



NON-BINDING PROPOSAL

August 21, 2020

City of Belle Isle, Florida

Attention: Ms. Molly Button – Assistant to the Comptroller/Florida Municipal Loan Council, Ms. Marianne Edmonds – Senior Managing Director PRAG, and Mr. Mickey Johnston – Vice President PRAG
1600 Nela Avenue
Belle Isle, FL 32809

Dear Ms. Button, Ms. Edmonds, and Mr. Johnston:

CenterState Bank, N.A. (“the Bank”) is pleased to have the opportunity to consider your loan request on behalf of the City of Belle Isle, Florida. This letter is a Non-Binding Proposal.

- Borrower:** City of Belle Isle, Florida (“the City” or “Borrower”)
- Purpose:** The purpose of the loan is to fund (i) acquisition of the Property in the City, ii) additional property acquisition and/or capital improvements including but not limited to stormwater improvements (ii) the costs of issuance related to the 2020 loan.
- Loan Amount and Type:** Not to exceed \$2,600,000.00 (Two Million Six Hundred Thousand Dollars). The loan (or Note) is anticipated to close on or about September 25, 2020, and is considered a Bank Qualified Tax Exempt term loan.
- Collateral:** The 2020 loan will be secured by a Covenant to Budget and Appropriate from Non-Ad Valorem Revenues.
- Maturity Date:**
 - Option A: October 1, 2035
 - Option B: October 1, 2040
- Interest Rate:**
 - Option A: The interest rate shall be a bank qualified tax-exempt fixed rate of 1.70% for the term of the loan, provided the loan is closed by September 25, 2020. Interest will be calculated on a 30/360 day count basis.
 - The City shall also retain the option to select a 15 year Assumable Rate Conversion (ARC) Index loan based on the Index on the day of closing plus 125 basis points (1.25%) X 0.79. The indicative rate as of August 20, 2020 is 1.60%. See attached proposal summary for this option.
 - Option B: The interest rate shall be a bank qualified tax exempt fixed rate of 2.08% for the term of the loan, provided the loan is closed by September 25, 2020. Interest will be calculated on a 30/360 day count basis.
 - The City shall also retain the option to select a 20 year Assumable Rate Conversion (ARC) Index loan based on the Index on the day of closing plus 150 basis points (1.50%) X 0.79. The indicative rate as of August 20, 2020 is 1.875%. See attached proposal summary for this option.
- Repayment Terms:** Options A & B: Interest payments on the outstanding principal balance may be paid semi-annually or quarterly beginning April 1, 2021. The City shall determine prior to closing their preference of quarterly or semi-annually. Principal shall be payable annually beginning October 1, 2021 based on the preliminary amortization schedule attached (see Addendum

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“A”), with any changes subject to the Bank’s approval.

Prepayment Penalty:

Option A: The City will incur a 1.00% prepayment penalty of the outstanding principal balance if the Series 2020 loan is paid in full during the first 3 years of the loan. Principal reductions in excess of the determined amortization schedule will also be subject to the 1.00% prepayment penalty for the first 3 years of the loan.

Option B: The City will incur a 1.50% prepayment penalty of the outstanding principal balance if the Series 2020 loan is paid in full during the first three years of the term, followed by 1% for the second three years. Principal reductions in excess of the determined amortization schedule will also be subject to the 1.50% prepayment penalty for the first 3 years of the loan, and 1.00% for the second 3 years.

If the City selects one of the “ARC” Index options noted above, the Borrower may make additional principal reduction payments subject to yield maintenance provisions, which will be equal to the difference in the net present value using the initial fixed rate less the net present value using the current market fixed rate of the amount of interest that would have accrued on the prepaid amount had the prepaid amount remained outstanding until its nominal payment date at the time of prepayment. If the prepayment amount is greater than zero, it will be paid by the Borrower to the Bank; if the prepayment amount is zero or less than zero, the Bank will pay the Borrower (see attached examples).

Late Fees:

Bank may, at its option collect from the Borrower a late charge of five percent (5.00%) of any payment not received by Bank within ten (10) days after the payment is due.

Event of Default:

Upon an event of default as described in the Bond Resolution, the holder may recover from the Borrower all expenses incurred including without limitation reasonable attorney’s fees, at all levels of the proceedings, whether incurred in connection with collection, bankruptcy, proceedings, trial, appeal or otherwise. Remedies shall include acceleration in the event of payment default greater than 30 days past due or in the event other covenant debt is accelerated for any reason. The Bank shall have the remedies upon default granted to the holders of any existing or future parity debt, including the Series 2016 Bond, during the period(s) such parity debt is outstanding.

Default Rate:

3% above the Note rate.

Bank Fees:

Bank fees including its bond counsel review shall not exceed \$5,000. It is understood that Bryant Miller Olive P.A. will prepare the documents on behalf of the Borrower with the Borrower bearing all closing costs. This shall include delivering to the Bank an opinion by Bond Counsel to ensure compliance by the County with the Internal Revenue Code of 1986, as amended (“Code”), and to qualify interest on the 2020 Notes for exclusion from gross income for federal income tax purposes as set forth in the opinion of Bond Counsel on the Series 2020 Note, which shall be satisfactorily reviewed by Bank’s Bond Counsel.

Warranties:

The Bank warrants to the City that it will comply with all applicable federal, state and local laws, regulations and orders in providing the services under the proposed documents.



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Covenants:

- 1) Comprehensive annual financial report (CAFR) within 270 days of fiscal year end and the City's Budget within 60 days of adoption shall be provided to the bank by the borrower.
- 2) Borrower shall provide such other financial information from time to time as is reasonably requested by the Bank.
- 3) Additional Debt Test: In accordance with the City's 2016 portion of the FMLC Refunding and Improvement Revenue Bonds (Series 2016 was originally issued at a par amount equal to \$935,000), no additional parity debt shall be issued unless legally available net non-ad valorem revenues after payment of essential government service expenditures received from the previous fiscal year after payments of essential government services are greater than 2.0 X of Maximum Annual Debt Service for current and proposed obligations. In conjunction with this closing and any future additional debt obligations until the Series 2016 Bond is paid in full, the City shall certify it is in compliance with this Additional Debt Test. Thereafter, the Additional Debt Test for the 2020 Loan shall require net non-ad valorem revenues (prior two year average) after essential government services expenditures to cover projected maximum annual debt service on net non-ad valorem revenue debt by at least 1.5x and projected maximum annual debt service for all debt secured by and/or payable solely from non-ad valorem revenues will not exceed 20% of Governmental Fund Revenues (prior two year average).
- 4) The City agrees to take such actions as may be required by Treasury regulations in order to maintain the status of the loan as a tax-exempt obligation. In the event the loan is not considered tax exempt as a result of final determination by the IRS which results from the County's actions or inactions, the Bank reserves the right to increase the interest rate (see "Interest Rate" above) to the taxable rate equivalent (Note Rate divided by 0.79).

Conditions:

- 1) Loan documents to be satisfactorily reviewed and approved by Bank's Bond Counsel.
- 2) Formal approval and authorization from the City of Belle Isle, Florida City Council for the Series 2020 Note.

This Non-Binding Proposal is solely and exclusively intended to serve as a summary of potential credit facility terms and conditions as a basis for preliminary discussion purposes only and to demonstrate CenterState Bank's interest in reviewing your loan request and, subject to CenterState Bank's underwriting requirements, and submission of your request for approval. This proposal may not include all of the terms and provisions that may be contained in any binding commitment letter which may later be offered to you. No oral communications between the parties shall be deemed to supersede this Non-Binding Proposal or indicate any commitment to extend credit in any form.

Please also note that effective June 8, 2020 South State Bank and CenterState Bank, N.A. have merged to become South State Bank, N.A.

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We appreciate this opportunity to submit our proposal to the City of Belle Isle, Florida for consideration, and if you have any questions, please do not hesitate to contact us via phone or email (see below).

Sincerely,

Garry R. Lubi

8/21/20

Garry Lubi
Senior Vice President & Commercial Relationship Manager
386.569.0643 / glubi@centerstatebank.com

Date

**John C.
Wayne**

Digitally signed by
John C. Wayne
Date: 2020.08.20
14:48:12 -04'00'

John Wayne
Senior Vice President & Commercial Relationship Manager
407.492.8909 / jwayne@centerstatebank.com

Date

Acceptance:

By accepting this Non-Binding Proposal you acknowledge and agree to the terms hereof, including without limitation the non-binding nature of this Proposal.

Authorized Signor

Date

Print Name: _____



Appendix A

*Preliminary** Loan Principal Amortization

Payment Date	Option 1 (15-yr)	Option 2 (20-yr)
10/1/2021	\$146,048	\$100,857
10/1/2022	150,242	104,559
10/1/2023	153,247	106,911
10/1/2024	156,312	109,317
10/1/2025	159,438	111,776
10/1/2026	162,626	114,291
10/1/2027	165,879	116,863
10/1/2028	169,197	119,492
10/1/2029	172,581	122,181
10/1/2030	176,032	124,930
10/1/2031	179,553	127,741
10/1/2032	183,144	130,615
10/1/2033	186,807	133,554
10/1/2034	190,543	136,559
10/1/2035	194,351	139,632
10/1/2036	-	142,773
10/1/2037	-	145,986
10/1/2038	-	149,270
10/1/2039	-	152,629
10/1/2040	-	156,064
Total	\$2,546,000	\$2,546,000
Average Life	8.4 years	11.3 years

**Preliminary, subject to change*





Fixed Rate Loan Opportunity

Assumable Rate Conversion ("ARC") Loan

for

City of Belle Isle, FL

Fixed Rate Pricing

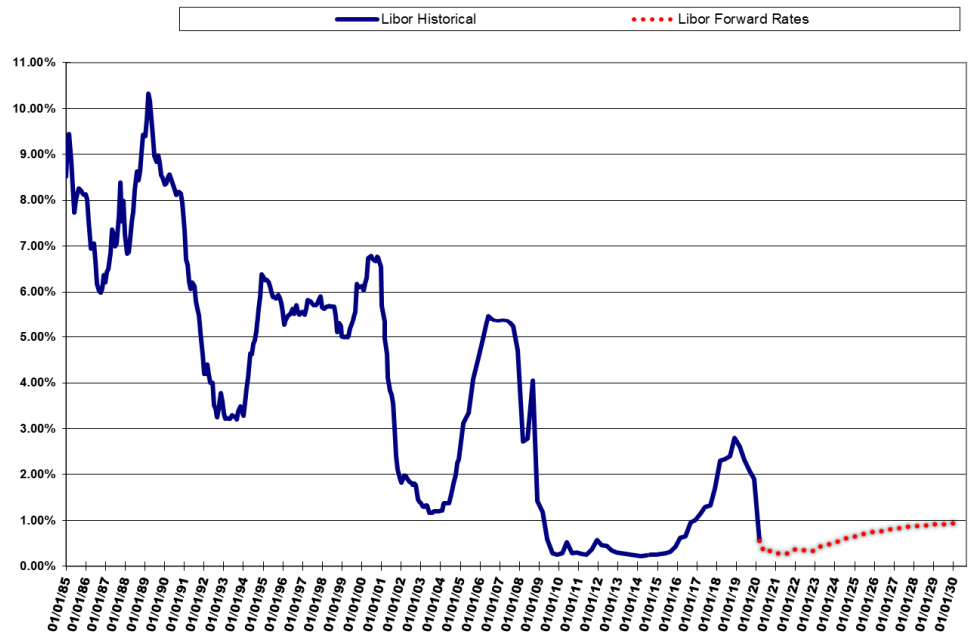
- Principal Amount of Loan: \$2,546,000
- Approximate Start Date: September 2020
- Prepayment Provisions: Symmetrical Yield Maintenance

(prepayment example shown on next page)

Fixed Term (prelim am)	Current Fixed Rate	Hedge-based Pricing
15yr / 15yr	1.60% taxfree	79% * (15yr Swap + 1.25%)
20yr / 20yr	1.875% taxfree	79% * (20yr Swap + 1.50%)

- Rates are near historical lows. The chart to the right shows current market expectations of future 1-month LIBOR.

- By fixing the loan rate, a borrower creates cash flow certainty in a rising interest rate environment.



Rates shown are for indicative purposes only. The final fixed rate will be established on the day of loan closing. Prevailing rates will be made available in the interim upon request.

The breakeven or symmetrical yield maintenance prepayment provision associated with a hedge is a borrower-friendly or equitable prepayment calculation because it allows the borrower to collect a fee if rates rise and the loan/hedge combination is prepaid. This prepayment provision makes sense for borrowers that hold any of the following expectations:

- 1) The borrower believes that interest rates will rise over the contractual life of the loan;
- 2) The borrower expects to hold the loan for a substantial portion of the contractual loan term; or
- 3) The borrower expects to have future financing needs on alternative or additive projects/properties and would like to maintain the economic value of the fixed rate established on this loan for those possible future projects/properties.

Subject Loan: A \$2,546,000 loan is structured as a 20 year final maturity with a 20 year specified amortization, with a 1.875% fixed rate where the initial hedge rate is 0.690%.

If 3 years into the loan, the then current 17 year hedge rate is 25 bps lower than the starting hedge rate and the borrower prepays the entire loan, the borrower will pay \$53,768. Partial prepayments work similarly on a proportional basis. However, the borrower and lender will have the option to apply the loan to a new project/ property and the repayment will not apply.

If 3 years into the loan, the then current 17 year hedge rate is 25 bps higher than the starting hedge rate and the borrower prepays the entire loan, the borrower will receive \$53,489. Partial prepayments work similarly on a proportional basis.

Initial Hedge Rate: 0.690%
 Loan Spread: 1.185%
 All-in Fixed Rate: 1.875%

Remaining Term	<u>Prepayment Hedge Rate vs. Initial Hedge Rate</u>						
	-75 bps	-50 bps	-25 bps	0 bps	+25 bps	+50 bps	+75 bps
20 years	(218,434)	(145,179)	(72,369)	-	71,931	143,427	214,490
19 years	(198,575)	(131,999)	(65,808)	-	65,428	130,479	195,155
18 years	(179,962)	(119,645)	(59,658)	-	59,331	118,337	177,020
17 years	(162,147)	(107,816)	(53,768)	-	53,489	106,700	159,636
16 years	(145,099)	(96,495)	(48,129)	-	47,893	95,552	142,977
15 years	(128,931)	(85,755)	(42,779)	-	42,581	84,967	127,157
14 years	(113,615)	(75,579)	(37,708)	-	37,545	74,928	112,149
13 years	(99,169)	(65,979)	(32,923)	-	32,790	65,448	97,975
12 years	(85,576)	(56,943)	(28,418)	-	28,312	56,518	84,619
11 years	(72,930)	(48,536)	(24,226)	-	24,142	48,201	72,177
10 years	(61,214)	(40,745)	(20,340)	-	20,276	40,487	60,634
9 years	(50,450)	(33,585)	(16,768)	-	16,720	33,391	50,015
8 years	(40,631)	(27,052)	(13,508)	-	13,473	26,912	40,315
7 years	(31,833)	(21,198)	(10,587)	-	10,562	21,100	31,613
6 years	(24,052)	(16,018)	(8,001)	-	7,985	15,953	23,906
5 years	(17,310)	(11,530)	(5,760)	-	5,750	11,489	17,219
4 years	(11,614)	(7,737)	(3,866)	-	3,860	7,715	11,563
3 years	(7,021)	(4,678)	(2,337)	-	2,335	4,667	6,996
2 years	(3,538)	(2,357)	(1,178)	-	1,177	2,353	3,528
1 years	(1,190)	(793)	(396)	-	396	792	1,188

Considerations for a borrower when contemplating ARC:

- Does the borrower intend to hold the loan for a substantial portion of the contractual term?
- May the borrower need to transfer the hedge to another loan with the lender in the future?
- Can the borrower's cash flow support debt service on a variable basis in a rising rate environment?
- Are rates more likely to rise or fall in the future? Upon loan/hedge prepayment, if rates rise, the borrower is paid a prepayment fee, if rates fall, the borrower must pay a prepayment fee.



➤ *Note that this prepayment provision is in line with a borrower's motivation for fixed rate protection. If rates rise as expected, the borrower will collect a fee upon partial or full prepayment.*

Considerations for a borrower when contemplating ARC:

- Borrower's fixed rate will be established at loan closing (a forward rate lock may be available).
- Fixed rate indications will be provided upon request ahead of closing.
- To obtain the fixed rate, the borrower will sign an addendum to the bank's loan documents called a Rate Conversion Agreement (a sample copy is available for borrower's review).