

This Water and Sewer Refunding Revenue Note, Series 2016, is delivered to the Registered Owner in exchange for and cancellation of the outstanding Water and Sewer Revenue Note, Series 2011, of the City, and by acceptance of this Water and Sewer Refunding Revenue Note, Series 2016, the Registered Owner acknowledges and agrees to the same.

\$5,500,000

**UNITED STATES OF AMERICA
STATE OF FLORIDA
COUNTY OF MARION
CITY OF DUNNELLON
WATER AND SEWER REFUNDING REVENUE NOTE, SERIES 2016**

KNOW ALL MEN BY THESE PRESENTS, that the City of Dunnellon, Florida (the “City”), for value received hereby promises to pay to Branch Banking and Trust Company, or registered assigns (the “Registered Owner”), solely from the special funds described below, the principal sum specified above, on December 1 in the years and in the principal installments as follows:

<u>Year</u>	<u>Amount</u>	<u>Year</u>	<u>Amount</u>
2016	\$440,000	2021	\$570,000
2017	460,000	2022	600,000
2018	490,000	2023	620,000
2019	520,000	2024	630,000
2020	540,000	2025	630,000

and to pay, solely from such special funds, interest (calculated on a 30/360-day year basis) on the balance of such principal sum remaining unpaid, at the rate of 2.54% per annum (subject to adjustment as provided in Resolution No. 2011-27 of the City Council of the City), payable on December 1, 2016, and semiannually thereafter on each June 1 and December 1 of each year, until paid in full, by check or draft mailed to the Registered Owner at his address as it appears on the registration books at 5:00 p.m. (eastern time) on the Record Date (as defined in the Resolution, described and defined below), or at the option of the City, by wire transfer to the Registered Owner in accordance with wire instructions furnished by the Registered Owner to the City at least one business day before the payment date, or other mutually acceptable means. The principal of and interest on this Series 2016 Note are payable in lawful money of the United States of America. Upon final payment of principal and interest, this Series 2016 Note shall be surrendered to the City.

This Series 2016 Note is issued to refinance the cost of the acquisition and/or construction of certain additions, extensions and improvements to the combined water and sewer system of the City, under the authority of and in full compliance with the Constitution and Statutes of the State of Florida, including particularly Chapter 166, Part II, Florida Statutes, other applicable provisions of law and

Resolution Nos. 2010-22, 2011-27 and RES2016—16of the City Council of the City adopted on December 16, 2010, December 28, 2011, and August 8, 2016, respectively (collectively, the “Resolution”); and is subject to all the terms and conditions of the Resolution.

This Series 2016 Note and the interest thereon are payable solely from and secured by a prior lien upon and pledge of the net revenues derived by the City from the operation of the System and the Grant Funds, each as defined in the Resolution, on a parity with the lien thereon in favor of the holders of the outstanding Water and Sewer Revenue Bond, Series 2010A, and Water and Sewer Refunding Revenue Bond, Series 2013, of the City.

It is expressly agreed by the holder of this Series 2016 Note that such holder shall never have the right to require or compel the levy of ad valorem taxes for the payment of the principal of and interest on this Series 2016 Note or for the making of any sinking fund or other payment specified in the Resolution. This Series 2016 Note and the indebtedness evidenced thereby shall not constitute a lien upon any other property of or in the City, but shall constitute a lien only upon the net revenues of the System and Grant Funds, in the manner and to the extent provided in the Resolution.

This Series 2016 Note may be transferred only upon the books of the City kept by the Series 2016 Note Registrar (as defined in the Resolution) upon surrender thereof at the principal office of the Series 2016 Note Registrar with an assignment duly executed by the Registered Owner or its duly authorized attorney, but only in the manner, subject to the limitations and upon payment of a sum sufficient to cover any tax, fee or governmental charge, if any, that may be imposed in connection with any such transfer, as provided in the Resolution. Upon any such transfer, there shall be executed in the name of the transferee, and the Series 2016 Note Registrar shall deliver, a new registered note in the same principal amount, series, maturity and interest rate as this Series 2016 Note.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in connection with the issuance of this Series 2016 Note exist, have happened and have been performed in regular and due form and time as required by the Statutes and Constitution of the State of Florida applicable thereto; and that the issuance of this Series 2016 Note does not violate any constitutional or statutory limitation.

The outstanding principal payment installments of this Series 2016 Note may be prepaid prior to their respective payment dates, in whole but not in part, on any scheduled payment date, at the option of the City, at the price of par and accrued interest to the date of prepayment, without premium.

Notice of such optional prepayment shall, at least 5 business days prior to the prepayment date, be hand-delivered, telecopied (evidenced by a written transmission report) or e-mailed (evidenced by a written return receipt) by the Series 2016 Note Registrar to the Registered Owner of this Series 2016 Note at its address as it appears of record on the books of the Series 2016 Note Registrar as of 15 days prior to the date fixed for prepayment. Interest shall cease to accrue on the principal amount of this Series 2016 Note duly called for prepayment on the prepayment date, if payment thereof has been duly provided. Under such circumstances the privilege of transfer of this Series 2016 Note shall be suspended.

This Series 2016 Note is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities Laws of the State of Florida.

This Series 2016 Note shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the certificate of authentication hereon shall have been executed by the Series 2016 Note Registrar.

IN WITNESS WHEREOF, the City of Dunnellon, Florida, has issued this Series 2016 Note and has caused the same to be executed by its Mayor, and countersigned and attested by its City Clerk, and its corporate seal to be impressed, imprinted or otherwise reproduced hereon, all as of August 12, 2016.

CITY OF DUNNELLO, FLORIDA

(SEAL)

By: _____
NATHAN WHITT, Mayor

ATTESTED AND COUNTERSIGNED:

City Clerk

CERTIFICATE OF AUTHENTICATION OF NOTE REGISTRAR

This Series 2016 Note represents the issue described in the Resolution.

CITY CLERK
As Series 2016 Note Registrar

Dawn M. Bowne

Date of Authentication: August 12, 2016

The following abbreviations, when used in the inscription on the face of this Series 2016 Note, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM –as tenants in common

JT TEN – as joint tenants with right of survivorship and not as tenants in common

TEN ENT –as tenants by the entireties

Additional abbreviations may also be used though not in this list.

UNIF GIF/TRANS MIN ACT - _____
(Cust.)

Custodian for _____
(Minor)

under Uniform Gifts/Transfers to Minors Act of _____
(State)

Attorneys at Law
111 Riverside Avenue
Suite 200
Jacksonville, FL 32202
Tel 904.384.1264
Fax 904.388.2986

August 12, 2016

Mayor and City Council
City of Dunnellon, Florida

Branch Banking and Trust Company
Charlotte, North Carolina

\$5,500,000
City of Dunnellon, Florida
Water and Sewer Refunding Revenue Note
Series 2016

Ladies and Gentlemen:

We have acted as Bond Counsel to the City of Dunnellon, Florida (the "Issuer") in connection with the issuance by the Issuer of its \$5,500,000 Water and Sewer Refunding Revenue Note, Series 2016 (the "2016 Note"), pursuant to and under the authority of the Constitution of the State of Florida, Chapter 166, Part II, Florida Statutes, and other applicable provisions of law, Resolution No. 2010-22 adopted by the City Council of the Issuer (the "City Council") on December 16, 2010 (the "Original Resolution"), as supplemented by **Resolution No. 2011-27 and Resolution #RES2016-16** adopted by the City Council on August 8, 2016 (collectively, the "Note Resolution"). In such capacity, we have examined such law and certified proceedings, certifications and other documents as we have deemed necessary to render this opinion. Any capitalized undefined terms used herein shall have the meaning set forth in the Note Resolution.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Note Resolution and in the certified proceedings and other certifications of public officials and others furnished to us, without undertaking to verify the same by independent investigation. We have not undertaken an independent audit, examination, investigation or inspection of such matters and have relied solely on the facts, estimates and circumstances described in such proceedings and certifications. 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.

In rendering this opinion, we have examined and relied upon the opinion of even date herewith of Shepard, Smith & Cassady, P.A., Issuer's Counsel, as to the due creation and valid existence of the Issuer, the due adoption of the Note Resolution, the due execution and delivery of the 2016 Note and the compliance by the Issuer with all conditions contained in ordinances and resolutions of the Issuer precedent to the issuance of the 2016 Note.

The 2016 Note is payable from Net Revenues and Grant Funds on parity and equal status with the Issuer's outstanding Water and Sewer Revenue Bond, Series 2010A, and ~~the outstanding~~ Water and Sewer Refunding Revenue Bond, Series 2013 (the "Outstanding Parity Bonds"), ~~as defined~~, in the manner and to the extent provided in the Note Resolution. Pursuant to the terms, conditions and limitations contained in the Original Resolution, the Issuer has reserved the right to issue Additional Parity Bonds in the future which shall have a lien on the Net Revenues and Grant Funds equal to that of the 2016 Note and the Outstanding Parity Bonds.

The 2016 Note does not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional, statutory or other limitation of indebtedness; and the holders thereof shall never have the right to compel the exercise of any ad valorem taxing power of the Issuer or taxation in any form or any real or personal property for the payment of the principal of or interest on the 2016 Note.

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 on our examination, we are of the opinion that, under existing law:

1. The Note Resolution constitutes a valid and binding special obligation of the Issuer enforceable against the Issuer in accordance with its terms.

2. The 2016 Note is a valid and binding limited obligation of the Issuer enforceable in accordance with their terms, payable from the Net Revenues and the Grant Funds in the manner and to the extent provided in the Note Resolution.

3. The Note Resolution creates a valid lien upon the Net Revenues and the Grant Funds for the security of the 2016 Note, on a parity with the Outstanding Parity Bonds and any Additional Parity Bonds hereafter issued, all in the manner and to the extent provided in the Note Resolution.

4. Interest on the 2016 Note is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, interest on the 2016 Note will be taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations. The opinions set forth in the preceding two sentences are subject to the condition that the Issuer complies with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2016 Note, in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted in the Note Resolution to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the 2016 Note to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2016 Note.

5. The 2016 Note is a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code.

6. The 2016 Note is exempt from registration under the Securities Act of 1933, as amended; and the Note Resolution is exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

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Mayor and City Council
Branch Banking and Trust Company
August 12, 2016
Page 3

It is to be understood that the rights of the owners of the 2016 Note and the enforceability thereof may be subject to the exercise of judicial discretion in accordance with general principles of equity; to the valid exercise of the sovereign police powers of the State of Florida and of the constitutional powers of the United States of America; and to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted.

For purposes of this opinion, we have not been engaged or undertaken to review and, therefore, express no opinion herein regarding the accuracy, completeness or adequacy of any offering material relating to the 2016 Note. This opinion should not be construed as offering material, an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the 2016 Note. In addition, we have not been engaged to and, therefore, express no opinion as to compliance by the Issuer or Branch Banking and Trust Company ("BB&T") with any federal or state statute, regulation or ruling with respect to the sale and distribution of the 2016 Note, or regarding the perfection or priority of the lien, except as provided in paragraph 3 with respect to the parity status of the 2016 Note, on the Net Revenues and the Grant Funds created by the Note Resolution. Further, we express no opinion regarding federal income or state tax consequences arising with respect to the 2016 Note other than as expressly set forth herein. Delivery of this opinion to BB&T does not create an attorney-client relationship with BB&T.

Our opinions expressed herein are predicated upon present law, facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws, facts or circumstances change after the date hereof.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

\$5,500,000
CITY OF DUNNELLON, FLORIDA
WATER AND SEWER REFUNDING REVENUE NOTE, SERIES 2016
Dated and Delivered August 12, 2016

AUTHORIZATION (Certified Copies)

- 1.* Resolution No. 2010-22
- 2.* Resolution No. 2011-27
- 3.* Resolution #RES2016-16

BASIC CLOSING DOCUMENTS

4. Closing Certificate of City
- 5.* Exchange ~~Certificate~~Memorandum
6. Tax Certificate
- 7.* Opinion of Bond Counsel
- 8.* Opinion of City Attorney
9. Specimen Note
- 10.* IRS Form 8038-G
11. BF 2003/2004

DISTRIBUTION

1. City (2)
2. City Attorney
3. Bond Counsel
4. Bank
5. Bank Counsel

*To be furnished, along with original note, to BB&T prior to closing.

CLOSING CERTIFICATE OF CITY

We, the undersigned officers of the City of Dunnellon, Florida (the “City”), hereby certify, in connection with the execution and delivery of the obligation of the City described below:

\$5,500,000 – WATER AND SEWER REFUNDING REVENUE NOTE, SERIES 2016; dated August 12, 2016; ~~and~~ bearing interest at the rate of 2.54% per annum (subject to adjustment), payable on December 1, 2016, and semiannually thereafter on each June 1 and December 1 of each year ~~to and including December 1, 2025~~ **until paid in full**; payable in principal installments on December 1 in the years 2016 to and including 2025; and maturing on December 1, 2025 (the “2016 Note”)

being issued on the date hereof in accordance with Resolution #RES2016~~---~~16 of the City Council (the “Council”) of the City duly adopted on August 8, 2016 (the “2016 Note Resolution”), that (1) as of this date, there is no litigation or other proceedings pending or, to our knowledge, threatened in any court or other tribunal, state or federal, (a) to restrain or enjoin the sale, execution or delivery of the 2016 Note or the payment, collection or application of the proceeds of the sale of the 2016 Note; or (b) in any way contesting or affecting the validity of the 2016 Note Resolution, the 2016 Note or any proceedings in connection therewith, or the pledge of the Pledged Revenues; or (c) contesting the powers of the Council or the City, or the corporate existence of the City; or (d) contesting or affecting any authority for the issuance of the 2016 Note, the adoption of the 2016 Note Resolution or the titles of the present members of the Council, or any of them, to their respective offices; and (2) none of the proceedings or authority for the issuance of the 2016 Note have been repealed, revoked or rescinded. Terms not otherwise defined herein shall have the meanings ascribed to them by the 2016 Note Resolution.

We further certify that:

1. The names of the members of the Council set forth below, and the commencement and expiration of their respective terms of office, are as follows:

<u>Members</u>	<u>Term Began</u>	<u>Term Ends</u>
Nathan Whitt	November 2012	November 2016
Walter Green	November 2014	November 2018
Larry Winkler	November 2012	November 2016
Charles J. Dillon, III	November 2014	November 2018
Richard Hancock	November 2012	November 2016

2. Nathan Whitt is the current duly elected Mayor of the City. His term of office as Mayor began in November 2012 and ends in November 2016. Walter Green is the current duly elected Vice Mayor of the City. His term of office as Vice Mayor began in November 2014 and ends in November 2016.

3. Dawn M. Bowne is the duly appointed City Clerk and Amanda Roberts is the duly appointed Assistant City Clerk. Both serve at the pleasure of the City Manager.

4. Jan Smith is the duly appointed Finance Officer of the City and serves at the pleasure of the City Manager.

5. All of the above persons have duly filed their oaths of office and/or bonds or undertakings in the amount and/or manner required by law.

6. The execution and delivery of the 2016 Note have been duly authorized by all necessary action of the Council in compliance with all State of Florida laws applicable to the 2016 Note as of the date hereof, and the 2016 Note is properly executed by the undersigned Mayor and Clerk.

7. At the date of execution of the 2016 Note, and on this date, the undersigned Mayor and Clerk were and are the duly chosen, qualified and acting officers authorized to execute the 2016 Note as indicated by the official titles opposite their signatures hereunder.

8. The seal impressed upon this certificate is the legally adopted, proper and only official seal of the ~~Council~~City; and such seal has been impressed upon the 2016 Note.

9. The 2016 Note is being delivered to Branch Banking and Trust Company (“BB&T”) in exchange and substitution for the Refunded Series 2011 Note, and receipt of \$30,000 by the City from BB&T, as described in the 2016 Note Resolution.

10. The books and records of the City relating to the collection and receipt of the Net Revenues have been reviewed by the Financial Officer of the City, and the amount of the Net Revenues for ~~any one~~ 12 consecutive months ~~period~~ out of the 24 month period immediately preceding the date hereof is at least equal to 1.20 times the Maximum Debt Service Requirement on (i) all Bonds and all Additional Parity Bonds then outstanding and (ii) the 2016 Note, taking into account adjustments made pursuant to Section 4.17(2) of the Original Resolution. The City is not in breach of the covenants and obligations assumed under the Original Resolution, the Refunded Series 2011 Note Resolution (as applicable) and the 2016 Note Resolution, and all payments therein required to have been made into the Funds and Accounts, as provided thereunder, have been made to the full extent required. Other than the Outstanding Parity Bonds, there are no other obligations of the City payable from and/or secured by the Pledged Revenues.

11. The 2016 Note will not be a “private activity bond” as defined in Section 141 of the Code.

12. The City (and all subordinate entities thereof) does not reasonably expect to issue tax-exempt obligations (other than “private activity bonds”) in excess of \$10,000,000 aggregate face amount in calendar year 2016.

13. ~~A portion of the principal amount of the 2016 Note, equal to \$5,470,000, is hereby deemed a “qualified tax-exempt obligation” under Section 265(b)(3)(B) of the Code. The remaining portion of the principal amount of the 2016 Note, equal to \$30,000,~~ is hereby designated a “qualified tax-exempt obligation” under Section 265(b)(3)(B) of the Code

12. To the best of our knowledge, none of the above members of the Council have, with the exception of the official meeting on August 8, 2016, met together with any other member or members of the Council and reached a conclusion as to the actions to be taken by the City with regard to the 2016 Note, the security therefor or the application of the proceeds therefrom, or any other material matters in regard to the 2016 Note.

WITNESS our hands and such corporate seal this August 12, 2016.

(SEAL)

Signature

Official Title

Nathan Whitt

Mayor
City of Dunnellon, Florida

Dawn M. Bowne

City Clerk
City of Dunnellon, Florida

2016 REFUNDING NOTE EXCHANGE MEMORANDUM

We, the undersigned officers of the City of Dunnellon, Florida (the "City"), and Branch Banking and Trust Company ("BB&T") agree in connection with the obligation of the City described below:

\$5,500,000 – WATER AND SEWER REFUNDING REVENUE NOTE, SERIES 2016; dated August 12, 2016; ~~and~~-bearing interest at the rate of 2.54% per annum (subject to adjustment), payable on December 1, 2016, and semiannually thereafter on each June 1 and December 1 of each year ~~to and including December 1, 2025~~ until paid in full; payable in principal installments on December 1 in the years 2016 to and including 2025; and maturing on December 1, 2025 (the "2016 Note");

being issued on the date hereof pursuant to Resolution #RES2016-~~16~~ 16 of the City Council of the City (the "2016 Note Resolution"); that on the date hereof, (a) the 2016 Note has been delivered to BB&T in exchange for and substitution of the Water and Sewer Revenue Note, Series 2011, of the City (the "2011 Note"), held by BB&T, which will be and tendered to the City for cancellation, and receipt by the City of \$30,000 of 2016 Note proceeds from BB&T (from which \$5,000 will be retained by BB&T to pay its credit review fee of \$500 and counsel fee of \$4,500); (b) such exchange and receipt of 2016 Note proceeds from BB&T, in effect, represents a revision of the amortization terms for the 2011 Note and an advance by BB&T for 2016 Note issuance costs; (c) the City has paid all accrued and unpaid interest on the 2011 Note on the date of issuance of the 2016 Note; and (d) BB&T accepts the 2016 Note in payment of the outstanding principal amount of the 2011 Note.

1. For the purpose of Section 218.385(2) and (3), Florida Statutes:

The City is issuing a \$5,500,000 principal amount of revenue note (herein the "2016 Note") for the purpose of refinancing the acquisition and construction of additions, extensions and improvements to the water and sewer system of the City. The 2016 Note is expected to be repaid over a period of approximately 9.3 years. Total interest paid over the life of the 2016 Note will be approximately \$719,648.11. The security for payment of the 2016 Note is a prior lien upon the Pledged Revenues, as specified in the 2016 Note Resolution. Authorizing the 2016 Note will result in not exceeding \$667,752.00 annually in the years 2016 to and including 2025 of Pledged Revenues not being available to finance other qualifying projects of the City in the years 2016 through 2025.

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2. Neither BB&T nor any of its affiliates acted as a fiduciary for the City or in the capacity of broker, dealer, municipal securities underwriter or municipal advisor with respect to the issuance of the 2016 Note. Neither BB&T nor any of its affiliates has provided, and will not provide, financial, legal, tax, accounting or other advice to or on behalf of the City with respect to the issuance of the 2016 Note. The City has represented to BB&T that it has sought and obtained financial, legal, tax, accounting and other advice (including as it relates to structure, timing, terms and similar matters) with respect to the proposed issuance of the 2016 Note from its financial, legal and other advisors (and not BB&T or any of its affiliates) to the extent that the City desired to obtain such advice.

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Dated August 12, 2016.

CITY OF DUNNELLON, FLORIDA

By _____
Mayor

BRANCH BANKING AND TRUST COMPANY

By _____
Senior Vice President

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**TAX CERTIFICATE AS TO ARBITRAGE AND
THE PROVISIONS OF SECTIONS 141-150 OF
THE INTERNAL REVENUE CODE OF 1986, AS AMENDED**

\$5,500,000

City of Dunnellon, Florida

Water and Sewer Refunding Revenue Note, Series 2016

In connection with the issuance by the City of Dunnellon, Florida (the "City") of its \$5,500,000 Water and Sewer Refunding Revenue Note, Series 2016 (the "Series 2016 Note") and pursuant to Section 1.148-2(b)(2) of the Income Tax Regulations (the "Regulations"), the City makes and enters into the following Tax Certificate as to Arbitrage and the Provisions of Section 141-150 of the Internal Revenue Code of 1986, as amended (the "Code").

The City acknowledges that the opinion of Bond Counsel regarding the exclusion of interest on the Series 2016 Note from gross income under Section 103(a) and Sections 141-150 of the Code is rendered in reliance upon the representations and statements of fact and expectations contained herein and assumes the City's continued compliance with the provisions of this Certificate.

1. The Series 2016 Note is being issued pursuant to the Constitution and laws of the State of Florida, Chapter 166, Part II, Florida Statutes, and other applicable provisions of law, Resolution No. 2010-22 adopted by the City Council of the City on December 16, 2010, as supplemented by Resolution #RES2016-16 adopted by the City Council of the City on August 8, 2016 (collectively, the "Resolution"). The Series 2016 Note will be delivered to Branch Banking and Trust Company (the "Original Purchaser") on the date hereof in exchange for (a) the Series 2011 Note, which will be tendered to the City for cancellation, and (b) the receipt of \$30,000 of additional proceeds of the Series 2016 Note to be used to pay costs of issuing the Series 2016 Note (the "Issuance Costs").

Unless otherwise specifically defined, all capitalized terms used in this Certificate shall have the same meanings as those set forth in the Resolution or the Regulations.

2. The refunding of the Series 2011 Note with proceeds of the Series 2016 Note is being undertaken by the City in order to extend the maturity of the Series 2011 Note. The Series 2011 Note will be redeemed on the date hereof. The Series 2011 Note was issued for the purposes of financing the cost of the acquisition and construction of additions, extensions and improvements to the water and sewer system of the City (the "Refinanced Project"). As of the date hereof, there are no remaining proceeds outstanding of the Series 2011 Note.

3. On the basis of the facts, estimates and circumstances in existence on the date hereof, the City reasonably expects the following with respect to the Series 2016 Note being issued this day and as to the use of the proceeds thereof:

(a) Proceeds in the amount of \$5,500,000.00 (the "Sale Proceeds") are deemed to be derived by the City from the sale of the Series 2016 Note to the Original Purchaser and are expected to be needed and fully expended as follows:

(i) \$30,000.00 of said proceeds will be used to pay the Issuance Expenses; and

(ii) \$5,470,000.00 of said proceeds will be deemed to have been used to redeem the Series 2011 Note on the date hereof.

(b) Accrued and unpaid interest on the Series 2011 Note through the date hereof will be paid from other legally available sources of the City.

(c) The total proceeds to be received from the sale of the Series 2016 Note, together with amounts made available as a result of the refunding of the Series 2011 Note, do not exceed the total of the amounts necessary for the purposes described above.

(c) The City does not expect to sell or otherwise dispose of any property comprising a part of the Refinanced Project prior to the final maturity date of the Series 2016 Note.

4. On the date of issuance of the Series 2011 Note, the City reasonably expected that not less than 85% of the spendable proceeds of the Series 2011 Note would be used to carry out the governmental purposes of such Series 2011 Note within three years of the date of issuance thereof. Not more than 50% of the proceeds of the Series 2011 Note were invested in obligations having a substantially guaranteed yield for four years or more.

5. On a monthly basis, the City will transfer Pledged Revenues from the Revenue Fund to the Sinking Fund to provide for the payment of debt service on the Series 2016 Note. The Sinking Fund and the portion of the Revenue Fund allocated to the payment of debt service on the Series 2016 Note will be used primarily to achieve a proper matching of the revenues and debt service on the Series 2016 Note within each Bond Year and amounts on deposit in the Sinking Fund and the Revenue Fund allocated to the Series 2016 Note will be depleted at least once a year except for any carryover amount which will not in the aggregate exceed the greater of (A) the earnings on such accounts for the immediately preceding bond year, or (B) one-twelfth of the debt service on the Series 2016 Note for the immediately preceding bond year.

6. Other than the Sinking Fund and the portion of the Revenue Fund allocated to the payment of debt service on the Series 2016 Note, there are no funds or accounts established pursuant to the Resolution or otherwise which are reasonably expected to be used to pay debt service on the Series 2016 Note, or which are pledged as collateral for the Series 2016 Note (or subject to a negative pledge) and for which there is a reasonable assurance on the part of the Original Purchaser that amounts therein will be available to pay debt service on the Series 2016 Note if the City encounters financial difficulties.

7. The following represents the expectations of the City with respect to the investment of funds on deposit in the aforementioned funds and accounts:

(a) Proceeds derived from the sale of the Series 2016 Note to be applied to pay Issuance Expenses may be invested at an unrestricted yield for a period not to exceed thirteen months from the date hereof, although it is reasonably expected that all such Issuance Expenses will be paid within 90 days of the date of issuance of the Series 2016 Note.

(b) Investment earnings on obligations acquired with amounts described in subparagraph (a) above may be invested at an unrestricted yield for a period of thirteen months from the date of receipt.

(c) Amounts described in subparagraphs (a) and (b) that may not be invested at an unrestricted yield pursuant to such subparagraphs, may be invested at an unrestricted yield to the extent such amounts do not exceed \$100,000 (the "Minor Portion").

(d) Amounts described in subparagraph (c), not invested at an unrestricted yield pursuant to such subparagraph, shall be invested at a yield not in excess of the yield on the Series 2016 Note plus 1/8 of one percentage point or invested in tax-exempt obligations under Section 103(a) of the Code the interest on which is not an item of preference within the meaning of Section 57(a)(5) of the Code.

(e) Amounts deposited in the Sinking Fund and the Revenue Fund allocated to the payment of debt service on the Series 2016 Note may be invested at an unrestricted yield for a period of 13 months from the date of original deposit of such amounts to such funds. Investment earnings on such amounts which are retained in such accounts may be invested at an unrestricted yield for a period of 13 months from the date of receipt of the amount earned.

(f) Amounts described in subparagraph (e) that may not be invested at an unrestricted yield pursuant to such subparagraphs may be invested at an unrestricted yield to the extent such amount does not exceed the Minor Portion reduced by the

amounts described in subparagraph (c) that are invested at a yield in excess of the yield on the Series 2016 Note.

(g) Amounts described in subparagraph (f) that may not be invested at an unrestricted yield shall be invested at a yield not in excess of the yield of the Series 2016 Note or be invested in tax-exempt obligations under Section 103(a) of the Code the interest on which is not an item of preference within the meaning of Section 57(a)(5) of the Code.

8. For purposes of this Certificate, "yield" means that yield which when used in computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the purchase price of such obligation. The yield of obligations acquired with amounts described in Paragraph 7 hereof or subject to the rebate requirement described in Paragraph 11 hereof and the yield of the Series 2016 Note is calculated by the use of the same frequency interval of compounding interest. In the case of the Series 2016 Note, the purchase price is \$5,500,000.00. The purchase price of the Series 2016 Note and the interest rate thereon were arrived at as a result of an arms length negotiation between the City and the Original Purchaser. The Original Purchaser has represented to the City that it is acquiring the Series 2016 Note for its own account and is not acting as a broker or other intermediary for the purpose of reselling the Series 2016 Note to other investors. Any investments acquired with amounts that may not be invested at an unrestricted yield pursuant to Paragraph 7 hereof or subject to the rebate requirement described in Paragraph 11 hereof shall be purchased at prevailing market prices and shall be limited to securities for which there is an established market or shall be U.S. Treasury Obligations - State and Local Government Series or shall be tax-exempt obligations under Section 103(a) of the Code the interest on which is not an item of tax preference within the meaning of Section 57(a)(5) of the Code. In accordance with such meaning of the term yield, the yield of the Series 2016 Note has been determined to be not less than 2.540404%.

9. No portion of the proceeds of the Series 2016 Note will be used as a substitute for other moneys of the City which were otherwise to be used to pay debt service on the Series 2011 Note and which have been or will be used to acquire directly or indirectly, obligations producing a yield in excess of the yield of the Series 2016 Note.

10. There are no other obligations of the City that (i) are being sold at substantially the same time as the Series 2016 Note (within 15 days); (ii) are being sold pursuant to a common plan of financing together with the Series 2016 Note; and (iii) will be paid out of substantially the same source of funds as the Series 2016 Note.

11. The City has covenanted in the Resolution that so long as the Series 2016 Note remains outstanding, the moneys on deposit in any fund or account maintained in connection with the Series 2016 Note, will not be used in any manner that would cause the Series 2016 Note to be an "arbitrage bond" within the meaning of Section 148 of the Code or bonds not described

under Section 103(a) of the Code and the applicable regulations promulgated from time to time thereunder. Accordingly, the City shall comply with the guidelines and instructions in the Arbitrage Letter of Instructions from Bond Counsel, dated the date hereof, by which the City shall, among other things, pay or cause to be paid to the United States an amount equal to the sum of (i) the excess of the aggregate amount earned from the investment of "Gross Proceeds" of the Series 2016 Note from the date of issue over the amount that would have been earned if such amounts had been invested at a yield equal to the yield of the Series 2016 Note, plus (ii) the income or earnings attributable to the excess amount described in (i). See Exhibit A attached hereto.

12. Neither the City nor any person related to the City has entered or is expected to enter into any hedging transaction (such as an interest rate swap, cap or collar transaction) with respect to the Series 2016 Note.

13. The weighted average maturity of the Series 2016 Note does not exceed 120 percent of the reasonably expected remaining economic life of the assets refinanced with proceeds of the Series 2016 Note (within the meaning of Section 147(b) of the Code).

14. None of the proceeds of the Series 2016 Note will be used (directly or indirectly) to acquire any property which prior to its acquisition was used (or held for use) by a person other than a state or local governmental unit in connection with an output facility. For purposes of this Certificate, the term "output facility" means electric and gas generation, transmission, and related facilities.

15. No portion of the proceeds of the Series 2016 Note will be used (directly or indirectly) to make or finance a loan to any person.

16. The City will not take any action that would cause the Series 2016 Note to be a "private activity bond" within the meaning of Section 141 of the Code. The City will not permit any person other than a state or local governmental unit or a person as a member of the general public (a "Nonexempt Person") to use, through sale, lease, management contract, output contract or similar agreement, portions of the Refinanced Project which, in the aggregate, exceed 10 percent of the Refinanced Project (based upon the cost of such portions of the Refinanced Project). The percentage limitation described in the preceding sentence shall be reduced to 5 percent if the private use of the Refinanced Project is not related to any governmental use or is disproportionate to governmental use, all as described in Section 141(b)(3) of the Code.

17. The City acknowledges that in determining whether all or any portion of the Refinanced Project is used, directly or indirectly, in the trade or business of a Nonexempt Person for purposes of Paragraph 16 above, use of any portion of the Refinanced Project by a Nonexempt Person pursuant to a lease, management contract, service contract, output contract or other arrangement must be examined. The City represents that all management and service contracts with persons who are not employees of the City or another state or local governmental unit for

use of any portion of the Refinanced Project comply with the guidelines set forth in IRS Revenue Procedure 97-13. The City represents that all future management and service contracts that it may enter into with respect to the Refinanced Project will comply with the provisions of Revenue Procedure 97-13 or any subsequently promulgated revenue procedure or regulations of the Internal Revenue Service, unless the City receives an opinion from Bond Counsel that such contract will not adversely impact the exclusion of interest on the Series 2016 Note from gross income for purposes of federal income taxation. The City agrees to maintain copies of all leases, management contracts, service contracts, output contracts, and other preferential use arrangements with Nonexempt Persons with respect to the use of the Refinanced Project throughout the term of the Series 2016 Note and for a period of three years thereafter.

18. The City represents that the Refinanced Project has been owned and operated in a manner which complies with the requirements set forth in Paragraph 16 above from the placed in service dates of the various components of the Refinanced Project until the date of issuance of the Series 2016 Note. The City reasonably expects that the Refinanced Project will be owned and operated throughout the term of the Series 2016 Note in a manner which complies with the requirements set forth in Paragraph 16 above. The City will not change the ownership or use of all or any portion of the Refinanced Project (whether by sale, lease or other agreement) in a manner that fails to comply with Paragraph 16 above, unless it receives an opinion of Bond Counsel that such change of ownership or use will not adversely affect the exclusion of interest on the Series 2016 Note from gross income for federal income tax purposes.

19. The payment of the principal of and interest on the Series 2016 Note is not and will not be guaranteed directly or indirectly by the federal government within the meaning of Section 149(b) of the Code.

20. The City has designated the Series 2016 Note as a “qualified tax-exempt obligation” as provided in Section 265(b)(3)(B) of the Code pursuant to the Election Letter Regarding Cost of Carry on Bonds executed on the date hereof.

21. This Certificate is, in part, to serve as a guideline in implementing the requirements of Sections 141 to 150 of the Code. If regulations, rulings, announcements and notices validly promulgated under the Code contain requirements which differ from those outlined here which must be satisfied for the Series 2016 Note to be tax-exempt or in order to avoid the imposition of penalties under Section 148 of the Code, pursuant to the covenants contained in the Resolution, the City is obligated to take such steps as are necessary to comply with such requirements. If under those pronouncements, compliance with any of the requirements of this Certificate is not necessary to maintain the exclusion of interest on the Series 2016 Note from gross income and alternative minimum taxable income (except to the extent of certain adjustments applicable to corporations) or to avoid the imposition of penalties on the City under Section 148 of the Code, the City shall not be obligated to comply with that requirement. The City has been advised to seek the advice of competent counsel with a nationally recognized

expertise in matters affecting exclusion of interest on municipal bonds from gross income in fulfilling its obligations under the Code to take all steps as are necessary to maintain the tax-exempt status of the Series 2016 Note.

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22. To my knowledge, information and belief, the above expectations are reasonable.

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of August, 2016.

CITY OF DUNNELLON, FLORIDA

By: _____
Jan Smith, Finance Officer

EXHIBIT A

August 12, 2016

Mayor and City Council
City of Dunnellon, Florida

Re: \$5,500,000 City of Dunnellon, Florida
Water and Sewer Refunding Revenue Note, Series 2016

Ladies and Gentlemen:

This letter instructs you as to certain requirements of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to issuance by the City of Dunnellon, Florida (the "City") of its Water and Sewer Refunding Revenue Note, Series 2016 (the "Series 2016 Note"). Capitalized terms used in this letter, not otherwise defined herein, shall have the same meanings as set forth in the City's Tax Certificate as to Arbitrage and the Provisions of Sections 141-150 of the Internal Revenue Code of 1986, As Amended (the "Tax Certificate") executed on the date hereof.

This letter is intended to provide you with general guidance regarding compliance with Section 148(f) of the Code. Because the requirements of the Code are subject to amplification and clarification, you should seek supplements to this letter from time to time to reflect any additional or different requirements of the Code. In particular, you should be aware that regulations implementing the rebate requirements of Section 148(f) (the "Regulations") have been issued by the United States Treasury Department. These regulations will, by necessity, be subject to continuing interpretation and clarification through future rulings or other announcements of the United States Treasury Department. You should seek further advice of Bond Counsel as to the effect of any such future interpretations before the computation and payment of any arbitrage rebate.

For the purposes of this Letter, (i) any instructions relating to a fund or account shall be deemed to apply only to the portion of such fund or account allocable to the Series 2016 Note and (ii) any reference to "the date hereof" shall be deemed to mean August 12, 2016.

Section 1. Tax Covenants. Pursuant to the Resolution (as defined in the Tax Certificate), the City has made certain covenants designed to assure that interest with respect to the Series 2016 Note is and shall remain excluded from gross income for federal income tax purposes. The City has agreed, and by acknowledgement of this Letter does hereby covenant, that it will not directly or indirectly use or permit the use of any proceeds of the Series 2016 Note or any other funds or take or omit to take any action that would cause the Series 2016 Note to be an "arbitrage bond" within the meaning of Section 148 of the Code and that would cause interest on the Series

2016 Note to be included in gross income for federal income tax purposes under the provisions of the Code. To that end, the City will comply with all requirements of Section 148 of the Code to the extent applicable to the Series 2016 Note. In particular, the City agrees to cause the proceeds of the Series 2016 Note and certain other amounts described in Paragraph 7 of the Tax Certificate to be invested in a manner that is consistent with the expectations set forth in such Certificate. In the event that at any time the City is of the opinion that for purposes of this Section 1 it is necessary to restrict or to limit the yield on the investment of any moneys held by the City, the City shall take such action as may be necessary to limit the yield on such investment of moneys.

Section 2. Definitions. Unless the context otherwise requires, in addition to the use of the terms defined in the Tax Certificate, the following capitalized terms have the following meanings:

“Bond Counsel” shall mean Bryant Miller Olive P.A., or other nationally recognized Bond Counsel.

“Bond Year” shall mean the one year period that ends at the close of business on the day in the calendar year that is selected by the City. The first and last Bond Years may be less than one year.

“Bond Yield” shall mean that discount rate that, when used in computing the present value on the Delivery Date of all unconditionally payable payments of principal, interest, and redemption price payments paid and to be paid on the Series 2016 Note, produces an amount equal to the present value on the Delivery Date, using the same discount rate, of the aggregate Issue Price of the Series 2016 Note. Yield is computed under the Economic Accrual Method using any consistently applied compounding interval of not more than one year. Shorter first and last compounding intervals may be used. Other reasonable, standard financial conventions, such as the 30 days per month/360 days per year convention, may be used in computing yield but must be consistently applied. The yield on the Series 2016 Note, computed in this manner, is 2.540404%.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations promulgated thereunder.

“Computation Credit Amount” means the amount specified in Section 1.148-3(d)(1)(iv) of the Regulations.

“Computation Credit Date” means the last day of each Bond Year during which there are amounts allocated to Gross Proceeds of the Series 2016 Note that are subject to the rebate requirement of Section 148(f) of the Code, and the Final Computation Date.

“Computation Date” shall mean any date selected by the City as a computation date pursuant to Section 1.148-3(e) of the Regulations, and the Final Computation Date.

“Delivery Date” shall mean August 12, 2016.

“Economic Accrual Method” shall mean the method of computing yield that is based on the compounding of interest at the end of each compounding period (also known as the constant interest method or the actuarial method).

“Final Computation Date” shall mean the date that the Series 2016 Note is discharged.

“Gross Proceeds” shall mean with respect to the Series 2016 Note, any proceeds of the Series 2016 Note and any funds (other than the proceeds of the Series 2016 Note) that are a part of a reserve or replacement fund for the issue, which amounts include amounts which are (A) actually or constructively received by the City from the sale of the Series 2016 Note; (B) treated as transferred proceeds (as defined in Section 1.148-9(b) of the Regulations); (C) treated as Replacement Proceeds under Section 1.148-1(c) of the Regulations; (D) invested in a reasonably required reserve or replacement fund (as defined in Section 1.148-2(f) of the Regulations); (E) pledged by the City as security for payment of debt service on the Series 2016 Note; (F) received with respect to obligations acquired with proceeds of the Series 2016 Note; (G) used to pay debt service on the Series 2016 Note; and (H) otherwise received as a result of investing any proceeds of the Series 2016 Note. The determination of whether an amount is included within this definition shall be made without regard to whether the amount is credited to any fund or account established under the Resolution or (except in the case of an amount described in (E) above) whether the amount is subject to the pledge of such instrument.

“Guaranteed Investment Contract” means any Nonpurpose Investment that has specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate, and also includes any agreement to supply investments on two or more future dates (e.g., a forward supply contract).

“Installment Payment Date” shall mean a Computation Date that is not later than five years after the Delivery Date and subsequent Computation Dates which occur no later than five years after the immediately preceding Installment Payment Date.

“Investment Property” shall mean any security or obligation, any annuity contract or other investment-type property within the meaning of Section 148(b)(2) of the Code. The term Investment Property shall not include any obligation the interest on which is excluded from gross income (other than a Specified Private Activity Bond within the meaning of Section 57(a)(5)(C) of the Code) and shall not include an obligation that is a one-day certificate of indebtedness issued by the United States Treasury pursuant to the Demand Deposit State and Local Government Series Program described in 31 CFR, part 344.

“Issue Price” shall mean, with respect to the Series 2016 Note, \$5,500,000.

“Issue Yield” shall mean the Bond Yield unless the Series 2016 Note is described in Section 1.148-4(b)(3) or (4) of the Regulations, in which case, the Issue Yield shall be the Bond Yield as recomputed in accordance with such provisions of the Regulations.

“Nonpurpose Investment” shall mean any Investment Property in which Gross Proceeds are invested, other than any Purpose Investment as defined in Section 1.148-1(b) of the Regulations. For purposes of this Letter, Investment Property acquired with revenues deposited in the Revenue Fund and the Sinking Fund to be used to pay debt service on the Series 2016 Note within 13 months of the date of deposit therein shall be disregarded.

“Nonpurpose Payment” shall, with respect to a Nonpurpose Investment allocated to the Series 2016 Note, include the following: (1) the amount actually or constructively paid to acquire the Nonpurpose Investment; (2) the Value of an investment not acquired with Gross Proceeds on the date such investment is allocated to the Series 2016 Note, and (3) any yield reduction payment to the United States Government made pursuant to Section 1.148-5(c) of the Regulations. In addition, the Computation Credit Amount shall be treated as a Nonpurpose Payment with respect to the Series 2016 Note on each Computation Credit Date.

“Nonpurpose Receipt” shall mean any receipt or payment with respect to a Nonpurpose Investment allocated to the Series 2016 Note. For this purpose the term “receipt” means any amount actually or constructively received with respect to the investment. In the event a Nonpurpose Investment ceases to be allocated to the Series 2016 Note other than by reason of a sale or retirement, such Nonpurpose Investment shall be treated as if sold on the date of such cessation for its Value. In addition, the Value of each Nonpurpose Investment at the close of business on each Computation Date shall be taken into account as a Nonpurpose Receipt as of such date, and each refund of Rebatable Arbitrage pursuant to Section 1.148-3(i) of the Regulations shall be treated as a Nonpurpose Receipt.

“Rebatable Arbitrage” shall mean as of any Computation Date the excess of the future value of all Nonpurpose Receipts with respect to the Series 2016 Note over the future value of all Nonpurpose Payments with respect to the Series 2016 Note. The future value of a Nonpurpose Payment or a Nonpurpose Receipt as of any Computation Date is determined using the Economic Accrual Method and equals the value of that payment or receipt when it is paid or received (or treated as paid or received), plus interest assumed to be earned and compounded over the period at a rate equal to the Issue Yield, using the same compounding interval and financial conventions used in computing that yield.

“Retirement Price” shall mean, with respect to a Series 2016 Note, the amount paid in connection with the retirement or redemption of the Series 2016 Note.

“Value” means value as determined under Section 1.148-5(d) of the Regulations for investments.

Section 3. Rebate Requirement.

(a) There shall be established a fund separate from any other fund established and maintained under the Resolution designated the Rebate Fund (the "Rebate Fund"). The City shall administer or cause to be administered the Rebate Fund and invest any amounts held therein in Nonpurpose Investments. Moneys shall not be transferred from the Rebate Fund except as provided in this Section 3.

(b) Unless the Spending Exception to Rebate described in Appendix I to this letter is applicable to all or a portion of the Gross Proceeds of the Series 2016 Note, the City specifically covenants that it will pay or cause to be paid to the United States Government the following amounts:

(1) No later than 60 days after each Installment Payment Date, an amount which, when added to the future value of all previous rebate payments made with respect to the Series 2016 Note, equals at least 90 percent of the Rebatable Arbitrage calculated as of each such Installment Payment Date; and

(2) No later than 60 days after the Final Computation Date, an amount which, when added to the future value of all previous rebate payments made with respect to the Series 2016 Note, equals 100 percent of the Rebatable Arbitrage as of the Final Computation Date.

(c) Any payment of Rebatable Arbitrage made within the 60-day period described in Section 3(b)(1) and (2) above may be treated as paid on the Installment Payment Date or Final computation date to which it relates.

(d) On or before 55 days following each Installment Payment Date and the Final Computation Date, the City shall determine the amount of Rebatable Arbitrage to be paid to the United States Government as required by Section 3(b) of this Letter. Upon making this determination, the City shall take the following actions:

(1) If the amount of Rebatable Arbitrage is calculated to be positive, deposit the required amount of Rebatable Arbitrage to the Rebate Fund;

(2) If the amount of Rebatable Arbitrage is calculated to be negative and money is being held in the Rebate Fund, transfer from the Rebate Fund the amount on deposit in such fund; and

(3) On or before 60 days following the Installment Payment Date or Final Computation Date, pay the amount described in Section 3(b) of this Letter to the United States Government at the Internal Revenue Service Center, Ogden,

Utah 84201. Payment shall be accompanied by Form 8038-T. A rebate payment is paid when it is filed with the Internal Revenue Service at the above location.

(e) The City shall keep proper books of records and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the money related to the Series 2016 Note, including money derived from, pledged to, or to be used to make payments on the Series 2016 Note. Such records shall specify the account or fund to which each investment (or portion thereof) held by the City is to be allocated and shall set forth, in the case of each investment security, (a) its purchase price; (b) nominal rate of interest; (c) the amount of accrued interest purchased (included in the purchase price); (d) the par or face amount; (e) maturity date; (f) the amount of original issue discount or premium (if any); (g) the type of Investment Property; (h) the frequency of periodic payments; (i) the period of compounding; (j) the yield to maturity; (k) date of disposition; (l) amount realized on disposition (including accrued interest); and (m) market price data sufficient to establish the fair market value of any Nonpurpose investment as of any Computation Date, and as of the date such Nonpurpose Investment becomes allocable to, or ceases to be allocable to, Gross Proceeds of the Series 2016 Note.

Section 4. Prohibited Investments and Dispositions.

(a) No Investment Property shall be acquired with Gross Proceeds for an amount (including transaction costs) in excess of the fair market value of such Investment Property. No Investment Property shall be sold or otherwise disposed of for an amount (including transaction costs) less than the fair market value of the Investment Property.

(b) For purposes of subsection 4(a), the fair market value of any Investment Property for which there is an established market shall be determined as provided in subsection 4(c). Except as otherwise provided in subsections 4(e) and (f), any market especially established to provide Investment Property to an issuer of governmental obligations shall not be treated as an established market.

(c) The fair market value of any Investment Property for which there is an established market is the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's-length transaction. Fair market value is generally determined on the date on which a contract to purchase or sell the Investment Property becomes binding (i.e., the trade date rather than the settlement date). If a United States Treasury obligation is acquired directly from or disposed of directly to the United States Treasury, such acquisition or disposition shall be treated as establishing a market for the obligation and as establishing the fair market value of the obligation.

(d) Except to the extent provided in subsections (e) and (f), any Investment Property for which there is not an established market shall be rebuttably presumed to be acquired or disposed of for a price that is not equal to its fair market value.

(e) In the case of a certificate of deposit that has a fixed interest rate, a fixed payment schedule, and a substantial penalty for early withdrawal, the purchase price of such a certificate of deposit is treated as its fair market value on its purchase date if the yield on the certificate of deposit is not less than (1) the yield on reasonably comparable direct obligations of the United States; and (2) the highest yield that is published or posted by the provider to be currently available from the provider on reasonably comparable certificates of deposit offered to the public.

(f) The purchase price of a Guaranteed Investment Contract is treated as its fair market value on the purchase date if the City complies with the competitive bidding procedures and other requirements set forth in Section 1.148-5(d)(6)(iii) of the Regulations.

Section 5. Accounting for Gross Proceeds. In order to perform the calculations required by the Code and the Regulations, it is necessary to track the investment and expenditure of all Gross Proceeds. To that end, the City must adopt a reasonable and consistently applied method of accounting for all Gross Proceeds.

Section 6. Administrative Costs of Investments.

(a) Except as otherwise provided in this Section, an allocation of Gross Proceeds of the Series 2016 Note to a payment or receipt on a Nonpurpose Investment is not adjusted to take into account any costs or expenses paid, directly or indirectly, to purchase, carry, sell or retire the Nonpurpose Investment (administrative costs). Thus, administrative costs generally do not increase the payments for, or reduce the receipts from, Nonpurpose Investments.

(b) In determining payments and receipts on Nonpurpose Investments, Qualified Administrative Costs are taken into account by increasing payments for, or reducing the receipts from, the Nonpurpose Investments. Qualified Administrative Costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody, and similar costs. General overhead costs and similar indirect costs of the City such as employee salaries and office expenses and costs associated with computing Rebutable Arbitrage are not Qualified Administrative Costs

(c) Qualified Administrative Costs include all reasonable administrative costs, without regard to the limitation on indirect costs stated in subsection (b) above, incurred by:

(i) A publicly offered regulated investment company (as defined in Section 67(c)(2)(B) of the Code); and

(ii) A commingled fund in which the City and any related parties do not own more than 10 percent of the beneficial interest in the fund.

(d) For a Guaranteed Investment Contract, a broker's commission paid on behalf of either the City or the provider is not a Qualified Administrative Cost to the extent that the commission exceeds the safe harbor amount set forth in Section 1.148-5(e)(2)(iii)(B) of the Regulations.

Section 7. Records; Bond Counsel Opinion.

(a) The City shall retain all records with respect to the calculations and instructions required by this Letter for at least three years after the date on which the last of the principal of and interest on the Series 2016 Note has been paid, whether upon maturity, redemption or acceleration thereof.

(b) Notwithstanding any provisions of this Letter, if the City shall be provided an opinion of Bond Counsel that any specified action required under this Letter is no longer required or that some further or different action is required to maintain or assure the exclusion from federal gross income of interest with respect to the Series 2016 Note, the City may conclusively rely on such opinion in complying with the requirements of this Letter.

[Remainder of page intentionally left blank]

Section 8. Survival of Defeasance. Notwithstanding anything in this Letter to the contrary, the obligation of the City to remit the Rebate Requirement to the United States Department of the Treasury and to comply with all other requirements contained in this Letter shall survive the defeasance or payment of the Series 2016 Note.

Respectfully submitted,

BRYANT MILLER OLIVE P.A.

Received and acknowledged:

CITY OF DUNNELLON, FLORIDA

By: _____

Name: Jan Smith

Title: Finance Officer

Dated: August 12, 2016

Appendix I

Spending Exception to Rebate

(a) Generally. All, or certain discrete portions, of an issue are treated as meeting the Rebate Requirement of Section 148(f) of the Code if the spending exception set forth in this Appendix is satisfied. Use of the spending exception is not mandatory. An issuer may apply the Rebate Requirement to an issue that otherwise satisfies the spending exception.

(b) Six-Month Exception. An issue is treated as meeting the Rebate Requirement under this exception if (i) the gross proceeds of the issue are allocated to expenditures for the governmental purposes of the issue within the six-month period beginning on the issue date (the "six-month spending period") and (ii) the Rebate Requirement is met for amounts not required to be spent within the six-month spending period (excluding earnings on a bona fide debt service fund). For purposes of the six-month exception, "gross proceeds" means Gross Proceeds other than amounts (i) in a bona fide debt service fund, (ii) in a reasonably required reserve or replacement fund, (iii) that, as of the issue date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the end of the six-month spending period, (iv) that represent Sale Proceeds or Investment Proceeds derived from payments under any Purpose Investment of the issue and (v) that represent repayments of grants (as defined in Treasury Regulation Section 1.148-6(d)(4)) financed by the issue.

(c) Expenditures for Governmental Purposes of the Issue. For purposes of the spending exception, expenditures for the governmental purposes of an issue include payments for interest, but not principal, on the issue and for principal or interest on another issue of obligations.

