orlando International Airport is frequently cited as a key advantage to companies doing business in Metro Orlando. With more than 50 airlines, scheduled service to over 100 domestic and international locations and thriving air cargo operations, companies across a diverse range of industries can easily transport both people and goods to virtually anywhere in the world from Orlando International Airport. Defense contract powerhouse Lockheed Martin is a stronghold in the region, earning billions of dollars in government and commercial contracts for a host of projects from missile and rocket systems to jet fighters. Smaller companies in the region often capture lucrative government subcontracts, along with other major contractors that have a Florida presence such as The Boeing Co. and Harris Corporation. With many crossover applications, the sector benefits from a region firmly designated as the world's capital for modeling, simulation and training. Organizations in the region employ simulation technology in such

applications as flight training for commercial and private pilots and air traffic management. The sector enjoys strong support from public and private organizations that are dedicated to advancing the industry locally. Additionally, community educational institutions develop programs specifically geared toward enhancing the quality of the workforce available to aviation and aerospace businesses.

Clean Technology & Sustainable Energy. Metro Orlando has firmly established a traditional energy sector with the presence of such worldwide industry leaders as Siemens Power Generation, Inc. and Mitsubishi Power Systems, as well as leading utility companies and a host of related service and equipment companies. With this foundation in place, the sector is beginning to shift more focus on alternative fuel sources. The region is steadily becoming a hotbed for renewable energy and alternative fuel endeavors as businesses and non-profit entities engage in a variety of research and development projects aimed at deploying more cost-efficient, environmentally-friendly power. With federal government urgency to reduce reliance on foreign oil, hydrogen technologies are a key area of research being conducted in Metro Orlando. NASA, the world's chief end user of liquid hydrogen, and the federal Department of Energy have awarded millions of dollars in grant money toward hydrogen research in the region. State and local government are committed to creating a diversified economy, which ensures ample supporting resources and incentives are available for high-tech industry sectors in the region, including energy and alternative fuels. As a result, there is great potential in Metro Orlando for start-up and existing businesses alike to flourish.

Digital Media. The progressive digital media sector in Metro Orlando has sprung from the convergence of several established fields in the region, including modeling, simulation and training (MS&T), film and television production, theme park/ride and show, and interactive and immersive entertainment. Today, the region is positioned in the heart of one of the top 12 clusters for digital media in the country. As new applications for digital technology have continued to emerge, the industry has kept pace in Metro Orlando. With a focus on content creation and enabling technologies, the digital media sector features 1,200+ companies, 30,000 workers and annual revenue of an estimated \$9 billion (figure includes location-based entertainment). Metro Orlando has the technical infrastructure, talented employee pool and educational resources necessary to further the growth of digital media in this region. Combined with strong community dedication to enhancing the sector, Metro Orlando is brimming with opportunity for both entrepreneurs and established businesses.

Film & Television Production. Well known as the world's premier tourist destination, Metro Orlando is also a leading destination for film, television and commercial production. State-of-the-art soundstages and unique venues have helped the region become one of the busiest production centers in the United States. Year-round filming capabilities, a highly-skilled local crew base, and supportive local communities have helped advance this region's reputation as among the world's best for film production. With skilled crew, diverse locations, world-class studios, and specialized service companies, the Orlando region offers the very best to film and television producers. It is no wonder that, in the past 17 years, this region has grown from a \$2.5 million to a \$845.5 million annual production market. Today, more than 3,400 Metro Orlando employees are engaged in film and television production-related activities. Complementing this high-profile industry is a significant, emerging digital media sector that will serve to broaden the base of this community's creative development offerings.

Financial Services & Financial Technology. The Metro Orlando region has emerged as a national leader for the financial services and financial technology industry. Led by top industry players that have major divisions and operations based or housed in Orlando – such as Fiserv, Harland, FIS, The Bank of New York Mellon, Charles Schwab and Chase – this ‘most wired U.S. city’ is home to over 50,000 financial services and financial technology workers. Perhaps even more noteworthy is the fact that Orlando is among the top metro areas in the nation when it comes to employment growth in this industry. From 2003 to 2007, Orlando’s financial service employment grew 13 percent, while FiTech employment grew 30 percent. Dominating industry growth here are companies in the key segments of software development, banking and finance, investments and insurance. And companies such as Fiserv and The Bank of New York Mellon have expanded numerous times, bringing in sister companies and subsidiaries. Additionally, Florida is second only to New York in the number of FINRA securities licenses that are critical to companies such as The Bank of New York Mellon and Schwab. The industry is bolstered overall by a world-class telecom infrastructure, a strong and ever-growing technology base (which includes more than 1,000 software and information technology businesses), and a swelling number of knowledge and multi-language workers coming from our community colleges and universities. In particular, the University of Central Florida, now the fifth largest university in the country, grants more than 800 economics, accounting and finance degrees annually and boasts top-ranked engineering and computer science programs. Rounding out Orlando’s competitive edge for the industry is its central location with global access – one that provides easy air access to nearly all major U.S. and international financial centers.

Life Science & Biotechnology. Metro Orlando's emerging biotechnology and life science sector has sprung from a renowned regional healthcare system, comprising some of the top hospitals in the country. The sector has also spun off from a prominent agricultural base and the collaborative efforts of the region’s established photonics and modeling, simulation and training sectors. Clinical trials of newly-developed medications are emerging as an important aspect of this sector as well. The region’s strength in agriculture, combined with an established high tech base, have spurred an agritechnology boom that is integrating advanced processes for use in everything from industrial food ingredients to cosmetics to plant reproduction. Today, the sector features 150+ biotechnology and life science companies, 9,248 workers, and an estimated \$2.6 billion in earnings. The biotechnology and life science sector is augmented by several prestigious educational and research centers such as the Mid-Florida Research and Education Center, the University of Central Florida’s Biomolecular Science Center, and the Central Florida Research Park, one of the country’s top 10 research facilities. Development of a second research park, which would be dedicated to biotechnology study and research, is currently being explored by local governmental officials. Metro Orlando’s teaching hospitals provide valuable medical training in a number of fields, which additionally contributes to the knowledge base of the sector. Through the convergence of thriving high tech industries, agriculture, healthcare systems and superior public and private supporting resources, Metro Orlando’s biotechnology and life science sector is poised to continue flourishing.

Manufacturing, Warehousing & Distribution. Metro Orlando’s central location in Florida positions it as a hub with exceptionally quick, easy access to air, land, water and space transportation routes. This distinctive geographical advantage makes the region an ideal location for general manufacturing, warehouse and distribution businesses. A full range of manufacturers and warehouse/distributors are represented in Metro Orlando, supplied by a deep, diverse talent pool of

experienced employees. Major corporations operating in the region include the headquarters for Mitsubishi Power Systems Americas, Inc. and major operations for HD Supply. A proliferate number of mid-sized manufacturers and distributors further fuel the region's economic engine. As businesses in this sector continually explore ways to reduce transportation shipping costs, Orlando's locale is increasingly recognized as a valuable asset. Orlando International Airport is within overnight trucking distance of many major U.S. cities, and has scheduled non-stop service to more U.S. airports than any other Florida airport. Strategic partnerships between educational institutions and business also have a positive impact on the sector. Companies wishing to start up in or relocate to Metro Orlando can find a wealth of support and assistance in practically all aspects of their business.

Modeling, Simulation & Training. Metro Orlando has long been established as the nation's epicenter for modeling, simulation and training (MS&T) technology. The MS&T sector in Metro Orlando features 100+ companies, 16,847 workers, and Gross Regional Product of \$2.5 billion. As the largest MS&T cluster in the country, it has evolved over the past 40 years from its roots in military training to provide applications in such diverse fields as aviation and aerospace, education, emergency services, entertainment, homeland security, medical technologies, microelectronics, optics and photonics and transportation. Backing the MS&T industry in Metro Orlando are a number of renowned research, support and educational facilities, such as the National Center of Excellence in Simulation, the University of Central Florida's Institute for Simulation and Training, and Embry Riddle Aeronautical University's aviation simulation programs. Metro Orlando's strong MS&T standing has earned the region the distinction of being designated a National Center of Excellence in Simulation and Training. The extensive resources and expertise available in Metro Orlando, through the convergence of prominent MS&T organizations, reinforce the region's position as an unmatched locale for new and expanding companies within the industry.

Optics & Photonics. Metro Orlando is a nationally recognized leader in the optics and photonics industry, and local companies within this sector have a rich history of innovation and expansion. Since the early 1960s, the industry has grown from a highly specialized military pursuit to a strong diverse sector. Today, the sector features approximately 95 optics and photonics companies, 15,000+ workers, and over \$2 billion in gross regional product. These companies enjoy an environment fostering progress through collaboration with internationally recognized academic institutions, a highly skilled workforce and numerous community and government agencies dedicated to facilitating industry growth throughout Metro Orlando. The optics and photonics industry in Metro Orlando is clearly poised to flourish well into the future.

Software & Hardware. Metro Orlando is home to some of the most progressive, talented and diverse software development companies in the U.S. Led by companies serving the financial services industry, more than 1,000 businesses specializing in software development and service, data processing and information retrieval are based in the region. Employing approximately 12,000, these companies generate nearly \$1 billion in annual revenue and serve such distinct industries as banking and finance, government, education, consumer products and utilities automation. The software sector also crosses over into the well-established modeling, simulation and training and digital media clusters, which are heavily involved in developing programs for use in such applications as film and television, interactive entertainment, military exercises and transportation planning. The sector is strengthened by a community dedicated to advancing the industry by

providing supporting resources for entrepreneurs and established companies alike, bolstering technology education and working to reinforce the region's standing as a nationally-recognized hub for software development.

Tables 6-8 describe the impact of Orlando's increased economic activity.

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TABLE 6
ORLANDO MSA
SCHEDULE OF LARGEST EMPLOYERS
September 30, 2011

<u>Employer</u>	<u>Type of Business</u>	<u>Number of Employees</u>	<u>Percentage of Total MSA Employment</u>
Walt Disney World	Leisure & Hospitality	58,000	5.84 %
Orange County Public Schools	Government	21,733	2.19
Florida Hospital	Healthcare	16,700	1.68
Publix Super Markets, Inc.	Retail Trade	17,521	1.76
Universal Studios Florida	Leisure & Hospitality	13,000	1.31
Orlando Health	Healthcare	14,000	1.41
Seminole County Public Schools	Government	7,909	0.80
Orange County Government	Government	7,338	0.74
University of Central Florida	Education	7,629	0.77
SeaWorld Orlando	Leisure & Hospitality	7,000	0.70
Lockheed Martin Corporation	Manufacturing	13,000	1.31
Walmart	Retail Trade		
Winn Dixie Super Markets, Inc.	Retail Trade		
Other Employers	Various	809,542	81.49
Total		<u>993,372</u>	<u>100.00 %</u>

Source: Metro Orlando Economic Development Commission.

TABLE 7
ORLANDO MSA
NONAGRICULTURAL EMPLOYMENT SECTOR
(In Thousands)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012⁽¹⁾</u>
Goods Producing	103.6	112.8	124.2	130.6	129.5	115.0	93.0	82.6	80.0	82.3
Mining and Logging	0.5	0.4	0.3	0.3	0.4	0.3	0.2	0.2	0.2	0.2
Construction	60.9	69.2	79.5	86.7	85.0	72.4	54.7	45.1	42.2	44.4
Manufacturing	42.2	43.2	44.3	43.6	44.1	42.3	38.1	37.3	37.6	37.7
Service Providing	825.5	865.9	911.7	946.8	965.3	961.4	916.6	933.2	928.7	945.2
Trade, Transportation, & Utilities	173.4	181.7	192.8	198.4	204.0	200.8	186.0	184.4	186.8	191.2
Information	25.1	25.8	26.7	28.0	26.8	26.3	25.1	23.6	23.4	23.9
Financial	57.4	59.5	63.7	66.3	67.8	66.5	63.1	63.9	65.2	64.9
Professional & Business Services	156.8	168.2	182.4	191.8	187.0	182.7	169.1	165.4	160.3	163.9
Education & Health Services	93.6	97.3	102.2	107.0	112.7	116.4	117.7	122.3	123.9	126.1
Leisure & Hospitality	169.9	179.3	183.6	188.2	193.6	199.6	190.4	204.1	204.6	210.3
Other Services	45.7	47.5	49.9	52.5	55.8	51.4	48.3	47.8	47.6	47.3
Government	103.7	106.6	110.5	114.5	117.6	117.7	117.0	117.0	116.9	117.6
Total	<u>929.1</u>	<u>978.7</u>	<u>1,035.9</u>	<u>1,077.4</u>	<u>1,094.8</u>	<u>1,076.4</u>	<u>1,009.6</u>	<u>1,015.8</u>	<u>1,008.7</u>	<u>1,027.5</u>

Source: Florida Department of Economic Opportunity, Labor Market Statistics, Current Employment Statistics (<http://www.floridajobs.org/labor-market-information/data-centers/statistical-programs/current-employment-statistics>).

Note: ⁽¹⁾ As of September of 2012.

**TABLE 8
ORLANDO MSA
COMPARISON OF UNEMPLOYMENT RATES
(Percentage)**

<u>Calendar Year</u>	<u>Orlando Metropolitan Area</u>	<u>Florida</u>	<u>United States</u>
2003	5.1%	5.3%	6.0%
2004	4.4	4.7	5.5
2005	3.6	3.8	5.5
2006	3.1	3.3	4.6
2007	3.6	3.8	4.6
2008	5.9	6.2	5.8
2009	10.8	10.5	9.3
2010	11.8	11.9	9.6
2011	10.3	10.6	8.9
2012	8.4	8.7	7.8

Source: Florida Agency for Workforce Innovation, Labor Market Statistics, Local Area Unemployment Statistics (<http://www.floridajobs.org/labor-market-information/data-center/statistical-programs/local-area-unemployments>). Data shown is the average unemployment rate for the corresponding calendar year; 2012 data is through September.

TRANSPORTATION

The terminal facility at Orlando International Airport (OIA) opened at its present location in 1981. The airport currently has four parallel runways (three of which can be used concurrently) and covers over 13,000 acres (23 square miles), which makes OIA the third largest airport (land-wise) in the United States. In 2000, the airport's fourth airside terminal was opened. For the 12-month period ended December 2011, OIA served 35.4 million passengers. The airport has 96 jet gates, a 4.8 million square foot landside terminal with retail, restaurants, the 445-room Hyatt Hotel and 50,000 square feet of convention/meeting space. A total of 9,300 parking spaces are located in the terminal area as well as rental car and commercial ground transportation facilities and there are over 11,300 remote satellite parking spaces available.

In 2011, the airport was served by 48 airlines. As of April 2012, OIA has direct service to 81 U.S. destinations and 33 international destinations, making it the 13th largest airport in the United States and the 27th largest in the world. The airport authority continues to implement capacity projects to meet projected demand. OIA added a fourth runway (third concurrent) that opened in December 2003. OIA projects the airport will handle 53 million passengers annually by 2021.

The Orlando area is criss-crossed by the Florida Turnpike and Interstate 4. Currently the \$2.7 billion I-4 expansion project is in progress and consists of phased construction projects including the addition of general use lanes, High Occupancy Vehicle (HOV) lanes and interchange improvements. These improvements began construction in 2000 and will be completed throughout a 20-year period. The Martin Andersen Beachline Expressway (State Road 528) links the east coast beaches with Interstate 4 and the Florida Turnpike. State Road 408 (formerly the Holland East-West Expressway) expedites traffic through the City of Orlando and to outlying cities and counties.

Concurrent planning and development is now underway for a beltway road system around the Orlando area. More than three quarters of the beltway, called the Central Florida Greenway and

Western Beltway, is now in use. The regional 20-year cost feasibility plan calls for light rail to connect Seminole, Orange and Osceola counties with the City of Orlando. In addition, the initial segment of SunRail, a commuter light rail system (as described below), is currently under construction.

The Orlando MSA is served by 122 carrier truck lines, parcel delivery and package express services, most of which have local terminals. The Orlando area is fast becoming a staging point for Florida freight movements – nearly two thirds of all of Florida's north/south flows are to, from or through Orlando.

Greyhound Bus Lines offers charter, express and passenger services. CSX Transportation provides freight service with an average of 16 trains per day passing through Orlando. Rail passenger stations in the Orlando area are the busiest in the southeast. Amtrak operates four trips per day through the Orlando metropolitan area.

The City, together with the Florida Department of Transportation and Orange, Osceola, Seminole and Volusia Counties (the "Local Government Partners") developed plans for the acquisition, construction and operation of a commuter rail system serving portions of central Florida ("SunRail"). Construction is now underway for the first 31-mile segment of SunRail (between DeBary and Sand Lake Road in Orange County), which is expected to be operational by May of 2014. The first 31-mile segment includes stations at DeBary/Fort Florida Road; Sanford/SR 46, Lake Mary, Longwood, Altamonte Springs, Maitland, Winter Park/Park Avenue, Florida Hospital, LYNX Central, Church Street, Orlando Amtrak/ORMC and Sand Lake Road. In addition, the current SunRail plan would provide extended service for stations at Meadow Woods, Osceola Parkway, Kissimmee Amtrak and Poinciana Industrial Park, and a new northern terminus at the DeLand Amtrak station by 2015.

APPENDIX C

FORM OF OPINIONS OF BOND COUNSEL

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September 16, 2004

Sunshine State Governmental Financing Commission
Tallahassee, Florida

Sunshine State Governmental Financing Commission
Tax-Exempt Commercial Paper Revenue Notes
(Orlando Program), Series H

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Sunshine State Governmental Financing Commission (the "Issuer") of its Tax-Exempt Commercial Paper Revenue Notes (Orlando Program), Series H (the "Notes"), to be issued pursuant to the Indenture hereinafter referred to.

The Notes shall be dated the date of issuance thereof and are being issued in accordance with, and are subject to the terms and conditions set forth in that certain Trust Indenture dated as of September 1, 2004 (the "Indenture") between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the "Trustee") and a Resolution of the Issuer adopted on December 5, 2003, as amended by a Resolution of the Issuer adopted on February 13, 2004 (collectively, the "Resolution"). All terms used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

The proceeds of the Notes will be loaned to the City of Orlando, Florida (the "Governmental Unit") to finance, refinance or reimburse the cost of qualified projects pursuant to the terms of Loan Agreements between the Issuer and the Governmental Unit.

The Notes and the obligations evidenced thereby do not constitute general obligations or indebtedness of the Issuer within the meaning of the Constitution and laws of the State of Florida, but pursuant to the Resolution and the Indenture shall be payable solely from the Trust Estate and, until the expiration or termination thereof, amounts derived from the Commercial Paper Purchase Agreement dated as of September 1, 2004 between the Issuer and JPMorgan Chase Bank (the "Liquidity Facility"). The holders of the Notes shall never have the right to compel the exercise of the ad valorem taxing power of any political subdivision of the State of Florida or taxation in any form on any property to pay the Notes or the interest thereon.

In rendering the opinions set forth below, we have examined a certified copy of the Resolution, an executed copy of the Indenture and the form of Loan Agreement and are relying on the representations, warranties, covenants and agreements of the Issuer and the Governmental Unit contained therein.

no opinion is expressed hereby regarding other federal income tax consequences that may arise due to ownership of the Notes.

(3) Under existing law, the Notes are exempt from all intangible personal property taxes imposed by the State of Florida, pursuant to Chapter 199, Florida Statutes.

All opinions as to legal obligations of the Issuer set forth above are subject to and limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditors' rights, (b) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief, and (c) other applicable laws that may affect remedies, but do not, in our opinion, materially impair the practical realization of the benefits or the security of the parties entitled thereto.

This opinion shall not be deemed or treated as an offering circular, prospectus or official statement, and it is not intended in any way to be viewed as a disclosure document used in connection with the sale or delivery of the Notes.

We have not been engaged nor have we undertaken to review or verify and therefore express no opinion as to the accuracy, completeness, fairness or sufficiency of any Commercial Paper Offering Memorandum or any offering document relating to the Notes or any exhibits or appendices thereto. In addition, other than as expressly set forth herein, we have not been engaged to and therefore express no opinion as to the validity or enforceability of the Liquidity Facility or the compliance by the Issuer or the Dealer with any federal or state statute, regulation or ruling with respect to the sale or distribution of the Notes.

This opinion may be relied upon by the holders of Notes, who may continue to rely on this opinion only to the extent that: (i) there is no change in existing regulations, Internal Revenue Service ruling positions or procedures or law that may adversely affect the validity of the Notes or the exclusion of the interest thereon from the gross income for federal tax purposes of the holders thereof, (ii) the representations, agreements and covenants contained in the Indenture and in each Loan Agreement, as the same may be supplemented and amended from time to time with our knowledge and consent, remain true and accurate and are complied with, (iii) there has not been delivered to the Issuer an opinion of this firm of more recent date with respect to the matters referred to herein, and (iv) this opinion has not been expressly withdrawn as evidenced by a letter to the Issuer and the Trustee. Nothing contained in this letter shall be construed as any undertaking on our part to monitor any changes in applicable law or to monitor or confirm the accuracy of any such representations or warranties or compliance with any such agreements or covenants. In addition, we undertake no duty to expressly advise any Noteholder of any change or development of which we become aware that may adversely affect this letter.

Very truly yours,

BRYANT MILLER & OLIVE PA

Bryant Miller & Olive P.A.



September 16, 2004

Sunshine State Governmental Financing Commission
Tallahassee, Florida

Sunshine State Governmental Financing Commission
Tax-Exempt AMT Commercial Paper Revenue Notes
(Orlando Program), Series H

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance and sale by the Sunshine State Governmental Financing Commission (the "Issuer") of its Tax-Exempt AMT Commercial Paper Revenue Notes (Orlando Program), Series H (the "Notes"), to be issued pursuant to the Indenture hereinafter referred to.

The Notes shall be dated the date of issuance thereof and are being issued in accordance with, and are subject to the terms and conditions set forth in that certain Trust Indenture dated as of September 1, 2004 (the "Indenture"), between the Issuer and Deutsche Bank Trust Company Americas, as trustee (the "Trustee") and a Resolution of the Issuer adopted on December 5, 2003, as amended by a Resolution of the Issuer adopted on February 13, 2004, (collectively, the "Resolution"). All terms used herein in capitalized form and not otherwise defined herein shall have the meanings ascribed to them in the Indenture.

The proceeds of the Notes will be loaned to the City of Orlando, Florida (the "Governmental Unit") to finance, refinance or reimburse the cost of qualified projects pursuant to the terms of Loan Agreements between the Issuer and the Governmental Unit.

The Notes and the obligations evidenced thereby do not constitute general obligations or indebtedness of the Issuer within the meaning of the Constitution and laws of the State of Florida, but pursuant to the Resolution and the Indenture shall be payable solely from the Trust Estate and, until the expiration or termination thereof, amounts derived from the Commercial Paper Purchase Agreement dated as of September 1, 2004 between the Issuer and JPMorgan Chase Bank (the "Liquidity Facility"). The holders of the Notes shall never have the right to compel the exercise of the ad valorem taxing power of any political subdivision of the State of Florida or taxation in any form on any property to pay the Notes or the interest thereon.

In rendering the opinions set forth below, we have examined a certified copy of the Resolution, an executed copy of the Indenture and the form of Loan Agreement and are relying on the representations, warranties, covenants and agreements of the Issuer and the Governmental Unit contained therein.

We have also examined certified copies of the proceedings of the Issuer, and other information submitted to us relative to the issuance and sale by the Issuer of the Notes. In addition to the foregoing, we have examined and have relied upon such other agreements, certificates, documents and opinions, including certificates or representations of public officials and other officers and representatives of the various parties participating in this transaction, as updated and reconfirmed from time to time in connection with subsequent issues of Notes, as we have deemed relevant and necessary in connection with the opinions expressed below. We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in such agreements, documents, certificates, representations and opinions, and have relied solely on the facts, estimates and circumstances described and set forth therein.

In rendering this opinion, we have examined and relied upon the opinion of James English, Esquire, Counsel to the Issuer, as to the due creation and valid existence of the Issuer and the due adoption of the Resolution and the due authorization of the Notes.

In our examination of the foregoing, we have assumed the genuineness of signatures on all documents and instruments, the authenticity of documents submitted as originals and the conformity to originals of documents submitted as copies. The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

Based upon and subject to the foregoing, we are of the opinion that:

(1) The Notes will be, when issued in accordance with the Indenture, valid and legally binding special obligations of the Issuer, payable solely from the Trust Estate in accordance with the terms and conditions of the Indenture.

(2) Under existing law, the interest on the Notes is excluded from gross income for federal income tax purposes. However, such interest will be treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. The opinions expressed in the preceding sentences of this paragraph (2) are conditioned upon compliance by the Issuer and the Governmental Units with all requirements of the Code that must be satisfied subsequent to issuance of the Notes in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted in the Indenture and the Governmental Unit will covenant in each Loan Agreement to comply with such requirements. Failure of the Issuer or the Governmental

Unit to comply with such requirements could cause the interest on the Notes to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Notes.

Other provisions of the Code may give rise to adverse federal income tax consequences to particular holders of the Notes. The scope of this opinion is limited to matters addressed above and no opinion is expressed hereby regarding other federal income tax consequences that may arise due to ownership of the Notes.

(3) Under existing law, the Notes are exempt from all intangible personal property taxes imposed by the State of Florida, pursuant to Chapter 199, Florida Statutes.

All opinions as to legal obligations of the Issuer set forth above are subject to and limited by (a) bankruptcy, insolvency, reorganization, moratorium or similar laws, in each case relating to or affecting the enforcement of creditors' rights, (b) applicable laws or equitable principles that may affect remedies or injunctive or other equitable relief; and (c) other applicable laws that may affect remedies, but do not, in our opinion, materially impair the practical realization of the benefits or the security of the parties entitled thereto.

This opinion shall not be deemed or treated as an offering circular, prospectus or official statement, and it is not intended in any way to be viewed as a disclosure document used in connection with the sale or delivery of the Notes.

We have not been engaged nor have we undertaken to review or verify and therefore express no opinion as to the accuracy, completeness, fairness or sufficiency of any Commercial Paper Offering Memorandum or any offering document relating to the Notes or any exhibits or appendices thereto. In addition, other than as expressly set forth herein, we have not been engaged to and therefore express no opinion as to the validity or enforceability of the Liquidity Facility or the compliance by the Issuer or the Dealer with any federal or state statute, regulation or ruling with respect to the sale or distribution of the Notes.

This opinion may be relied upon by the holders of Notes, who may continue to rely on this opinion only to the extent that: (i) there is no change in existing regulation, Internal Revenue Service ruling positions or procedures or law that may adversely affect the validity of the Notes or the exclusion of the interest thereon from the gross income for federal tax purposes of the holders thereof, (ii) the representations, agreements and covenants contained in the Indenture and in each Loan Agreement, as the same may be supplemented and amended from time to time with our knowledge and consent, remain true and accurate and are complied with, (iii) there has not been delivered to the Issuer an opinion of this firm of more recent date with respect to the matters referred to herein, and (iv) this opinion has not been expressly withdrawn as evidenced by a letter to the Issuer and the Trustee. Nothing contained in this letter shall be construed as any undertaking on our part to monitor any changes in applicable law or to monitor or confirm the accuracy of any such representations or warranties or

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compliance with any such agreements or covenants. In addition, we undertake no duty to expressly advise any Noteholder of any change or development of which we become aware that may adversely affect this letter.

Very truly yours,

BRYANT MILLER & OLIVE P.A.

Bryant Miller + Olive P.A.

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE CITY OF ORLANDO COVENANT ORDINANCE

The following are brief summaries of certain provisions of the Covenant Ordinance. This summary does not purport to be complete and reference is made to the Covenant Ordinance for a full and complete statement of such provisions.

Definitions of Certain Terms

As used in this Summary:

"Accreted Value" means the accreted value of Capital Appreciation Debt on the date of calculation, including the original principal amount or discounted principal value thereof, plus interest or principal accreted thereon to the date of determination determined by reference to accreted value tables contained or referred to in each such Bond or evidence of indebtedness.

"Act" means Section 159.11 and Chapter 166, Florida Statutes, and Article VIII, Section 2, Constitution of the State of Florida.

"Additional Bonds" means additional obligations issued in compliance with the terms, conditions and limitations contained in the Covenant Ordinance which are payable on a parity with, and rank equally in all other respects with the Bonds originally issued thereunder.

"Aggregate Budgeted Expenditures" means for any Fiscal Year, the aggregate of the budgeted total expenditures, plus transfers out of the General Fund and Utilities Services Tax Fund, less internal transfers between the General Fund and Utilities Services Tax Fund as provided in the Annual Budget, for such Fiscal Year.

"Amortization Certificate" means the certificate of the City delivered concurrently with the issuance of Non-Self Sufficient Debt setting forth the principal amount of such Non-Self Sufficient Debt to be paid or redeemed prior to maturity in accordance with the requirements of the Covenant Ordinance, as the same may be modified in accordance with the Covenant Ordinance.

"Amortization Installment" means the funds required to be deposited in the Debt Service Account in a given Bond Year for the payment at maturity or redemption of a portion of a series of Term Bonds on the next succeeding October 1, as established by a resolution or ordinance of the City at or before the delivery of that series of Term Bonds.

"Annual Budget" means the budget, as amended and supplemented from time to time, prepared by the City for each Fiscal Year in accordance with the laws of the State of Florida.

"Authorized Depository" means any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the City as a depository under the Covenant Ordinance.

"Average Annual Debt Service Requirement" means the sum of the amounts determined by calculating separately with respect to each Series of Non-Self Sufficient Debt then outstanding and then proposed to be issued, the amount equal to the aggregate of the Debt Service Requirement with respect to such Series of Non-Self Sufficient Debt for each Bond Year divided by the number of years (including fractional years) from the date of calculation to the date of final scheduled maturity of such Non-Self Sufficient Debt.

"Bond Counsel" means counsel experienced in matters relating to the validity of, and the exclusion from gross income for federal income tax purposes of interest on, obligations of states and their political subdivisions.

"Bond Obligation" means as of the date of computation, the sum of: (i) the principal amount of all Bonds then Outstanding other than Bonds issued as Capital Appreciation Debt, and (ii) the Accreted Value of all Bonds issued as Capital Appreciation Debt then Outstanding.

"Bonds" means the Bonds originally issued under the Covenant Ordinance and any Additional Bonds.

"Bondholder," "Registered Owner," "Holder" and "Owner" means the registered owner (or its authorized representative) of a Bond.

"Bond Year" means the annual period beginning on the first day of October of each year and ending on the last day of September of the following year; provided that when such term is used to describe the period during which deposits are to be made pursuant to Section 9.02 of the Covenant Ordinance to amortize principal and interest on the Bonds maturing or becoming subject to redemption, or pursuant to similar provisions with respect to other Non-Self Sufficient Debt, interest and principal maturing or becoming subject to redemption on October 1 of any year shall be deemed to mature or become subject to redemption on the last day of the preceding Bond Year.

"Capital Appreciation Debt" means Non-Self Sufficient Debt that bears interest at a compounded rate which is payable only at maturity or upon redemption prior to maturity, or Non-Self Sufficient Debt issued at a discount from par value that bears no stated interest and appreciates in value over time.

"Capital Transfer" means any interfund transfer from the General Fund or the Utilities Services Tax Fund to another fund of the City, designated for a specific capital project (and not for debt service with respect to debt incurred for such capital project).

"Chief Financial Officer" means the Director of Finance of the City or such other chief financial officer of the City as defined in Section 218.403, Florida Statutes.

"City" means the City of Orlando, Florida.

"Clerk" means the Clerk or any Deputy Clerk of the City.

"Code" means the Internal Revenue Code of 1986, as amended, or any applicable corresponding provisions of any future laws of the United States of America relating to federal income taxation, and except as otherwise provided herein or required by the context hereof, includes interpretations thereof contained or set forth in the applicable regulations of the Department of Treasury (including applicable final regulations and temporary regulations), the applicable rulings of the Internal Revenue Service (including published Revenue Rulings and private letter rulings) and applicable court decisions.

"Cost" or "Cost of the Project," with respect to each Project subsequently authorized pursuant to the terms of the Covenant Ordinance, shall include, without limiting the items of cost permitted under the Act the following items to the extent they relate to a Project: (i) all direct costs of the Project items described in the plans and specifications for the Project; (ii) all costs of planning, designing, acquiring, constructing, financing and start-up costs of the Project; (iii) all costs of issuance of Bonds issued to finance such Project or to refund indebtedness issued for such purposes, including the cost of any municipal bond insurance, fees and expenses of Bond Counsel, Underwriter and Underwriter's (or dealers') counsel, special tax counsel and financial advisors, printing costs, rating agency fees, initial acceptance fees of paying agents, trustees, depositaries and all fees and costs of the Credit Facility Provider providing the Credit Facility and of other financial institutions providing special credit or liquidity facilities with respect to the Bonds; (iv) the cost of acquisition, by purchase or condemnation, of any lands, structures, improvements, rights-of-way, franchises, easements or interests therein and all of the properties tangible or intangible, deemed necessary or convenient for the maintenance and operation of the Project; (v) all engineering, legal and financial costs and expenses; (vi) all expenses for estimates of costs and of revenues; (vii) costs of obtaining governmental and regulatory permits, licenses and approvals; (viii) all fees of special advisors and consultants associated with one or more aspects of the Project; (ix) interest on Bonds prior to and during acquisition or construction of such Project for which such Bonds were issued, and for such additional periods as the Issuer may reasonably determine to be necessary for the placing of such Project in operation; (x) the reimbursement to the Issuer of all such Costs of such Project that have been advanced by the Issuer from its available funds before the delivery of a Series of Bonds issued to finance such costs to the extent such reimbursements do not, in the opinion of Bond Counsel, adversely affect the exclusion of interest on the Bonds other than Taxable Bonds from gross income for federal income tax purposes; (xi) those amounts required to be rebated to the United States of America in order to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds issued with the intent that such interest be so excluded to the extent the Issuer elects to pay such amounts from the Construction Fund; and (xiii) such other costs and expenses which shall be necessary or incidental to the financing herein authorized and the construction and acquisition of the Project and the placing of same in operation.

"County" means Orange County, Florida.

"Covenant Revenues" means those revenues of the City that are deposited to the credit of the City's General Fund or Utilities Services Tax Fund derived from any source whatsoever that are legally available for the payment of the obligations of the City under the Covenant Ordinance, inclusive of operating transfers from other funds into the General Fund and exclusive of (1) revenues derived from ad valorem taxation and (2) internal transfers between the General Fund and Utilities Services Tax Fund (to eliminate double counting). It shall be assumed for purposes of calculating

Covenant Revenues and Self Sufficient Debt that amounts required to be transferred from the City's General Fund to community redevelopment trust funds pursuant to Section 163.387, Florida Statutes will come from revenues derived from ad valorem taxation and not from Covenant Revenues.

"Debt Service Account" means the accounts established by that name pursuant to the Covenant Ordinance.

"Debt Service Requirement" means for a given Bond Year the remainder, after subtracting any accrued and capitalized interest for that year that has been deposited into the Debt Service Account or a separate subaccount in the Construction Account for that purpose with respect to Bonds outstanding under the Covenant Ordinance or that has been deposited in a similar account established with respect to Non-Self Sufficient Debt not issued as Bonds under the Covenant Ordinance, from the sum of:

(1) The amount required to pay the interest coming due on Non-Self Sufficient Debt during that Bond Year, including the accreted interest component of Capital Appreciation Debt becoming due and payable during that Bond Year,

(2) The amount required to pay the principal of Non-Self Sufficient Debt, including the principal of Serial Bonds and the principal of Term Bonds, including the principal component of Capital Appreciation Debt, maturing in that Bond Year that are not included in the Amortization Installments for such Term Bonds or in mandatory sinking fund redemption requirements with respect to other Non-Self Sufficient Debt,

(3) The Amortization Installments for all Series of Term Bonds for that Bond Year and the mandatory sinking fund redemption requirements with respect to other Non-Self Sufficient Debt, including such payments as may be required pursuant to the City's Amortization Certificate(s) and the Covenant Ordinance, and

(4) The premium, if any, payable on all Bonds and other Non-Self Sufficient Debt required to be redeemed in that Bond Year in satisfaction of the Amortization Installment or mandatory sinking fund redemption requirements with respect to other Non-Self Sufficient Debt or in accordance with the City's Amortization Certificate(s) and the Covenant Ordinance.

For purpose of determining the Debt Service Requirement, unless the interest rate is fixed for the duration of the applicable Bond Year(s), in which case the actual interest rate shall be used, the interest rate on Variable Rate Debt outstanding shall be calculated as follows:

(a) If the interest rate on Variable Rate Debt is fixed in whole or in part for longer than twelve (12) months from the date of calculation, the Debt Service Requirement with respect to that portion of such Variable Rate Debt which is fixed for longer than twelve (12) months shall be calculated on the basis of the actual interest rate through the period for which the interest rate is fixed, and the Debt Service Requirement with respect to the remaining portion of such Variable Rate Debt shall be calculated at an assumed rate equal to one hundred ten percent (110%) of the higher of (i) the average interest rate over the

preceding twelve (12) calendar months (or such shorter period as Variable Rate Debt has been outstanding) on all Variable Rate Debt outstanding on the date of calculation for which the interest rate is fixed for a period of one year or less, (ii) the average rate of interest over the preceding calendar month on all Variable Rate Debt outstanding on the date of calculation for which the interest rate is fixed for a period of one year or less or (iii) the average of the Kenney Index for the preceding calendar month.

(b) If no portion of the interest rate on Variable Rate Debt is fixed for longer than twelve (12) months from the date of calculation, the Interest Rate on such Variable Rate Debt shall be calculated at an assumed rate equal to 110% of the higher of (i) the average interest rate over the preceding twelve (12) calendar months (or such shorter period as Variable Rate Debt has been outstanding) on all Variable Rate Debt outstanding on the date of calculation for which the interest rate is fixed for a period of one year or less, (ii) the average rate of interest over the preceding calendar month on all Variable Rate Debt outstanding on the date of calculation for which the interest rate is fixed for a period of one year or less or (iii) the average of the Kenney Index for the preceding calendar month.

The Debt Service Requirement shall be calculated assuming that the interest rate with respect to Variable Rate Debt proposed to be issued (other than Taxable Debt) equals 115% of the higher of (i) the average of the Kenney Index for the preceding twelve (12) calendar months, and (ii) the average of the Kenney Index for the preceding calendar month; and with respect to Variable Rate Debt proposed to be issued as Taxable Debt, assuming the interest rate equals 115% of the Taxable Rate Index.

If a series of Variable Rate Debt is subject to purchase by the City pursuant to a mandatory or optional tender by the holder, the "tender" date or dates shall be ignored and the stated maturity dates thereof shall be used for purposes of this calculation. The interest rate for Bonds and Additional Bonds issued as Variable Rate Debt for purposes of determining the amount, if any, to be deposited into a subaccount in the Reserve Account for such Variable Rate Debt shall be as required by the supplemental ordinance or resolution authorizing the issuance of such Variable Rate Debt.

If Variable Rate Debt is subject to an agreement with an account party having a rating at the time of calculation not less than the rating assigned to the Bonds by each Rating Service then maintaining a rating on the Bonds to the effect that the account party will deposit into the Revenue Account that amount equivalent to the interest that would accrue on such Variable Rate Debt if calculated based upon the applicable variable rate index provided in such agreement which exceeds a specified fixed rate, the interest rate on such Variable Rate Debt for purposes of determining the Debt Service Requirement shall not exceed the fixed rate so specified for the duration of the agreement. The Debt Service Requirement shall be calculated assuming that the principal amount of each Series of Designated Maturity Debt shall have a final maturity of not later than thirty (30) years from the date of original issuance thereof and shall be amortized in accordance with the Amortization Certificate provided by the City.

"Designated Maturity Debt" means all Non-Self Sufficient Debt of a Series, or a particular maturity thereof, with a stated maturity of fifteen (15) years or less, designated as such by supplemental ordinance or resolution of the City adopted prior to the issuance thereof, for which either (i) no Serial maturities or Amortization Installments (with respect to Bonds issued under the Covenant Ordinance) or mandatory sinking fund redemption installments (with respect to other Non-Self Sufficient Debt) have been established or (ii) the aggregate of such Serial maturities and Amortization Installments or mandatory sinking fund redemption installments that have been established is less than the principal amount of such Non-Self Sufficient Debt. For purposes of the Covenant Ordinance, the outstanding obligations of the City to the Florida Municipal Loan Council shall constitute Designated Maturity Debt under the Covenant Ordinance.

"Federal Securities" means direct obligations of the United States of America or obligations the payment of the principal of and interest on which when due is unconditionally guaranteed by the United States of America.

"Fiscal Year" means the period commencing on October 1 of each year and ending on the succeeding September 30, or such other consecutive 12-month period as may be designated as the fiscal year of the City pursuant to general law.

"Fitch" means Fitch Investors Services, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns and, if such corporation shall no longer perform the functions of a security rating agency, "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"General Fund" means the City's General Fund.

"Governing Body" means the City Council of the City.

"Investment Obligations" means, to the extent permitted by law (i) Federal Securities, or (ii) direct obligations of the Federal Intermediate Credit Banks, Federal Land Banks, Federal Farm Credit System, Federal Home Loan Banks or Banks for Cooperatives, or (iii) certificates of deposit or other interest bearing obligations of any bank, savings and loan association or trust company (including any Authorized Depository) authorized to engage in the banking business, either fully insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation or fully collateralized by obligations described in (i) or (ii) above having a fair market value (determined at least quarterly) equal to the principal amount of such certificates of deposit or other interest bearing obligations, or (iv) repurchase agreements with any authorized depository or primary reporting government dealer, in each case having a capital and surplus or net capital of not less than \$100,000,000, and having senior debt obligations rated at least A by at least one nationally recognized rating service, secured by collateral of the type and in the amount described in (iii) above, or (v) general obligation or full faith and credit bonds, notes or obligations of any state or any municipality or political subdivision of any state, or any revenue bonds, notes or obligations of any such entities, or any agency or authority thereof, if such obligations are rated by at least one nationally recognized rating service in either of the two highest classifications approved by the Comptroller of the Currency for the investment of funds of national banks, or (vi) any other obligations in which surplus municipal funds may be invested under the laws of the State of Florida, or any ordinance of the City authorized thereunder including without limitation, the Local

Government Surplus Funds Trust Fund created and established pursuant to Part IV, Chapter 218, Florida Statutes, as amended.

"Maximum Annual Debt Service" with respect to Non-Self Sufficient Debt means, as of any particular date of calculation, the largest Debt Service Requirement for any remaining Bond Year except that the amount of principal coming due on the final maturity date with respect to Non-Self Sufficient Debt shall be reduced by (i) the aggregate principal amount of such Non-Self Sufficient Debt to be redeemed from Amortization Installments to be made in prior Bond Years and (ii) the aggregate principal amount of Non-Self Sufficient Debt to be paid or redeemed in prior Bond Years pursuant to the City's Amortization Certificate.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns and, if such corporation shall no longer perform the function of a securities rating agency, "Moody's" shall be deemed to refer to such other nationally recognized rating agency as the City shall designate.

"Non-Ad Valorem Expenditures" means all expenditures from the General Fund and the Utilities Services Tax Fund (including debt service payments with respect to the Bonds), net of interfund transfers between such funds and net of expenditures funded with ad valorem tax revenues deposited into the General Fund.

"Non-Self Sufficient Debt" means any indebtedness of the City for the payment of borrowed money other than Self Sufficient Debt.

"Outstanding Bonds" or "Bonds outstanding" or "Outstanding" in reference to Bonds means all Bonds which have been issued pursuant to the Covenant Ordinance, except:

(a) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds for the payment or redemption of which cash funds or Federal Securities or any combination thereof shall have been theretofore irrevocably set aside in a special account with the Paying Agents (whether upon or prior to the maturity or redemption date of any such Bonds) in an amount which, together with earnings on such Federal Securities, will be sufficient to pay the principal of and interest on such Bonds at maturity or upon their earlier redemption; provided that, if such Bonds are to be redeemed before the maturity thereof, notice of such redemption shall have been given according to the requirements of the Covenant Ordinance or irrevocable instructions directing the timely publication of such notice and directing the payment of the principal of and interest on all Bonds at such redemption dates shall have been given to the Paying Agents; and

(c) Bonds which are deemed paid pursuant to Section 6.08 of the Covenant Ordinance or in lieu of which other Bonds have been issued under Section 6.04 of the Covenant Ordinance.

With respect to Non-Self Sufficient Debt other than Bonds, "Outstanding" or "outstanding" means all such Non-Self Sufficient Debt issued by the City except:

(x) Non-Self Sufficient Debt cancelled after purchase in the open market or because of payment at or redemption prior to maturity;

(y) Non-Self Sufficient Debt that has been defeased in accordance with the terms thereof, and

(z) Non-Self Sufficient Debt that is deemed to no longer be outstanding under and for purposes of the Ordinance, resolution or other authorizing instrument under which such Non-Self Sufficient Debt is issued.

"Paying Agent" means any Authorized Depository designated by the City to serve as a Paying Agent or place of payment for any one or more Series of Bonds issued under the Covenant Ordinance that shall have agreed to arrange for the timely payment of the principal of, interest on and redemption premium, if any, with respect to the Bonds to the registered owners thereof, from funds made available therefor by the City, and any successors designated pursuant to the Covenant Ordinance.

"Projects" means the construction or acquisition of additions, extensions and improvements to various capital improvements of the City for municipal purposes under the Act, including those described in Exhibit "A" attached to the Covenant Ordinance, and any other project described from time to time by supplemental ordinance or resolution of the City, and the refunding of indebtedness issued to finance any such Projects.

"Rating Service" means Moody's, Fitch and S&P and any other nationally recognized rating agency, to the extent they have in effect a rating on any of the Bonds outstanding under the Covenant Ordinance.

"Rebate Account" means the Rebate Account created and established pursuant to the Covenant Ordinance.

"Rebate Amount" means, with respect to each Series of Bonds issued under the Covenant Ordinance that are not Taxable Bonds, the excess of the amount earned on all non-purpose investments (as defined in Section 148(f)(6) of the Code, as amended) over the amount which would have been earned if such non-purpose investments were invested at a rate equal to the yield on such Series of Bonds, plus any income attributable to such excess.

"Reserve Account" means the respective accounts by that name established pursuant to the Covenant Ordinance.

"S&P" means Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York, its successors and assigns and, if such corporation shall no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

"Self Sufficient Debt" means any indebtedness of the City for borrowed money that is either (a) secured by or payable exclusively from a source of revenues other than Covenant Revenues, or (b) primarily payable from revenues of the type described in clause (a) above and secondarily from Covenant Revenues if the Covenant Revenues have not been used (or, as provided below, deemed to have been used) to pay any portion of such indebtedness for the three Fiscal Years preceding the date of determination and if the City projects that the Covenant Revenues will not be so used during the next two Fiscal Years; and either (c) that is secured by a revenue source that has been in effect for at least three Fiscal Years and that would have provided coverage of at least 125% of the average annual debt service on such obligations secured by such revenue source in each of the three preceding Fiscal Years or, (d) if the revenue source has not been in existence for at least three Fiscal Years, that is secured by a revenue source that would have provided coverage of at least 150% of the average annual debt service on such obligations secured by such revenue source in at least the last full Fiscal Year preceding the issuance of such obligations and that is projected to provide at least 150% debt service coverage (based on revenue and debt service projections by the City) in each of the three ensuing Fiscal Years; and (e) in any such case, in the three preceding Fiscal Years, no debt service on which has been paid (or, as provided below, deemed to have been paid) from Covenant Revenues deposited in the General Fund or the Utilities Services Tax Fund. For purposes of calculating the coverage requirements described in this definition, the historical and projected receipts of a particular revenue source shall be adjusted retroactively to the initial date of the calculation period to reflect changes in rates, levies or impositions enacted prior to the date of calculation. For purposes of this definition, Covenant Revenues will be deemed to have been used to pay debt service on any debt if Covenant Revenues have been transferred in the relevant period, other than pursuant to a Capital Transfer, to a fund or account used to pay debt service on such debt.

"Series" means any portion of the Bonds or of other Non-Self Sufficient Debt of an issue authenticated and delivered in a single transaction, payable from an identical source of revenue and identified pursuant to the supplemental ordinance or resolution authorizing such Bonds or the authorizing instrument with respect to such other Non-Self Sufficient Debt as a separate Series of Bonds or indebtedness, regardless of variations in maturity, interest rate, Amortization Installments or other provisions, and any Bonds or other Non-Self Sufficient Debt thereafter authenticated and delivered in lieu of or in substitution of a Series of Bonds or other Non-Self Sufficient Debt.

"Stabilization Reserve Account" means the Stabilization Reserve Account created and established pursuant to the Covenant Ordinance.

"Stabilization Reserve Requirement" means an amount equal to 100% of the Average Annual Debt Service Requirement with respect to all Bonds Outstanding under the Covenant Ordinance calculated as of the date the requirement to fund the Stabilization Reserve Account arises pursuant to the Covenant Ordinance and recalculated annually upon the completion of the audit required pursuant to the Covenant Ordinance and as of the date of issuance of any Additional Bonds under the Covenant Ordinance, so long as such requirement remains effective.

"Taxable Debt" means Non-Self Sufficient Debt, the interest on which is not intended at the time of issuance thereof to be excluded from the gross income of the owners thereof for federal income tax purposes.

"Term Bonds" means Bonds of a Series for which Amortization Installments are established, and such other Bonds of a Series so designated by supplemental ordinance or resolution of the City adopted on or before the date of delivery of such Bonds.

"Utilities Services Tax Fund" means the City's Utilities Services Tax Fund as identified in the latest Comprehensive Annual Financial Report of the City available as of the date of enactment of the Covenant Ordinance.

"Variable Rate Debt" means Non-Self Sufficient Debt issued with a variable, auction reset, adjustable, convertible or other similar interest rate which is not fixed in percentage at the date of issue for the entire term thereof.

Covenant Ordinance Constitutes a Contract

The Covenant Ordinance shall be deemed to be and shall constitute a contract between the City and the respective Bondholders outstanding thereunder. The covenants and agreements set forth therein to be performed by the City shall be for the equal benefit, protection and security of the Bondholders and all Bonds shall be of equal rank and without preference, priority or distinction over any other thereof, except as expressly provided in the Covenant Ordinance.

Bonds Mutilated, Destroyed, Stolen or Lost

If any Bond is mutilated, destroyed, stolen or lost, the City or its agent may, in its discretion (i) deliver a duplicate replacement Bond, or (ii) pay a Bond that has matured or is about to mature. A mutilated Bond shall be surrendered to and cancelled by the Clerk or the City or its duly authorized agent. The Bondholder must furnish the City or its agent proof of ownership of any destroyed, stolen or lost Bond; post satisfactory indemnity; comply with any reasonable conditions the City or its agent may prescribe; and pay the City's or the agent's reasonable expenses.

Deposits Constitute Trust Funds

All funds or other property which at any time may be owned or held in the possession of or deposited with the City in the Capital Improvement Special Revenue Bond Fund or the Stabilization Reserve Account under the provisions of the Covenant Ordinance shall be held in trust, applied only in accordance with the provisions of the Covenant Ordinance, and shall not be subject to lien or attachment by any creditor of the City.

Investment of Moneys

Moneys held for the credit of the funds and accounts created under the Covenant Ordinance shall be invested and reinvested by the City in Investment Obligations. Such investments or reinvestments shall mature not later than the respective dates, as estimated by the City, that the moneys held for the credit of said funds or accounts will be needed for the purposes of such funds or accounts. Investment earnings shall be applied as provided in the Covenant Ordinance.

Tax Covenants

The City intends that the interest on each Series of Bonds issued under the Covenant Ordinance that are not Taxable Debt be and remain excluded from gross income for federal income tax purposes. The City represents to and covenants with the Holders of the Bonds issued under the Covenant Ordinance that are not Taxable Debt that it will comply with the requirements applicable to it contained in Section 103 and Part IV of Subchapter B of Chapter 1 of the Code to the extent necessary to preserve the exclusion of interest on each Series of Bonds from gross income for federal income tax purposes.

Reports and Annual Audits

The City shall require that an annual audit of its accounts and records be completed within six (6) months after the end of each Fiscal Year by an independent certified public accountant of recognized standing. Such audit shall be conducted in accordance with generally accepted auditing standards as applied to Governmental Unit and shall be accompanied by a certification by the auditors stating that in the course of performing the audit, nothing has come to their attention that would cause them to believe the City is in default of any of its obligations under the Covenant Ordinance or, alternatively, specifying the nature of such default or failure to comply. The City shall also require its Chief Financial Officer to file with the City within six (6) months after the end of each Fiscal Year a written report certifying that all payments, deposits and credits to and payments, transfers and withdrawals from each fund and account created under Covenant Ordinance have been made in strict compliance with the terms of the Covenant Ordinance.

The Governing Body shall require its duly authorized officer to file with the City any special financial reports as requested at any time by a written document signed by Bondholders owning more than fifty percent (50%) of the aggregate principal amount of the Bonds then outstanding.

Amortization Certificate

The Chief Financial Officer shall, with respect to each Series of Non-Self Sufficient Debt issued on or after the date of issuance of the first Series of Bonds under the Covenant Ordinance for which Amortization Installments or serial maturities have not been established, file with the Governing Body prior to the beginning of each Fiscal Year, commencing with the Fiscal Year beginning five (5) years prior to commencement of the required amortization of such Series of Non-Self Sufficient Debt pursuant to the Covenant Ordinance, a report setting forth a plan for the amortization of such Series of Non-Self Sufficient Debt in accordance with the requirements of the Covenant Ordinance.

- (a) Concurrently with the issuance of Non-Self Sufficient Debt, the Mayor or Mayor Pro Tem of the City shall certify (i) the dates and the principal amounts of such Non-Self Sufficient Debt (other than Designated Maturity Debt) that will be paid or redeemed in advance of the final maturity thereof to the extent that (a) separate serial maturities or Amortization Installments have not been established for such Non-Self Sufficient Debt and (b) amortization of such debt is otherwise required pursuant to the Covenant Ordinance and (ii) with respect to Designated Maturity Debt, the principal amortization for each series

thereof in accordance with the Covenant Ordinance, assuming that the final maturity of each series of Designated Maturity Debt shall be no later than thirty (30) years from the date of original issuance thereof. Each proposed Amortization Installment set forth in such certificate shall be on a date which is on or after the first optional redemption date for such Non-Self Sufficient Debt.

(b) The City may, from time to time amend the amortization certificate requirements established pursuant to the City's Amortization Certificate described in clause (a) above if the new amortization schedule would not cause the City to violate the amortization requirements as set forth in the Covenant Ordinance, and the anti-dilution test set forth in the Covenant Ordinance, as re-calculated on the date of amendment to such amortization schedule.

(c) The certificate of amortization provided pursuant to clause (a) above, as amended from time to time as provided in clause (b) above shall not create an enforceable right or expectation of Bondholders to have Bonds redeemed or retired in accordance therewith, but is intended to document the City's ability and intent to comply with the requirements of the Covenant Ordinance.

A copy of each report of the Chief Financial Officer, together with the comprehensive annual financial report as certified according to the requirements stated above, shall be available for inspection at the offices of the City and shall be promptly furnished to the managing underwriter of each Series of Bonds and mailed to any Bondholder requesting the same upon payment by such Bondholder of the cost of reproduction and mailing.

Annual Budget

The City covenants and agrees to prepare and adopt for each Fiscal Year an Annual Budget for the City in the manner provided and in accordance with applicable law.

Events of Default

The Covenant Ordinance provides that each of the following events is an "event of default" under the respective documents.

(a) payment of principal of any Bond shall not be made when the same shall become due and payable, either at maturity or on required payment dates by proceedings for redemption or otherwise; or

(b) payment of any installment of interest shall not be made when the same shall become due and payable; or

(c) the City shall fail to make any cash deposits required to be made under the Covenant Ordinance and such failure shall continue unremedied for a period of five (5) days after the occurrence thereof; or

(d) the City shall fail to comply with any of the covenants and obligations of the City under the Covenant Ordinance (other than with respect to making required cash deposits) and such failure shall continue unremedied for a period of thirty (30) days after the occurrence thereof; or

(e) an order or decree shall be entered, with the consent or acquiescence of the City, appointing a receiver or receivers of the City, or the filing of a petition by the City for relief under federal bankruptcy laws or any other applicable law or statute of the United States of America or the State of Florida, which shall not be dismissed, vacated or discharged within thirty (30) days after the filing thereof; or

(f) any proceedings shall be instituted, with the consent or acquiescence of the City, for the purpose of effecting a composition between the City and its creditors or for the purpose of adjusting the claims of such creditors, pursuant to any federal or state statutes now or hereafter enacted, if the claims of such creditors are under any circumstances payable from amounts deposited in the General Fund or the Utility Services Tax Fund.

Notwithstanding the foregoing, with respect to the events described in clause (d) above, the City shall not be deemed in default under the Covenant Ordinance if such default can be cured within a reasonable period of time and if the City in good faith institutes appropriate curative action and diligently pursues such action until the default has been corrected.

Enforcement of Remedies

Upon the happening and continuance of any event of default, then and in every such case the Owners of not less than twenty-five percent (25%) of the Bond Obligation then outstanding, may appoint any state bank, national bank, trust company or national banking association qualified to transact business in Florida to serve as trustee for the benefit of the Holders of all Bonds then outstanding (the "Trustee"). Notice of such appointment, together with evidence of the requisite signatures of the Holders of twenty-five percent (25%) of the Bond Obligation and the trust instrument under which a trustee shall have agreed to serve shall be filed with the City and such Trustee and notice of such appointment shall be published in a financial journal of general circulation in the City of New York, New York. After the appointment of the first Trustee under the Covenant Ordinance no further Trustees may be appointed; however, the Holders of a majority of the Bond Obligation then outstanding may remove the Trustee initially appointed and appoint a successor and subsequent successors at any time. If the default for which the Trustee was appointed is cured or waived pursuant to the Covenant Ordinance the appointment of the Trustee shall terminate with respect to such default.

After a Trustee has been appointed pursuant to the foregoing, the Trustee may proceed, and upon the written request of owners of twenty-five percent (25%) of the Bond Obligation outstanding shall proceed, to protect and enforce the rights of the Bondholders under the laws of the State of Florida, including the Act, and under the Covenant Ordinance by such suits, actions or special proceedings in equity or at law, or by proceedings in the office of any board, body or officer having jurisdiction, either for the specific performance of any covenant or agreement contained therein or in aid of execution of any power therein granted or for the enforcement of any proper legal or equitable

remedy, all as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights.

Effect of Discontinuing Proceedings

In case any proceeding taken by the Trustee or any Bondholder on account of any default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or such Bondholder, then and in every such case the City, the Trustee and Bondholders shall be restored to their former positions and rights under the Covenant Ordinance and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

Directions to Trustee as to Remedial Proceedings

Notwithstanding anything in the Covenant Ordinance to the contrary, the Holders of a majority of the Bond Obligation then outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings to be taken by the Trustee under the Covenant Ordinance, provided that such direction shall not be otherwise than in accordance with law or the provisions of the Covenant Ordinance and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction.

Restrictions on Actions by Individual Bondholders

No Bondholder shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust under the Covenant Ordinance or for any other remedy thereunder unless such Bondholder previously shall have given to the Trustee written notice of the event of default on account of which such suit, action or proceeding is to be taken, and unless the Holders of not less than twenty-five percent (25%) of the Bond Obligation then outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted under the Covenant Ordinance or to institute such action, suit or proceeding in its or their name, and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, including the reasonable fees of its attorneys (including fees on appeal), and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers and trusts of the Covenant Ordinance or for any other remedy thereunder. It is understood and intended that no one or more Owners of the Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Covenant Ordinance, or to enforce any right thereunder, except in the manner therein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all Bondholders, and that any individual rights of action or any other right given to one or more of such Owners by law are restricted by the Covenant Ordinance to the rights and remedies therein provided.

Nothing contained in the Covenant Ordinance, however, shall affect or impair the right of any Bondholder, individually, to enforce the payment of the principal of and interest on his Bond or Bonds at and after the maturity thereof, at the time, place, from the source and in the manner provided in the Covenant Ordinance.

Modification or Amendment

The Covenant Ordinance may be modified and amended and all appropriate blanks appearing therein may be completed by the City from time to time prior to the issuance of the first Series of Bonds thereunder. Thereafter, no modification or amendment of the Covenant Ordinance, or of any resolution or ordinance amendatory thereof or supplemental thereto, materially adverse to the Bondholders of a Series may be made without the consent in writing of the Owners of not less than a majority of the Bond Obligation of such Series then outstanding, but no modification or amendment shall permit a change (a) in the maturity of the Bonds or a reduction in the rate of interest thereon, (b) in the amount of the principal obligation of any Bond, (c) that would affect the unconditional promise of the City to budget and appropriate Covenant Revenues for the payment of the obligations of the City under the Covenant Ordinance, or (d) that would reduce such percentage of Holders of the Bonds, required as referred to above, for such modifications or amendments, without the consent of all of the Bondholders. For the purpose of Bondholders' voting rights or consents, the Bonds owned by or held for the account of the City, directly or indirectly, shall not be counted. The City may amend the Covenant Ordinance to authorize the issuance of Bonds in coupon form and may make other amendments not prohibited by the foregoing, without the consent of the Bondholders.

Defeasance and Release of Covenant Ordinance

If, at any time after the date of issuance of the Bonds, (a) all Bonds secured by the Covenant Ordinance or any Series thereof or maturity within a Series shall have become due and payable in accordance with their terms or otherwise as provided in the Covenant Ordinance or shall have been duly called for redemption, or the City gives the Paying Agents irrevocable instructions directing the payment of the principal of, premium, if any, and interest on such Bonds at maturity or at any earlier redemption date scheduled by the City, or any combination thereof, and (b) the whole amount of the principal, premium, if any, and the interest so due and payable upon all of such Bonds then outstanding, at maturity or upon redemption, shall be paid, or sufficient moneys shall be held by the Paying Agents in irrevocable trust for the benefit of such Bondholders (whether or not held in any account created under the Covenant Ordinance) which, when invested in direct obligations of the United States of America maturing not later than the maturity or redemption dates of such principal, premium, if any, and interest will, together with the income realized on such investments, be sufficient to pay all such principal, premium, if any, and interest on said Bonds at the maturity thereof or the date upon which such Bonds are to be called for redemption prior to maturity, (c) provisions shall also be made for paying all other sums payable under the Covenant Ordinance by the City, then and in that case the right, title and interest of such Bondholders under the Covenant Ordinance and the pledge of and lien on the moneys deposited in the funds and accounts created under the Covenant Ordinance and all other pledges and liens created thereby or pursuant thereto, with respect to such Bondholders shall thereupon cease, determine and become void, and if such conditions have been satisfied with respect to all Bonds issued thereunder and then outstanding, all

balances remaining in any other funds or accounts created by the Covenant Ordinance other than moneys held for redemption or payment of Bonds and to pay all other sums payable by the City thereunder shall be distributed to the City for any lawful purpose; otherwise the Covenant Ordinance shall be, continue and remain in full force and effect.

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APPENDIX E

**COMPREHENSIVE ANNUAL FINANCIAL REPORT, INCLUDING AUDITED
FINANCIAL STATEMENTS OF THE ISSUER FOR THE FISCAL YEARS ENDED
SEPTEMBER 30, 2011 AND SEPTEMBER 30, 2010**

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Sunshine State
Governmental Financing Commission
Comprehensive Annual Financial Report
Years ended September 30, 2011 and 2010

Sunshine State
Governmental Financing Commission
Comprehensive Annual Financial Report
Years ended September 30, 2011 and 2010
with Report of Independent Auditors

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Located in the State of Florida
Prepared by:
Richard C. Dowdy, Program Administrator, The GAMS Group, Inc.
Robert R. Garner, Accounting Services, GCSC, Inc.



January 31, 2012

Commission Members and Board of Directors

It is with pleasure that we submit this Comprehensive Annual Financial Report (CAFR) of the Sunshine State Governmental Financing Commission (the Commission) for the year ended September 30, 2011. This report was prepared by the Commission's executive staff and consultants in accordance with Florida Statutes and generally accepted accounting principles for governments. The Commission assumes full responsibility for the completeness and reliability of all the information presented in this report. In addition to meeting legal requirements, this report reflects the Commission's commitment to full financial disclosure.

Florida law requires that a complete set of financial statements be published within one year of fiscal year end and presented in conformance with generally accepted accounting principles as applicable to governmental entities and audited in accordance with generally accepted auditing standards by a licensed independent certified public accountant.

The CAFR presentation is intended to facilitate a greater understanding of the Commission's financial affairs by its readers. The report is presented in three sections: introductory, financial, and statistical.

The introductory section, which has not been independently audited, includes this transmittal letter, and a list of the current members of the Commission.

The financial section provides a detailed presentation of the financial position of the Commission as of the end of its fiscal year, September 30, 2011. The financial section is divided into three sections:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Combining Financial Statements

Readers are encouraged to pay particular attention to the MD&A and the notes to the basic financial statements, which provide valuable analysis and explanation of the financial statements.

The statistical section, which has not been independently audited, includes multi-year historical and comparative data designed to present fiscal trends of the Commission reporting entity and its services.

The Commission, a public body corporate and politic of the state of Florida, was created in 1985, initially by the cities of Tallahassee and Orlando, under the State's intergovernmental cooperation laws to provide common financing to a limited number of qualified governmental entities in Florida.

Introductory Section

As of September 30, 2011, the Commission's membership consists of the following governmental units: City of Coral Gables, Florida; City of Coral Springs, Florida; City of Daytona Beach, Florida; City of Ft. Lauderdale, Florida; City of Jacksonville, Florida; City of Lakeland, Florida; City of Miami, Florida; City of Hollywood, Florida; City of Miami Beach, Florida; City of Orlando, Florida; City of St. Petersburg, Florida; City of Tallahassee, Florida; City of Vero Beach, Florida; Miami-Dade County, Florida; Palm Beach County, Florida; and Polk County, Florida. Not all members have outstanding debt with the Commission. In addition, Leon County, Florida and the cities of Fort Pierce and West Palm Beach, Florida, have participated in the Commission's programs as nonmembers. Membership and nonmember participation are open to other qualified Florida local governments.

The Commission is governed pursuant to an interlocal agreement between its member governments. Each member government appoints a representative to the Commission. These representatives elect a five-member board of directors to oversee and administer the Commission's financing programs. The board of directors has appointed an executive director and deputy executive director to manage the Commission. As authorized by the Commission's governing rules, certain management and day-to-day operational responsibilities are delegated by the volunteer executive staff to independent consultants, including a program administrator and an accounting services provider.

As a joint venture among the member governmental units, the Commission enables a limited number of qualifying governments to participate in cooperative debt financings with pricing and cost structures not normally available to governmental entities acting individually. Loan obligations from the Commission are reflected as debt by the participating governmental units.

The Commission is a special-purpose government engaged in business type activity as a cooperative bond financing authority and accounts for its activities using the economic resource accrual basis of accounting.

Financing Programs of the Commission

The Commission provides a variety of different financing programs to a select group of higher-rated governmental units in Florida. In most cases, participant loans are secured with a general covenant to budget and appropriate for the debt service from non-ad valorem revenues, which is similar to a private sector "corporate promise to pay." Loans may require credit enhancement based on the participant's underlying credit rating. Historically, the Commission has principally been an issuer of variable rate securities with fixed rate debt issued on an exception basis at the request of one or more participants.

The Commission's original debt offering of \$300 million in 1986 was issued as multi-modal variable-rate revenue bonds. As of July 27, 2011, all participant loans under the Series 1986 Program had been retired and all outstanding Series 1986 revenue bonds redeemed. The revenue bond program was terminated as of September 30, 2011.

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During fiscal year 2010 – 2011, the Commission established a new multimodal bond program exclusively for Miami-Dade County, Florida. This program is comprised of five series of bonds issued to refund existing loans between the Commission and the County previously assigned under the Series 1986 bond program and the Series L commercial paper note program. Both programs were discontinued in 2011. The new multimodal program was structured as a combination of fixed rate bonds (Series 2011A Bonds) totaling \$218.660 million and variable rate bonds totaling \$289.425 million comprised of the Series 2010A&B Bonds, the Series 2011B&C Bonds, and the Series 2011D Bonds. The total debt outstanding under the Miami-Dade multimodal bond program is \$508.085 million.

Since its inception in 1985, the Commission has originated over \$3.71 billion in capital loans for its members and other borrowers under its variable and fixed rate financing programs.

Refundings and Restructurings Prevail as Municipal Market Stabilizes and New Borrowing Demand Wanes

From 2008 through 2011, many of the Commission's banking partners curtailed their public finance operations. With expiring credit commitments in 2011 and a dwindling and limited supply of replacement facilities, borrowers desiring to maintain their variable rate financings with the Commission were faced with restructuring and refunding their debt obligations into fixed rate transactions or accepting higher credit and liquidity costs. Increased borrowing costs required by refundings were partially offset as interest rates in 2011 remained attractive with short-term and long-term rates hovering near historical lows. While the banking industry incurred widespread credit rating downgrades, predictions of severe credit stress and massive defaults for municipal issuers were unfounded.

With greater access to and stability of the municipal bond market, several members elected to use a combination of fixed and variable debt structures in their refundings with the Commission during the last year. Miami-Dade County restructured and refunded approximately \$535 million of existing loans into fixed and variable rate obligations under a new multimodal bond program. In borrowing approximately \$22 million for new capital projects, Coral Gables also refunded approximately \$52 million using a combination of privately-placed, fixed rate and variable rate bank loans. Other members elected to retire their outstanding debt obligations or refund them using other financing sources.

The retrenchment in the Commission's financing programs is a reflection of a retracted global economy and an unpredictable deferral of capital financing needs by state and local governments. The Commission's leadership no longer envisions the need to offer its financing services on a cooperative, pooled basis; however, it remains committed to low-cost lending programs for individual member governments. While demand for new financing services is not expected in the near term, cost management, the ongoing assessment of credit and interest rate risks, and the sustainability of its core financial services will be the highest operational priorities for the Commission.

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The Commission's current Governmental Financing Program collectively includes the following separately administered programs: the Multiple Series Commercial Paper Note Program, the Fixed Rate Bond Program, and the Multimodal Bond Program.

Participant	2011			Total	2010	2009
	Commercial Paper Program	Fixed Rate Program	Multimodal Program			
Coral Gables	\$ 6,805,000	\$73,495,000	\$ -	\$ 79,300,000	\$ 61,201,672	\$ 64,824,472
Lakeland	-	-	-	-	-	16,086,000
Miami	-	-	-	-	68,371,300	75,371,300
Miami Beach	-	-	-	-	-	2,930,000
Miami Dade County	-	-	508,085,000	508,085,000	546,378,275	577,340,135
Orlando	115,740,000	-	-	115,740,000	177,011,338	177,011,338
Tallahassee	-	-	-	-	38,261,144	40,499,966
West Palm Beach	-	-	-	-	-	6,723,000
Total	\$ 122,545,000	\$ 73,495,000	\$ 508,085,000	\$ 703,125,000	\$ 891,423,929	\$ 960,972,611

The Commission's commercial paper note program was created in 1994 and has issued approximately \$2.3 billion in pooled and non-pooled debt comprising twelve separate note offerings (Series A through Series L). Total debt outstanding varies (increases/decreases) as new loans are originated and loan principal amounts are repaid. The Commission issues commercial notes for taxable, tax-exempt, and tax-exempt AMT financing opportunities. The Commission's commercial paper notes are typically issued as short-term debt instruments and are supported by long-term loan obligations with credit enhancement or liquidity support provided by direct pay letters of credit or standby note purchase agreements from qualified banking institutions. A non-pooled or standalone series is developed exclusively for a single participant and may require credit enhancement based on the participant's underlying credit.

As of September 30, 2011, the multiple series commercial paper note program consisted of one standalone series (the Series H – Orlando Program) with \$115.74 million of notes outstanding. For the convenience of reference, certain variable rate debt obligations of the City of Coral Gables, Florida have been included under the multiple series program. On June 30, 2011, the Commission issued \$6.805 million of privately-placed, tax exempt and taxable notes refunding outstanding commercial paper notes under the Series E Coral Gables Program.

The fixed rate bond program is comprised of the Series 2004 Bonds, the Series 2009 Bonds, and the Series 2011A Bonds issued by the Commission on behalf of the City of Coral Gables, Florida. As of September 30, 2011, a total of \$72.5 million was outstanding under the Commission's fixed rate program.

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Financial Information

The management of the Commission is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Commission are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

The Commission is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to its financing programs. This internal control structure is subject to periodic evaluation by management.

In addition, the Commission, under the direction of its board of directors, maintains budgetary controls on the administrative and operational costs of its financing programs. The objective of these controls is to ensure compliance with the annual appropriated budget approved by the board of directors. Activities of the combined program administrative expense fund are included in the annual appropriated budget.

The statements and schedules included in the financial section of this report demonstrate the Commission's continuing commitment to sound financial management and the highest level of professional reporting standards.

Independent Audit

Florida statutes require an annual audit by independent certified public accountants. The Commission selected the firm of Thomas Howell Ferguson P.A. to conduct the financial audit for the period ending September 30, 2011. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the Commission's financial audit. The report of independent auditors on the basic financial statements and combining fund statements and schedules is included in the financial section of the report. The auditors' reports on internal controls and compliance with applicable laws and regulations are also included with this report.

Award Recognition

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to the Commission for its comprehensive annual financial reports since 2004. In order to be awarded a Certificate of Achievement, a recipient government's report is judged annually and must be published as an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

We believe that this comprehensive annual financial report for the year ending September 30, 2011, will continue to meet the requirements for the GFOA Certificate of Achievement for Excellence in Financial Reporting.

Acknowledgements

The preparation of this report could not have been done without the cooperative efforts of the Commission's consultants and the support and guidance of the board of directors. Special recognition is afforded to our retiring board members for their long-term service and dedicated efforts: Lidia Monzon-Aguirre, Miami-Dade County; John Long, Palm Beach County; and Don Nelson, City of Coral Gables. We would also like to express our appreciation to all Commission members, participating borrowers, and business partners for their continued support in planning and conducting the business of the Commission in a responsible and progressive manner.


Robert B. Inzer
 Executive Director


G. Michael Miller
 Deputy Executive Director

**Sunshine State
 Governmental Financing Commission**

List of Officials

MEMBERSHIP

City of Coral Gables
 City of Daytona Beach
 City of Hollywood
 City of Lakeland
 City of Miami Beach
 City of Orlando
 Polk County
 City of Tallahassee

City of Coral Springs
 City of Fort Lauderdale
 City of Jacksonville
 City of Miami
 Miami-Dade County
 Palm Beach County
 City of St. Petersburg
 City of Vero Beach

BOARD OF DIRECTORS

Chair
 Rebecca W. Sutton
 Chief Financial Officer
 City of Orlando

Vice-Chair

Lidia Monzon-Aguirre
 Director, Bond Administration
 Miami-Dade County

Secretary-Treasurer

John A. Long
 Debt Manager
 Palm Beach County

Member

The Honorable John R. Marks, III
 Mayor
 City of Tallahassee

Member

Donald G. Nelson
 Director of Finance
 City of Coral Gables

EXECUTIVE STAFF

Executive Director
 The Honorable Robert H. Inzer
 Clerk of the Circuit Court
 Leon County

Deputy Executive Director
 G. Michael Miller
 Chief Financial Officer
 City of Jacksonville

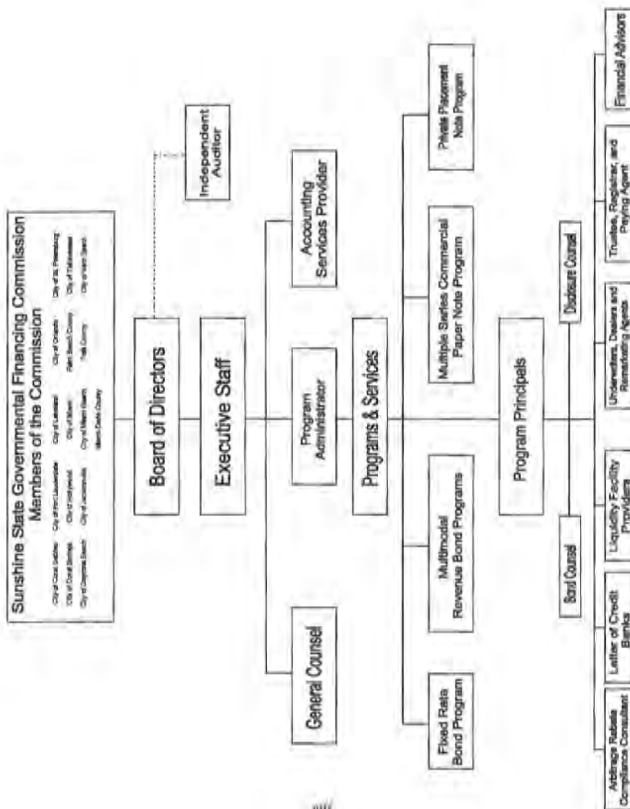
GENERAL COUNSEL

James R. English, Attorney at Law

Program Administrator
 Richard C. Dowdy
 The GAMS Group Inc.

Accounting Services Provider
 Robert R. Garner, CPA
 The Government Consulting Services Company

As of September 30, 2011



**Certificate of
 Achievement
 for Excellence
 in Financial
 Reporting**
 Presented to
**Sunshine State Governmental
 Financing Commission, Florida**

For its Comprehensive Annual
 Financial Report
 for the Fiscal Year Ended
 September 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.




 President

 Executive Director

Independent Auditors' Report

The Commission Members
Sunshine State Governmental Financing Commission

We have audited the accompanying statements of net assets of the Sunshine State Governmental Financing Commission (the Commission) as of September 30, 2011 and 2010, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Commission as of September 30, 2011 and 2010, and the results of its operations and changes in net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2012, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Financial Section

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The combining schedules listed in the table of contents as supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

Thomas Howell Ferguson P.A.

February 27, 2012

Sunshine State
Governmental Financing Commission

Management's Discussion and Analysis
Years ended September 30, 2011 and 2010

Our discussion and analysis of the financial performance of Sunshine State Governmental Financing Commission (the Commission) provides an overview of the Commission's financial activities for the fiscal years ended September 30, 2011 and September 30, 2010. Please read it in conjunction with the Commission's financial statements, which begin on page nine.

Using This Annual Report

This report, consisting of the basic financial statements, supplemental schedules, and statistical section, is intended to provide information about the Commission as a whole and an overview of the Commission's financial position. The basic financial statements include the following: Statements of Net Assets, Statements of Revenues, Expenses and Changes in Net Assets and Statements of Cash Flows and Notes to Financial Statements. All of the statements are presented on the economic resources measurement focus and accrual basis of accounting.

Financial Analysis:

Assets	2011	2010	Change	% Change
Current assets:				
Cash and cash equivalents	\$ 5,984,242	\$ 1,770,612	\$ 4,213,630	237.98 %
Other current assets	31,705,004	38,812,524	(7,107,520)	(18.31) %
Restricted assets:				
Cash and cash equivalents	3,306,018	57,476,396	(54,170,378)	(94.25) %
Other assets - loans receivable, due after one year	671,260,000	854,408,948	(183,148,948)	(21.44) %
Total assets	712,255,264	952,468,480	(240,213,216)	(25.22) %
Liabilities:				
Current liabilities	36,256,163	28,634,878	7,621,285	26.62 %
Restricted asset liabilities	4,739,101	19,644,602	(14,905,501)	(75.88) %
Bonds and notes payable	671,260,000	904,189,000	(232,929,000)	(25.76) %
Total liabilities	712,255,264	952,468,480	(240,213,216)	(25.22) %
Net assets	\$ -	\$ -	\$ -	

The changes in the net asset schedule relates to the significant decrease in debt outstanding.

Sunshine State
Governmental Financing Commission
Management's Discussion and Analysis
Years ended September 30, 2011 and 2010

	2011	2010	Change	% Change
Operating revenues:				
Billing to Participants	\$ 16,648,259	\$ 11,112,816	\$ 5,535,443	49.81 %
Total operating revenues	16,648,259	11,112,816	5,535,443	49.81 %
Operating expenses:				
Interest on bonds and notes	9,094,570	4,536,387	4,558,183	100.48 %
Liquidity support fees	5,157,834	5,072,496	85,338	1.68 %
Remarketing fees	466,774	683,088	(216,314)	(31.67) %
Professional fees	322,065	426,229	(104,164)	(24.44) %
Other	1,532,041	82,463	1,449,578	1,757.85 %
Total operating expenses	16,573,284	10,800,663	5,772,621	53.45 %
Nonoperating				
Investment income	18,319	123,563	(107,244)	(86.79) %
Return of funds to participants	(91,294)	(435,716)	344,422	(79.05) %
Change in net assets	-	-	-	-
Ending net assets	\$ -	\$ -	\$ -	-

The change in revenues and expenses are primarily the result of net loan (new issuances and repayments) activity, substantial increases in liquidity support and credit enhancement fees, and fluctuations in short-term interest rates for the debt instruments issued by the Commission. Using the representative rates from the Series H commercial revenue note program, interest rates on the Commission's debt instruments in 2011 ranged from 0.10% to 1.00% for tax-exempt and from 0.29% to 0.35% for taxable securities compared to 2010 when interest rates ranged from 0.31% to 0.75% for tax-exempt and from 0.60% to 1.56% for taxable securities. These are general ranges for the Commission's tax exempt and taxable debt instruments, which will vary by program and series. Rates during this comparative period fluctuated considerably due to severe market disruptions in the short-term variable rate municipal markets caused by the global credit and liquidity crisis. In addition, other income and various expenses paid by the Commission will fluctuate based upon the issuance of new debt instruments and loan repayment activity of the participating borrowers during each year. Annual budget projections and ongoing operational and administrative costs were adjusted to reflect new loan restructurings and programmatic changes during the reporting period.

Sunshine State
Governmental Financing Commission
Management's Discussion and Analysis
Years ended September 30, 2011 and 2010

2010 vs 2009 (continued)

	2010	2009	Change	% Change
Operating revenues:				
Billing to participants	\$ 11,112,816	\$ 29,609,816	\$ (18,497,000)	(62.47)%
Total operating revenues	11,112,816	29,609,816	(18,497,000)	(62.47)%
Operating expenses:				
Interest on bonds and notes	4,536,387	23,423,643	(18,887,256)	(80.63)%
Liquidity support fees	5,072,496	4,697,344	375,152	7.99%
Remarketing fees	683,088	536,818	146,270	27.25%
Professional fees	426,229	483,204	(56,975)	(11.79)%
Other	82,463	110,182	(27,719)	(25.16)%
Total operating expenses	10,800,663	29,251,191	(18,450,528)	(63.08)%
Nonoperating income (expense):				
Investment income	123,563	722,890	(599,327)	(82.91)%
Return of funds to participants	(435,716)	(1,081,515)	645,799	(59.71)%
Change in net assets	-	-	-	-
Ending net assets	\$ -	\$ -	\$ -	-

The change in revenues and expenses are primarily the result of net loan (new issuances and repayments) activity, substantial increases in liquidity support and credit enhancement fees, and fluctuations in short-term interest rates for the debt instruments issued by the Commission. Using the representative rates from the Series A commercial paper revenue note program, interest rates on the Commission's debt instruments in 2010 ranged from 0.31% to 0.75% for tax-exempt and from 0.60% to 1.56% for taxable securities compared to 2009 when interest rates ranged from 0.90% to 8.00% for tax-exempt and from 0.83% to 6.25% for taxable securities. These are general ranges for the Commission's tax exempt and taxable debt instruments, which will vary by program and series. Rates during this comparative period fluctuated considerably due to severe market disruptions in the short-term variable rate municipal markets caused by the global credit and liquidity crisis. In addition, other income and various expenses paid by the Commission will fluctuate based upon the issuance of new debt instruments and loan repayment activity of the participating borrowers during each year. Annual budget projections and ongoing operational and administrative costs were adjusted to reflect loan restructurings and programmatic changes during the reporting period.

Sunshine State
Governmental Financing Commission
Management's Discussion and Analysis
Years ended September 30, 2011 and 2010

2010 vs 2009

	2010	2009	Change	% Change
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,770,612	\$ 1,990,535	\$ (219,923)	(11.05)%
Other current assets	38,812,524	43,863,871	(5,051,347)	(11.52)%
Restricted assets:				
Cash and cash equivalents	57,476,396	48,449,501	9,026,895	18.63%
Other assets - loans receivable, due after one year	854,408,948	918,655,581	(64,246,633)	(6.99)%
Total assets	952,468,480	1,012,959,488	(60,491,008)	(5.97)%
Liabilities				
Current liabilities	28,634,878	32,240,314	(3,605,436)	(11.18)%
Restricted asset liabilities	19,644,602	19,898,174	(253,572)	(1.27)%
Bonds and notes payable	904,189,000	960,821,000	(56,632,000)	(5.89)%
Total liabilities	952,468,480	1,012,959,488	(60,491,008)	(5.97)%
Net assets	\$ -	\$ -	\$ -	-

Changes in assets and liabilities are the result of a significant reduction in new debt issuances coupled with a substantial increase in unsecured loan prepayments. The Commission experienced a net decrease of \$59.9 million in outstanding debt. These changes were also the result of major market fluctuations in short-term, variable interest rates for municipal securities arising from the global credit and liquidity crisis. As a cooperative bond financing authority, the Commission issues debt upon the request of and on behalf of its members and participants and, in turn, assesses participants their loan origination costs and a proportionate share of ongoing program costs. As a result, the Commission's accounts reflect zero net assets.

Sunshine State
Governmental Financing Commission
Management's Discussion and Analysis
Years ended September 30, 2011 and 2010

Debt Outstanding

The Commission had the following change in long-term debt:

	2009	2010	2011	2010/2009 % Change	2011/2010 % Change
Multiple Series Commercial Paper Note Program	\$ 713,017,000	\$ 662,876,000	\$ 122,545,000	(7.03) %	(81.51) %
Series 1996 Revenue Bond Program	247,300,000	238,300,000	-	(3.64) %	(100.00) %
Fixed Rate Program	30,685,000	29,930,000	72,495,000	(2.46) %	142.22 %
Multitredal Program	-	-	508,085,000	-	-
Total debt outstanding	\$ 991,002,000	\$ 931,106,000	\$ 703,125,000	(6.04) %	(24.48) %

Additional information on the Commission's long-term debt can be found in Note 4.

Economic Factors

As a member services agency, the Commission's financial activity is solely dependent upon the capital financing needs of its member governments and other market considerations beyond its scope and control, including but not limited to the current short- and long-term interest rates, general market conditions, the regulatory environment including constitutional and legislative mandates, and the general economy of its members, the region, and the nation.

Requests for Information

This financial report is designed to provide Commission members and their citizens, taxpayers, customers, investors and creditors with a general overview of the Commission's finances and to show the accountability for the funds it receives. If you have any questions about this report or need additional financial information contact the Program Administrator, Sunshine State Governmental Financing Commission, c/o The GAMS Group, Inc., 2308 Tour Eiffel Drive, Tallahassee, Florida, 32308 or visit the Commission's web site at www.ssgfc.com.

Sunshine State
Governmental Financing Commission
Statements of Net Assets

	September 30,	
	2011	2010
Assets		
Current assets:		
Cash and cash equivalents:		
Cash	\$ 244,858	\$ 206,947
Temporary investments	5,739,384	1,563,665
Total cash and cash equivalents	5,984,242	1,770,612
Other current assets:		
Due from participants	645,004	1,797,543
Loans receivable, due within one year	31,060,000	37,014,981
Total current assets	37,689,246	40,583,136
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents:		
Program development fund	104,594	64,094
Debt service reserve account	2,772,238	38,401,296
Field for bondholders	153,012	153,012
Bond proceeds account	276,174	9,138,608
Secondary loan account	-	9,719,386
Total restricted assets	3,306,018	37,476,396
Other assets - loans receivable, due after one year	671,260,000	854,408,948
Total noncurrent assets	674,566,018	911,885,344
Total assets	\$ 712,255,264	\$ 952,468,480
Liabilities		
Current liabilities:		
Accrued interest payable	\$ 1,987,858	\$ 902,643
Accounts payable	901,444	155,341
Due to bondholders	153,012	153,012
Due to participants	1,348,849	506,882
Current portion of bonds and notes payable	31,865,000	26,917,000
Total current liabilities	36,256,163	28,634,878
Noncurrent liabilities:		
Due to participants:		
Debt service reserve account	4,449,865	10,464,405
Bond proceeds account	276,174	9,138,608
Operating expense cash reserve	13,062	41,589
Total restricted liabilities	4,739,101	19,644,602
Bonds and notes payable	671,260,000	904,189,000
Total noncurrent liabilities	675,999,101	923,833,602
Total liabilities	712,255,264	952,468,480
Net assets	\$ -	\$ -

See accompanying notes to financial statements.

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Sunshine State
Governmental Financing Commission

Statements of Revenues, Expenses and Changes in Net Assets

	Years ended September 30,	
	2011	2010
Operating revenues:		
Billing to participants	\$ 16,648,259	\$ 11,112,816
Total operating revenues	16,648,259	11,112,816
Operating expenses:		
Interest on bonds and notes	9,094,570	4,536,387
Credit or liquidity support fees	5,157,834	5,072,496
Remarketing fees	466,774	683,088
Professional fees	322,065	426,229
Cost of issuance fees	1,498,678	65,596
Trustee/paying agent fees	33,363	16,867
Total operating expenses	16,573,284	10,800,663
Operating income	74,975	312,153
Nonoperating:		
Investment income	16,319	123,363
Return of funds to participants	(91,294)	(435,716)
	(74,975)	(312,153)
Change in net assets	-	-
Net assets at beginning of year	\$ -	\$ -
Net assets at end of year	-	-

See accompanying notes to financial statements.

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Sunshine State
Governmental Financing Commission
Statements of Cash Flows

	Years ended September 30,	
	2011	2010
Operating activities:		
Cash received from participants	\$ 17,330,059	\$ 10,962,898
Cash (utilized) received and deposited into (paid from) bond proceeds account	(13,592,796)	(471,092)
Cash utilized on loans receivable	189,103,929	69,548,485
Cash payments for bond and note interest	(8,009,355)	(4,720,203)
Cash payments to suppliers for goods and services	(6,732,610)	(6,304,963)
Net cash provided by operating activities	178,099,227	69,015,125
Noncapital financing activities:		
Cash returned to participant	(91,294)	(435,716)
Bonds and notes issued	587,725,000	-
Bonds and notes redeemed	(815,716,000)	(59,896,000)
Net cash used in noncapital financing activities	(228,072,294)	(60,331,716)
Investing activities:		
Investment income	16,319	123,363
Net (decrease) increase in cash and cash equivalents	(49,956,748)	8,806,972
Cash and cash equivalents at beginning of year	59,247,008	50,440,036
Cash and cash equivalents at end of year	\$ 9,290,260	\$ 59,247,008
Classified as:		
Current assets	\$ 5,984,242	\$ 1,770,612
Restricted assets	3,306,018	57,476,396
Total	\$ 9,290,260	\$ 59,247,008
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$ 74,975	\$ 312,153
Change in assets and liabilities:		
Decrease in loans receivable	189,103,929	69,548,485
Decrease (increase) in due from participants	1,152,540	(32,988)
Increase (decrease) in accounts payable	746,103	(40,686)
Increase (decrease) in due to participants	2,726,821	(116,929)
Decrease in noncurrent due to participants	(16,790,357)	(471,092)
Increase (decrease) in accrued interest payable	1,085,216	(183,818)
Net cash provided by operating activities	\$ 178,099,227	\$ 69,015,125

See accompanying notes to financial statements.

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Sunshine State
Governmental Financing Commission
Notes to Financial Statements

For the years ended September 30, 2011 and 2010

I. Summary of Significant Accounting Policies

Purpose

The Sunshine State Governmental Financing Commission (the Commission) was created in November 1985 and exists as a legal entity through interlocal agreements among and between its member governments, pursuant to Chapter 163, Florida Statutes.

As of September 30, 2011, the Commission's membership consists of the following governmental units: Cities of Coral Gables, Coral Springs, Daytona Beach, Ft. Lauderdale, Hollywood, Jacksonville, Lakeland, Miami, Miami Beach, Orlando, St. Petersburg, Tallahassee, Vero Beach and Miami-Dade County, Palm Beach County, and Polk County, Florida. Not all members have outstanding debt with the Commission. In addition, Leon County, Florida and the cities of Fort Pierce and West Palm Beach, Florida, have participated in the Commission's programs as nonmembers. Membership and nonmember participation is open to other qualified Florida local governments.

The Commission is governed pursuant to an interlocal agreement between its member governments. Each member government appoints a representative to the Commission. These representatives elect a five-member board of directors to oversee and administer the Commission's financing programs.

As a joint venture among the member governmental units, the Commission enables a limited number of qualifying governments to participate in cooperative debt financings with pricing and cost structures not normally available to governmental entities acting individually. Loan obligations from the Commission are reflected as debt in the basic financial statements of the participating governmental units.

During the reporting period, the Commission administered four separate financing programs for its members:

Series 1986 Revenue Bond Program - The Commission's original loan program was funded by revenue bonds issued on July 16, 1986 with a final maturity of July 1, 2016. Loan proceeds were subject to less restrictive pre-1986 tax law requirements. The original principal amount of Bonds issued was \$300 million of which \$30 million was allocated to a debt service reserve fund with the balance of \$270 million loaned to participants. Under the trust indenture, the repayment of outstanding loan principal amounts by participants became eligible for re-lending.

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Sunshine State
Governmental Financing Commission

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Purpose (continued)

In addition to the \$270 million of primary loans originated, \$232.8 million of secondary loans were made from 1990 to 2008. With the expiration of the credit facility in August 2011 and severely limited replacement facility opportunities, the Commission's leadership decided to close this program five years prior to the 2016 maturity of the bonds. As of July 27, 2011, all participant loans under the Series 1986 Program had been retired and all outstanding Series 1986 revenue bonds redeemed. The revenue bond program was terminated as of September 30, 2011 with a balance of approximately \$1.3 million representing accrued interest and other residual trust funds due to participants.

Multiple Series Commercial Paper Note Program – This variable rate program, also referenced as the Commercial Paper Note Program, commenced operations in February 1994 following a bond issue validation approved by the court in 1991. It contains both taxable and tax-exempt financing to meet the borrowing needs of the participants. The program is financed by issuing commercial paper notes in amounts and at times as needed to make loans to participating governmental units. Participants are billed monthly for their proportionate share of the program costs, including interest on the notes and administrative expenses.

Both interest bearing and discounted commercial paper notes are used. Notes are issued and reissued from time to time to provide the total net amount needed to support all of the outstanding loans. In order to obtain credit market acceptance, the notes are secured by the loan agreements, which may be secured by letters of credit that guarantee the participant loan payments.

As of September 30, 2011, only the Series H (Orlando Program) commercial paper notes remained outstanding, which are supported by a standby note purchase agreement expiring in 2013. The standby purchase agreement, in providing liquidity support and no credit enhancement, requires a six months notice if the liquidity provider does not intend to extend the agreement. This allows time to replace the liquidity provider, refinance or redeem the debt, or seek other remedies in advance of the facility's expiration date.

Commercial paper notes originally issued under the Series E (Coral Gables) and the Series L (Miami-Dade County) programs were retired in 2011 in connection with participant loan refundings and in advance of expiring credit or liquidity support facilities.

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Sunshine State
Governmental Financing Commission

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Generally Accepted Accounting Principles

The Commission is considered a special purpose government engaged in business type activities, which reports similarly to an enterprise fund in accordance with generally accepted accounting principles (GAAP) for governments as established by the Governmental Accounting Standards Board (GASB) and, where appropriate, the hierarchy of GAAP as established therefore. The Commission has elected not to apply Financial Accounting Standards Board Standards issued after November 30, 1989, as permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*.

Basis of Accounting

The Commission uses the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when they are earned and expenses when they are incurred. The excess (deficiency) of revenues over expenses is allocated to the participants and the Commission maintains no net assets.

Cash and Cash Equivalents

A qualified corporate bank trustee holds the Commission's assets, with the exception of combined program administrative expense fund administered by the Commission and held in a qualified public depository required by Florida Statutes. As of September 30, 2011, the Commission's assets were substantially all invested. Investments are recorded at their fair value.

By authority of the various trust indentures under the Governmental Financing Program, the Commission is generally authorized to invest in: (a) government obligations; (b) interest-bearing deposit accounts (which may be represented by certificates of deposit, time deposit open account agreements or other deposit instruments) in national or state banks having a combined capital and surplus of not less than \$100,000,000 and whose deposits are insured by the Federal Deposit Insurance Corporation; (c) bankers acceptances drawn on and accepted by commercial banks having a combined capital and surplus of not less than \$100,000,000 and whose deposits are insured by the Federal Deposit Insurance Corporation; (d) obligations of any agency or instrumentality of the United States of America; (e) notes, commercial paper or tax-exempt securities rated in either of the two highest rating categories by Moody's or S&P;

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Sunshine State
Governmental Financing Commission

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Purpose (continued)

Fixed Rate Bond/Loan Program – The Commission offers financing services on an exception basis to provide long-term fixed rate financing to meet the individual needs of participants. The fixed rate program is financed by issuing publicly-offered or privately-placed bonds with fixed principal and interest maturities as needed to make loans to participating governmental units. Participants are billed periodically for bond principal and interest maturities and for their proportionate share of the Commission's operational costs. The first fixed rate bond issuance by the Commission was undertaken in 1995 and was redeemed by the City of Jacksonville. The second fixed rate issuance was completed in 2004 for the City of Coral Gables and the third fixed rate issuance under this program was issued as a private-placement on September 29, 2009 for the City of Coral Gables; both remain outstanding. In July 2011, the Commission issued the private-placement Series 2011A Bonds on behalf of the City of Coral Gables for \$43,860,000.

Multimodal Bond Program – The Commission established a new multimodal bond program exclusively for Miami-Dade County, Florida in December 2010. This program is comprised of five series of bonds issued to refund existing loans between and Commission and the County previously assigned under the Series 1986 bond program and the Series L commercial paper note program. Both programs were discontinued in 2011. The new multimodal program was structured as a combination of fixed rate bonds (Series 2011A Bonds) totaling \$218.660 million and variable rate bonds totaling \$289.425 million comprised of the Series 2010A&B Bonds, the Series 2011B&C Bonds, and the Series 2011D Bonds. The total debt outstanding under the Miami-Dade multimodal bond program is \$508,085 million.

Reporting Entity

The Commission was established as a joint venture under Chapter 163, Florida Statutes, which authorizes two or more governmental units to join together to undertake activities which they might otherwise undertake individually and thereby benefit from the economies of scale associated therewith. The Commission operates independently and is not subject to the direct oversight of any individual governmental unit and therefore is not a component unit of another primary government. The Commission operates under a five-member board of directors elected to rotating terms by the participating governmental units' representatives. The board of directors has the authority to approve new members, provided no existing member has filed a notice of rejection for the proposed member to the Commission.

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Sunshine State
Governmental Financing Commission

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents (continued)

(f) money market funds having a minimum asset value of \$500,000,000; (g) repurchase agreements with banking or financial institutions having a combined capital and surplus of not less than \$100,000,000, with title in or with a perfected security interest in respect to and fully secured by obligations described in (a) or (d) above; (h) the Local Governmental Surplus Fund Trust Fund (LGSFTF) created and established pursuant to Part IV, Chapter 218, Florida Statutes, as such statute may be amended from time to time; (i) the Investment Agreement; and (j) such other obligations or securities approved by the issuer and acceptable to participating credit and liquidity support facilities.

As of September 30, 2011 and 2010, investments are reflected at fair value in the following schedule:

	2011	2010
Money Market Funds	\$ 9,290,260	\$ 59,247,008

For purposes of the statement of cash flows, the Commission considers all highly liquid investments (including restricted assets) with maturity of three months or less when purchased to be cash equivalents.

Revenue and Expense Recognition

The Commission defines operating revenues as interest earned on loans receivable from participants as well as associated fees collected from participants from these receivables. Nonoperating revenue is defined as interest earned on cash and cash equivalents held by the Commission. Operating expenses include interest on bonds and notes, liquidity support fees, remarketing fees, professional fees, cost of issuance fees and trustee/paying agent fees and are recorded when incurred.

Subsequent Events

The Commission has evaluated subsequent events through February 27, 2012, the date the financial statements were available to be issued. During the period from September 30, 2011 to February 27, 2012, the Commission did not have any material recognizable subsequent events.

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Sunshine State
Governmental Financing Commission

Notes to Financial Statements

1. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

2. Establishment of Accounts

Program Development Fund - was established by the Commission under the Combined Program Administrative Expense Fund to advance feasibility and other costs associated with the development of new financing programs.

Multiple Series Commercial Paper Note Program

Debt Service Reserve Account - This account is made up of two parts, as follows:

The Initial Excess Interest Sub-Account - is equal to 52 days of interest at the maximum rate on the principal amount of each loan. This reserve was set aside from the participants' loan proceeds and is available as needed to pay interest or discount on the notes in the event accumulated loan payment funds are insufficient. The Initial Excess Interest Sub-Account is scheduled for return to the participant when the participant loan is retired.

Operating Expense Cash Reserve - contains 0.05% of the participants' loan principal amount. This amount was set aside by the Commission to pay the liquidity provider, bond dealer and other operating expenses in the event of temporary cash flow shortfalls in the trust accounts. This reserve is scheduled for return to the participants when the participant loan is retired. This amount is reflected as a liability on the accompanying statements of net assets.

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Sunshine State
Governmental Financing Commission

Notes to Financial Statements

3. Loans Receivable

Participants are billed periodically for their proportionate share of bond interest and other carrying costs; no calculations are made to determine interest rates by participant. For the years ended September 30, 2011 and 2010, the bond and note interest rates ranged from low to high as follows:

	2011		2010	
	Low	High	Low	High
Series 1986 Revenue Bond Program:				
Tax-exempt	0.30%	4.00%	0.16%	0.45%
<i>(All Series 1986 Bonds were redeemed on July 27, 2011.)</i>				
Commercial Paper Note Program:				
Taxable	0.29%	0.35%	0.60%	1.56%
Tax-exempt	0.10%	1.00%	0.31%	0.75%

(Representative rates using trading activity from the Series H commercial paper revenue note program.)

Loan principal maturity schedules are approved by the Commission and vary by participant and the capital projects financed. Repayment terms by participants are also subject to credit approval by bond insurance companies and liquidity support facilities. Loan principal maturities are scheduled through the year 2035; full or partial prepayments are permitted and are reflected in the repayment schedules. Loans receivable are classified as current for scheduled principal maturities due within one year, and long-term for scheduled principal maturities due after one year. At September 30, 2011, total scheduled loan principal payments are due as follows:

	Commercial Paper Note Program	Fixed Rate Program	Multimodal Program
One year ending September 30, 2012	\$ -	\$ 535,000	\$ 30,525,000
One year ending September 30, 2013	600,000	2,830,000	25,595,000
One year ending September 30, 2014	625,000	2,880,000	24,625,000
One year ending September 30, 2015	2,501,000	2,955,000	24,940,000
One year ending September 30, 2016	2,521,000	3,025,000	34,115,000
Five years ending September 30, 2021	17,910,000	18,235,000	99,934,000
Five years ending September 30, 2026	24,613,000	19,880,000	95,754,000
Five years ending September 30, 2031	46,260,000	18,545,000	123,415,000
Four years ending September 30, 2035	27,515,000	2,805,000	49,182,000
Total	\$ 122,545,000	\$ 71,690,000	\$ 508,085,000

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Sunshine State
Governmental Financing Commission

Notes to Financial Statements

3. Loans Receivable (continued)

	2011	2010
Series 1986 Revenue Bond Program:		
City of Coral Gables	\$ -	\$ 14,366,672
Miami-Dade County	-	36,147,275
City of Miami	-	68,571,500
City of Orlando	-	41,271,338
City of Tallahassee	-	38,261,144
Total participant loans	\$ -	\$ 198,617,929
Loan principal due within one year	\$ -	\$ 10,097,981
Loan principal due after one year	-	188,519,948
Total loans outstanding	\$ -	\$ 198,617,929

	2011	2010
Commercial Paper Note Program:		
City of Coral Gables	\$ 6,805,000	\$ 16,905,000
Miami-Dade County	-	510,231,000
City of Orlando	115,740,000	135,740,000
Total participant loans	\$ 122,545,000	\$ 662,876,000

Loan principal due within one year	\$ -	\$ 25,622,000
Loan principal due after one year	122,545,000	637,254,000
Total loans outstanding	\$ 122,545,000	\$ 662,876,000

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Sunshine State
Governmental Financing Commission

Notes to Financial Statements

3. Loans Receivable (continued)

	2011	2010
Fixed Rate Program:		
City of Coral Gables	\$ 71,690,000	\$ 29,930,000
Total participant loans	\$ 71,690,000	\$ 29,930,000
Loan principal due within one year	\$ 535,000	\$ 1,295,000
Loan principal due after one year	71,155,000	28,635,000
Total loans outstanding	\$ 71,690,000	\$ 29,930,000

	2011	2010
Multimodal Program:		
Miami-Dade County	\$ 508,085,000	\$ -
Total participant loans	\$ 508,085,000	\$ -
Loan principal due within one year	\$ 30,525,000	\$ -
Loan principal due after one year	477,560,000	-
Total loans outstanding	\$ 508,085,000	\$ -

4. Long-Term Liabilities

A summary of long-term liability activity for the year ended September 30, 2011, is as follows:

	Balance September 30, 2010	Additions	Deductions	Balance September 30, 2011
Bonds and notes payable:				
Series 1986 Revenue Bond	\$ 238,300,000	\$ -	\$ (238,300,000)	\$ -
Commercial Paper Note Program	662,876,000	6,805,000	(547,136,000)	122,545,000
Fixed Rate Program	29,930,000	45,860,000	(1,295,000)	72,495,000
Multimodal Program	-	537,025,000	(28,940,000)	508,085,000
Total bonds and notes payable	\$ 931,106,000	\$ 589,690,000	\$ (815,671,000)	\$ 705,125,000
Other liabilities:				
Debt Service Reserve Account	10,464,405	-	(6,014,540)	4,449,865
Bond Proceed accounts	9,138,608	-	(8,862,434)	276,174
Operating Expense Cash Reserve	41,589	-	(28,527)	13,062
Total other liabilities	19,644,602	-	(14,905,501)	4,739,101
Total long-term liabilities	\$ 950,750,602	\$ 589,690,000	\$ (830,576,501)	\$ 707,864,101

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Sunshine State
Governmental Financing Commission

Notes to Financial Statements

4. Long-Term Liabilities (continued)

	Amounts		Total Due
	Due Within One Year	Due After One Year	
Bonds and notes payable:			
Commercial Paper Note Program	\$ -	\$ 122,545,000	\$ 122,545,000
Fixed Rate Program	1,340,000	71,155,000	72,495,000
Multimodal Program	30,525,000	477,560,000	508,085,000
Total bonds and notes payable	31,865,000	671,260,000	703,125,000
Other liabilities:			
Debt Service Reserve Account	-	4,449,865	4,449,865
Bond Proceed accounts	-	276,174	276,174
Operating Expense Cash Reserve	-	13,062	13,062
Total other liabilities	-	4,739,101	4,739,101
Total long-term liabilities	\$ 31,865,000	\$ 675,999,101	\$ 707,864,101

Multiple Series Commercial Paper Note Program

This program commenced issuing notes in February 1994. At September 30, 2011 and 2010 the following variable rate Commercial Paper Notes were outstanding:

	2011	2010
Notes with taxable interest, variable rate	\$ 11,595,000	\$ 11,768,000
Notes with tax-exempt interest, variable rate	110,950,000	651,108,000
Total variable rate notes	\$ 122,545,000	\$ 662,876,000

Commercial paper notes are classified as either short-term or long-term due to the nature of the underlying loan agreements and the commitments of credit and liquidity support facilities.

Sunshine State
Governmental Financing Commission

Notes to Financial Statements

4. Long-Term Liabilities (continued)

As of September 30, 2011 the future minimum payments related to the Fixed Rate Bond Program are as follows:

	Principal payments	Interest payments	Total payments
Fixed Rate Bond Program			
One year ending September 30, 2012	\$ 1,340,000	\$ 2,374,684	\$ 3,714,684
One year ending September 30, 2013	2,830,000	2,678,875	5,508,875
One year ending September 30, 2014	2,880,000	2,575,013	5,455,013
One year ending September 30, 2015	2,955,000	2,467,765	5,422,765
One year ending September 30, 2016	3,025,000	2,356,843	5,381,843
Five years ending September 30, 2021	18,235,000	9,800,141	28,035,141
Five years ending September 30, 2026	19,880,000	6,130,048	26,010,048
Five years ending September 30, 2031	18,545,000	2,039,037	20,584,037
Five years ending September 30, 2036	2,805,000	49,088	2,854,088
Total	\$ 72,495,000	\$ 30,471,494	\$ 102,966,494

The Multimodal Program is comprised of fixed and variable bonds. For the purposes of this statement the variable portion of the interest is projected at the September 30, 2011 level of .15%.

	Principal payments	Interest payments	Total payments
Multimodal Program			
One year ending September 30, 2012	\$ 30,525,000	\$ 11,127,038	\$ 41,652,038
One year ending September 30, 2013	25,595,000	9,653,895	35,248,895
One year ending September 30, 2014	24,625,000	8,431,860	33,056,860
One year ending September 30, 2015	24,940,000	7,496,525	32,436,525
One year ending September 30, 2016	34,115,000	6,317,910	40,432,910
Five years ending September 30, 2021	99,934,000	18,141,889	118,075,889
Five years ending September 30, 2026	95,754,000	7,014,886	102,768,886
Five years ending September 30, 2031	123,415,000	1,000,315	124,415,315
Four years ending September 30, 2035	49,182,000	145,773	49,327,773
Total	\$ 508,085,000	\$ 69,330,091	\$ 577,415,091

Sunshine State
Governmental Financing Commission

Notes to Financial Statements

4. Long-Term Liabilities (continued)

As of September 30, 2011, future minimum principal repayments from participants under the Commercial Paper Note Program are due as follows:

	Principal payments	Interest payments	Total payments
Commercial Paper Program			
One year ending September 30, 2012	\$ -	\$ 223,200	\$ 223,200
One year ending September 30, 2013	600,000	223,200	823,200
One year ending September 30, 2014	625,000	222,107	847,107
One year ending September 30, 2015	2,501,000	220,969	2,721,969
One year ending September 30, 2016	2,521,000	216,413	2,737,413
Five years ending September 30, 2021	17,910,000	1,005,214	18,915,214
Five years ending September 30, 2026	24,613,000	845,527	25,458,527
Five years ending September 30, 2031	46,260,000	503,500	46,763,500
Three years ending September 30, 2034	27,515,000	99,720	27,614,720
Total	\$ 122,545,000	\$ 3,559,850	\$ 126,104,850

*The future variable interest rate is estimated using the weighted average rate for all Series as of September 30, 2011, which was 0.182%.

Fixed Rate Bond Program

Fixed rate bonds for the Series 2004 and 2009 (Coral Gables Program) of \$22,990,000 and \$5,645,000 were outstanding on September 30, 2011, respectively, maturing in series until the year 2029, with interest rates ranging from 2.00% to 5.75%.

Sunshine State
Governmental Financing Commission

Notes to Financial Statements

5. Loan Obligation and the Trust Estate

A loan participant in a specific program or series has a covenanted responsibility for its prorated share of any requirement to contribute revenues comprising the trust estate for the Commission's outstanding bonds and notes issued under a common trust indenture. Loan obligations under the Commercial Paper Note Program for the Series H Orlando Program are uninsured and are not secured by credit enhancement from a third party. The underlying loan obligations for the City of Coral Gables supporting publicly-offered and privately-placed debt obligations are uninsured and are not secured by credit enhancement from a third party. Miami-Dade County's loan obligations under the multimodal bond program are also secured by a direct-pay letter of credit or a bond insurance company for designated fixed rate multimodal bonds. Term out or other acceleration provisions may vary under the terms of a standby purchase agreement or credit facility when applicable to separate programs and/or series of debt obligations issued by the Commission.

Event and Termination Risk

During the reporting period, event risk was lessened substantially. The Commission was successful in securing new replacement commitments with a nationally recognized banking institution providing lines and letters of credit. Renewal or replacement risks remain the loan participants' primary risk (other than any default action on their own part). There is no cross default risk between participating governments; however an individual loan is subject to acceleration in the event of default by that particular loan participant. While the Commission's event risks have been manageable during the global credit and liquidity crisis, the participating borrowers have no obligation to the Commission other than the repayment of their loan obligations. Participant loans may require restructuring or refunding from proceeds acquired from other funding sources in the event the Commission is unable to secure or renew commitments for credit enhancement and/or liquidity support.

6. Tax Covenants

The Commission must comply with certain provisions of U.S. Treasury regulations to maintain the tax-exempt status of the bonds and notes. The more significant provisions of the regulations restrict the use of the proceeds, the period of availability, and the earnings from their investment. Noncompliance with the regulations could cause the interest on the bonds and notes to become taxable. As the debt issuer, the Commission is the responsible party for tax compliance; however covenants in the loan agreements require primary compliance by loan participants at all times.

Sunshine State
Governmental Financing Commission

Notes to Financial Statements

6. Tax Covenants (continued)

The Commission requires each loan participant to enter into a tax regulatory agreement with the Trustee or Lending Bank and the Commission further defining the participant's responsibility under the regulations. In addition, the Commission requires participants undergo annual arbitrage rebate calculations, including arrangements for the Trustee to hold funds in custodial accounts and to fund any liability the participant may have for arbitrage rebates on earnings from the investment of loan proceeds. The arbitrage rebates, if any, are payable minimally every five years to the Federal government and are the primary responsibility of each loan participant.

Supplemental Schedules

Sunshine State
Governmental Financing Commission
Combining Schedule of Net Assets
September 30, 2011
(with summarized totals at September 30, 2010)

	Commercial Paper Note Program	Series 1986 Revenue Bond Program	Fixed Rate Program	Multistated Program	Total 2011	Total 2010
Assets						
Current assets						
Cash and cash equivalents						
Cash	\$ 118,901	\$ -	\$ 13,862	\$ 115,108	\$ 248,208	\$ 256,641
Temporary investments	299,685	1,135,199	1,127,932	2,382,585	5,793,884	5,553,665
Total cash and cash equivalents	418,586	1,135,199	1,141,794	2,597,693	6,042,142	5,790,306
Other current assets						
Due from participants	19,267	-	486,737	-	506,004	1,797,543
Gains receivable, due within one year	-	-	33,687	36,523,000	31,886,687	31,814,247
Total current assets	437,853	1,135,199	1,562,218	31,623,693	37,855,244	43,402,100
Noncurrent assets						
Cash and cash equivalents						
Project development fund	164,424	-	-	793,888	958,312	84,554
Debt service reserve account	2,987,182	-	-	-	2,987,182	33,821,299
Total for bondholders	-	115,613	-	255,812	371,425	151,672
Local payroll account	-	-	256,174	-	256,174	9,138,668
Semiannual bond interest	-	-	-	-	-	574,388
Total noncurrent assets	2,951,606	115,613	2,562,174	750,000	6,380,013	37,520,531
Other assets - have no maturity, do not bear int.						
Total investment assets	173,349,680	-	71,155,006	477,553,000	672,057,686	351,429,348
Total assets	173,787,139	1,250,812	17,441,197	478,376,793	677,855,840	392,852,585
Liabilities						
Current liabilities						
Accounts payable	43,311	9,471	1,899,669	336,343	1,888,804	982,643
Due to bondholders	49,670	-	-	952,347	1,002,017	153,341
Due to participants	33,684	135,612	-	-	169,296	153,837
Current portion of bonds and notes payable	113,887	1,483,317	1,349,086	10,333,088	11,985,388	504,882
Total current liabilities	196,552	1,628,400	3,248,765	11,681,778	13,818,035	711,704
Noncurrent liabilities						
Due to Participants	2,943,016	-	-	1,854,835	4,797,851	10,604,803
Bond proceeds reserve account	-	-	216,124	-	216,124	512,008
Operating expense cash reserve	-	-	13,083	-	13,083	47,399
Total noncurrent liabilities	2,943,016	-	229,207	1,854,835	5,047,057	11,164,210
Total liabilities	539,568	1,628,400	3,477,972	13,536,613	18,865,092	11,875,914
Net assets	173,247,571	622,412	14,963,225	464,840,180	658,990,748	380,976,671

Sunshine State
Governmental Financing Commission
Combining Schedule of Revenues, Expenses and Changes in Net Assets
Year ended September 30, 2011
(with summarized totals for the year ended September 30, 2010)

	Commercial Paper Note Program	Series 1986 Revenue Bond Program	Fixed Rate Program	Multistated Program	Total 2011	Total 2010
Operating revenues:						
Billing to participants	\$ 8,668,011	\$ 1,660,636	\$ 1,631,299	\$ 6,748,313	\$ 16,648,259	\$ 11,112,816
Total operating revenues	8,668,011	1,660,636	1,631,299	6,748,313	16,648,259	11,112,816
Operating expenses:						
Interest on bonds and notes	946,411	848,272	1,631,299	1,631,315	5,094,299	4,336,337
Credit or liquidity support fees	2,094,312	562,310	-	2,081,352	5,187,834	5,072,496
Remortgaging fees	218,726	67,654	-	136,192	466,774	652,985
Professional fees	210,252	109,978	-	4,359	324,689	426,229
Cost of insurance fees	138,483	-	-	13,775,193	1,496,678	65,500
Trustee/acting agent fees	19,163	10,000	-	4,000	33,163	16,857
Total operating expenses	4,011,317	1,610,177	1,631,299	9,500,677	16,573,284	10,800,661
Operating income (loss)	2,576,694	50,459	-	(2,532,364)	74,975	312,155
Non-operating:						
Arbitrage income	839	15,351	-	129	16,319	123,563
Revenues of funds to participants	(81,009)	(274)	-	-	(81,283)	(615,716)
Transfers to other funds	(2,436,685)	(65,530)	-	-	(2,502,215)	-
Total nonoperating	(2,436,855)	(50,453)	-	-	(2,487,308)	(492,153)
Change in net assets	-	-	-	-	-	-
Net assets beginning of year	-	-	-	-	-	3
Net assets end of year	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3

**Sunshine State
Governmental Financing Commission
Combining Schedule of Cash Flows
Year ended September 30, 2011
(with summarized total for the year ended September 30, 2010)**

	Completed Paper Note Programs	Series 2006 Revenue Bond Programs	Fixed Rate Programs	Variable Rate Programs	Total 2011	Total 2010
Cash flow from operating activities						
Cash received from participants	\$ 4,877,524	\$ 2,102,320	\$ 3,862,462	\$ 4,543,517	\$ 15,385,823	\$ 14,942,499
Cash received from participant Cash (received) received and deposited into Cash (received) received and deposited into Cash (received) received by issuer received Cash payments to bond and note issue Cash payments to acquire for equity and service Net cash provided by (used for) operating activities	(13,068,893) 94,323,499 14,212,505 (1,212,512) 457,254,991	(278,448) 19,477,729 199,942 (368,462) 188,234,704	77 (4,266,002) (1,292,891) - 11,297,923	1,884,433 (54,083,000) (1,717,877) (8,112,888) 146,587,812	(13,068,893) 94,323,499 14,212,505 (1,212,512) 457,254,991	(13,068,893) 94,323,499 14,212,505 (1,212,512) 457,254,991
Cash flow from financing activities						
Transfer to other fund		(16,516)		2,972,226	(13,546)	(13,546)
Cash received on participant dividend and interest on cash		(774)	43,968,870	(37,082,610)	597,581,460	597,581,460
Bank and note maturity Net cash used for financial obligations	(147,412,568)	(218,908,045)	(1,292,891)	(93,749,015)	(560,362,519)	(560,362,519)
Financing activities	(147,412,568)	(218,908,045)	(1,292,891)	(93,749,015)	(560,362,519)	(560,362,519)
Cash flow from investing activities						
Net cash provided by (used for) investing activities	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net change in cash and cash equivalents (Increase) decrease in cash and cash equivalents	(13,068,893)	(19,742,831)	(1,292,891)	2,748,235	(403,846,246)	(403,846,246)
Cash and cash equivalents at beginning of year Cash and cash equivalents at end of year	17,779,889	4,197,878	278,296	2,983,907	25,240,970	25,240,970
Supplemental information						
Current assets	\$ 112,293	\$ 1,863,819	\$ 1,948,894	\$ 2,897,894	\$ 6,723,242	\$ 6,723,242
Current liabilities	(112,293)	(1,863,819)	(1,948,894)	(2,897,894)	(6,723,242)	(6,723,242)
Total	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Reconciliation of operating activities (cash flow and cash equivalents) provided for operating activities						
Operating activities	\$ 2,378,046	\$ 50,491	\$ -	\$ (2,512,046)	\$ 9,479	\$ (12,431)
Change in assets and liabilities						
Change (increase) in lease receivable	94,074,686	192,272,229	412,762,009	(70,080,802)	419,038,122	419,038,122
Change (increase) in cash equivalents	142,343	441,233	15,342	1,172,348	1,771,266	1,771,266
Change (increase) in accounts payable	(82,343)	(17,249)	-	93,237	166,283	(82,343)
Change (increase) in prepaids	(482,462)	(1,272,768)	-	1,684,812	(2,070,412)	(1,142,202)
Change (increase) in accounts receivable	(15,088,266)	11,782,381	14,139	(14,796,479)	(871,492)	(871,492)
Change (increase) in accrued interest payable	(122,926)	117,287	364,891	632,549	1,037,714	(132,117)
Net cash provided by (used for) operating activities	\$ 17,779,889	\$ 4,197,878	\$ 278,296	\$ 2,983,907	\$ 25,240,970	\$ 25,240,970

Statistical Section

The objectives of the statistical section information are to provide financial statement users with additional historical perspective, context, and detail to assist in using the information in the financial statements, notes to the financial statements, and required supplemental information to understand and assess the reporting entity's financial condition. As a limited, special purpose government, the principal categories of statistical information are as follows:

- Financial Trend Information
- Historical interest rates for outstanding debt obligations vs. comparable indices
- Listing of outstanding participant loans under the issuer's sponsored programs

See independent auditors' report

**Sunshine State
Governmental Financing Commission**

**Schedule of Revenues, Expenses and Changes in Net Assets
For the Fiscal Years ended September 30, 2002-2011**

	2010-2011	2009-2010	2008-2009	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001
Operating revenues	\$ 14,468,145	\$ 14,113,845	\$ 14,279,942	\$ 14,464,482	\$ 14,750,481	\$ 15,338,487	\$ 15,926,587	\$ 16,514,687	\$ 17,102,787	\$ 17,690,887	\$ 18,278,987
Operating revenues	14,468,145	14,113,845	14,279,942	14,464,482	14,750,481	15,338,487	15,926,587	16,514,687	17,102,787	17,690,887	18,278,987
Other operating revenues	(1,444,102)	(1,113,845)	(1,000,000)	(940,000)	(880,000)	(820,000)	(760,000)	(700,000)	(640,000)	(580,000)	(520,000)
Operating expenses	9,094,470	8,535,897	8,205,405	8,113,271	8,028,023	7,942,875	7,857,727	7,772,579	7,687,431	7,602,283	7,517,135
Operating expenses	9,094,470	8,535,897	8,205,405	8,113,271	8,028,023	7,942,875	7,857,727	7,772,579	7,687,431	7,602,283	7,517,135
Change in bonds and notes	5,077,794	4,832,496	4,587,198	4,341,899	4,096,601	3,851,303	3,606,005	3,360,707	3,115,409	2,870,111	2,624,813
Change in other assets	1,222,655	1,111,351	1,000,000	888,672	777,344	666,016	554,688	443,360	332,032	220,704	109,376
Change in other liabilities	1,222,655	1,111,351	1,000,000	888,672	777,344	666,016	554,688	443,360	332,032	220,704	109,376
Change in other net assets	1,222,655	1,111,351	1,000,000	888,672	777,344	666,016	554,688	443,360	332,032	220,704	109,376
Total operating expenses	15,396,919	14,551,043	14,202,603	14,001,943	13,804,368	13,609,791	13,414,415	13,219,039	13,023,663	12,828,287	12,632,911
Change in net assets	4,027,674	3,465,747	3,074,539	2,910,539	2,752,458	2,595,712	2,438,462	2,281,217	2,124,000	1,966,794	1,809,586
Net assets at beginning of year	12,245,271	11,779,524	11,313,777	10,848,030	10,382,283	9,916,536	9,450,789	8,985,042	8,519,295	8,053,548	7,587,801
Net assets at end of year	16,272,945	15,245,271	14,388,316	13,758,569	13,134,741	12,510,848	11,887,351	11,264,259	10,640,295	10,016,342	9,393,387

**Sunshine State
Governmental Financing Commission**

**Loan Allocation Schedule
Multiple Series Commercial Paper Program Revenue Notes
Outstanding Variable Rate Loans of Governmental Units
(unaudited)
September 30, 2011**

SERIES	Date of Origination	Original Loan Amount	Interest Rate	Rating	Principal Balance	Term	Designated Loan Feature
SERIES B							
Orlando #1	September 14, 2004	\$1,815,000	N/A	AA-	\$233,800	TX	Contract to Default & Appropriate
Orlando #1	December 1, 2004	18,510,000	N/A	AA-	18,510,000	TX	Contract to Default & Appropriate
Orlando #4	March 2, 2007	30,000,000	N/A	AA-	30,000,000	TX	Contract to Default & Appropriate
Orlando #7 #1	December 20, 2007	16,000,000	N/A	AA-	16,000,000	TX	Contract to Default & Appropriate
Orlando #6	February 6, 2008	15,100,000	N/A	AA-	15,100,000	TX	Contract to Default & Appropriate
Total		\$65,225,000			\$65,225,000		
SERIES A, B, C, D, E, F, G, H and I - INACTIVE (Series B - Reissued)							
COMMITMENT							
Com (Date - Series 2011) -	June 30, 2011	2,460,000	N/A	AA-	2,460,000	TX	Contract to Default & Appropriate
Com (Date - Series 2011) -	June 30, 2011	4,500,000	N/A	AA-	4,500,000	TX	Contract to Default & Appropriate
Total		\$69,685,000			\$72,185,000		

(1) Interest rates are based on the original issue date.
(2) Series A, B, C, D, E, F, G, H and I - INACTIVE (Series B - Reissued)
(3) Interest rates are based on the original issue date.
(4) Interest rates are based on the original issue date.
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See independent auditors' report

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

The Commission Members
Sunshine State Governmental Financing Commission

We have audited the financial statements of the Sunshine State Governmental Financing Commission (the Commission) as of and for the year ended September 30, 2011, and have issued our report thereon dated February 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Commission is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Commission members and management of the Sunshine State Governmental Financing Commission and is not intended to be and should not be used by anyone other than those specified parties.

Thomas Howell Ferguson P.A.

February 27, 2012

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