

Interest on the Series 2020A Bonds is not excludable from gross income for federal income tax purposes. In the opinion of Bond Counsel, assuming continuing compliance by the City with certain covenants, interest on the Series 2020B Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations and judicial decisions. Interest on the Series 2020B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax. See "TAX MATTERS" for a brief description of the tax treatment and certain other federal income tax consequences to certain recipients of interest on the Series 2020 Bonds. The Series 2020 Bonds and the interest thereon will be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes.

\$26,365,000

CITY OF FLORENCE, SOUTH CAROLINA
City of Florence Public Facilities Corporation
Installment Purchase Revenue Bonds
(City of Florence Project)
Taxable Series 2020A

**\$10,970,000**

CITY OF FLORENCE, SOUTH CAROLINA
City of Florence Public Facilities Corporation
Installment Purchase Refunding Revenue Bonds
(City of Florence Project)
Series 2020B

Dated: Date of Delivery**Due: November 1, as shown below**

The above described Installment Purchase Revenue Bonds (City of Florence Project), Taxable Series 2020A (the "**Series 2020A Bonds**") and Installment Purchase Refunding Revenue Bonds (City of Florence Project), Series 2020B (the "**Series 2020B Bonds**") and, together with the Series 2020A Bonds, the "**Series 2020 Bonds**") are limited obligations of the City of Florence Public Facilities Corporation (the "**Issuer**") and are paid solely from and secured by amounts pledged (the "**Trust Estate**") under a Trust Agreement dated as of September 1, 2020 (the "**Trust Agreement**"), between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee. The Trust Estate consists primarily of amounts to be paid by the City of Florence, South Carolina (the "**City**"), a municipal corporation organized and existing under the laws of the State of South Carolina (the "**State**"), under a Municipal Facilities Purchase and Occupancy Agreement dated as of September 1, 2020 (the "**Facilities Agreement**"), between the Issuer and the City.

The Series 2020 Bonds are being issued for the purpose of refinancing the outstanding Installment Purchase Revenue Bond (City of Florence Project), Series 2017, the payment of the \$3,025,000 General Obligation Bond Anticipation Note, Taxable Series 2019A and \$4,340,000 General Obligation Bond Anticipation Note, Tax-Exempt Series 2019B, dated November 26, 2019, and financing the costs of acquiring, constructing, renovating and equipping certain municipal facilities. See "PLAN OF FINANCING" herein.

The financial obligations of the City under the Facilities Agreement do not constitute general obligations of the City to which its faith and credit or taxing power are pledged, but are subject to and dependent upon lawful appropriations of funds being made by the City Council of the City to pay the installment payments of purchase price due in each fiscal year under the Facilities Agreement. The City's obligations under the Facilities Agreement are from year to year only and do not constitute a mandatory payment obligation of the City in any fiscal year in which funds are not appropriated by the City to pay the installment payments of purchase price due in such fiscal year. The City has no continuing obligation to appropriate funds to pay installment payments of purchase price due under the Facilities Agreement and may terminate its obligations under the Facilities Agreement on an annual basis without any penalty. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS" herein.

The Series 2020 Bonds will be issued in fully registered form and will initially be issued to and registered only in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("**DTC**"), which will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be available to purchasers under the book-entry system maintained by DTC through brokers and dealers who are, or act through, DTC Participants. Purchasers will not be entitled to receive physical delivery of the Series 2020 Bonds. See "THE SERIES 2020 BONDS – BookEntry Only System" herein.

Interest on the Series 2020 Bonds is payable semiannually on May 1 and November 1 of each year (commencing May 1, 2021) by payment to DTC or its nominee as the registered owner of the Series 2020 Bonds. Disbursements of payments of interest and of principal and any premium to DTC participants is the responsibility of DTC, and disbursement of such payments to the owners of book-entry interests is the responsibility of DTC participants and indirect participants, as more fully described herein. The Series 2020 Bonds are subject to optional and mandatory redemption as set forth herein.

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

The Series 2020 Bonds are offered when, as, and if issued and accepted by the Underwriter, subject to the final approving opinion of Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, Bond Counsel. Certain legal matters will be passed on by James W. Peterson, Jr., counsel to the City and to the Issuer. Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, is serving as Disclosure Counsel, and Burr & Forman LLP, Greenville, South Carolina, is serving as counsel to the Underwriter. First Tryon Advisors serves as financial advisor to the Issuer and the City. It is expected that delivery of the Series 2020 Bonds in definitive form will be made on or about September 9, 2020, through the facilities of The Depository Trust Company against payment therefor.

Stephens Inc.

MATURITY SCHEDULES

\$26,365,000 Taxable Series 2020A Bonds

<u>November 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>November 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2021	\$ 530,000	0.852%	0.852%	340325AN9	2029	\$1,345,000	2.087%	2.087%	340325AW9
2022	535,000	0.952	0.952	340325AP4	2030	1,380,000	2.187	2.187	340325AX7
2023	545,000	1.178	1.178	340325AQ2	2031	1,410,000	2.287	2.287	340325AY5
2024	1,230,000	1.388	1.388	340325AR0	2032	1,445,000	2.387	2.387	340325AZ2
2025	1,255,000	1.588	1.588	340325AS8	2033	1,475,000	2.487	2.487	340325BA6
2026	1,265,000	1.783	1.783	340325AT6	2034	1,510,000	2.587	2.587	340325BB4
2027	1,300,000	1.883	1.883	340325AU3	2035	1,555,000	2.687	2.687	340325BC2
2028	1,325,000	1.987	1.987	340325AV1					

\$3,805,000 3.086% Term Bond Due November 1, 2040, Yield 3.086%, CUSIP 340325BD0

\$4,455,000 3.206% Term Bond Due November 1, 2045, Yield 3.206%, CUSIP 340325BE8

\$10,970,000 Series 2020B Bonds

<u>November 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>November 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2021	\$710,000	5.000%	0.380%	340325AA7	2027	\$ 935,000	4.000%	0.980%	340325AG4
2022	745,000	5.000	0.470	340325AB5	2028	975,000	4.000	1.190	340325AH2
2023	785,000	5.000	0.520	340325AC3	2029	1,000,000	2.000	1.300	340325AJ8
2024	825,000	5.000	0.580	340325AD1	2030	1,035,000	4.000	1.410	340325AK5
2025	865,000	4.000	0.680	340325AE9	2031	1,075,000	4.000	1.530 ^c	340325AL3
2026	900,000	4.000	0.830	340325AF6	2032	1,120,000	4.000	1.640 ^c	340325AM1

^c Yield to first optional par call on November 1, 2030

This Official Statement does not constitute an offering of any security other than the original offering of the Series 2020 Bonds identified on the cover. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City of Florence, South Carolina (the "**City**"), the City of Florence Public Facilities Corporation (the "**Issuer**"), or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Series 2020 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor the sale of any of the Series 2020 Bonds shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date of this Official Statement.

UPON EXECUTION AND DELIVERY, THE SERIES 2020 BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY HAS APPROVED OR DISAPPROVED OF THE SERIES 2020 BONDS FOR SALE OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Certain information contained in this Official Statement may have been obtained from sources other than records of the City or the Issuer and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY OR THE ISSUER.

Reference herein to laws, rules, regulations, agreements, reports and other documents, do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made therein. Where full texts have not been included as appendices to the Official Statement, they will be furnished upon request.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter makes no representation or warranty, express or implied, as to (1) the accuracy or completeness of such information, (2) the validity of the Series 2020 Bonds, or (3) the tax status of the interest on the Series 2020 Bonds.

The Bank of New York Mellon, N.A., as Trustee, has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement, and the Trustee makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Series 2020 Bonds; (iii) the tax status of the interest on the Series 2020 Bonds; or (iv) any other matter described herein.

CITY OF FLORENCE, SOUTH CAROLINA
324 W. Evans Street
Florence, South Carolina 29501

FLORENCE CITY COUNCIL

Stephen J. Wukela, Mayor
Teresa Myers Ervin
Pat Gibson-Hye Moore
Buddy Brand
George D. Jebaily
Octavia Williams-Blake
Glynn Willis

CITY OF FLORENCE PUBLIC FACILITIES CORPORATION

Randall S. Osterman, President
Charles E. Pope, Jr., Vice President
Kevin V. Yokim, Secretary
Kevin V. Yokim, Treasurer

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.

FINANCIAL ADVISOR

First Tryon Advisors

COUNSEL

Bond Counsel – Haynsworth Sinkler Boyd, P.A.
Counsel to the City – James W. Peterson, Jr.
Disclosure Counsel – Haynsworth Sinkler Boyd, P.A.
Counsel to the Issuer – James W. Peterson, Jr.
Counsel to the Underwriter – Burr & Forman LLP

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OFFICIAL STATEMENT

\$26,365,000
CITY OF FLORENCE, SOUTH CAROLINA
City of Florence Public Facilities Corporation
Installment Purchase Revenue Bonds
(City of Florence Project)
Taxable Series 2020A

\$10,970,000
CITY OF FLORENCE, SOUTH CAROLINA
City of Florence Public Facilities Corporation
Installment Purchase Refunding Revenue Bonds
(City of Florence Project)
Series 2020B

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and the Appendices hereto, is to furnish certain information in connection with the sale by City of Florence Public Facilities Corporation of the above-referenced bonds (collectively, the "**Series 2020 Bonds**"). Definitions of certain terms used in this Official Statement and not otherwise defined herein are included in the forms of the various financing documents set forth in Appendix C to this Official Statement.

This Introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices hereto, and the documents summarized or described herein. Potential investors should fully review the entire Official Statement. The offering of the Series 2020 Bonds to potential investors is made only by means of the entire Official Statement, including the Appendices hereto. No person is authorized to detach this Introduction from the Official Statement or to otherwise use it without the entire Official Statement, including the Appendices hereto.

The Issuer

The City of Florence Public Facilities Corporation (the "**Issuer**"), the issuer of the Series 2020 Bonds, is a nonprofit corporation organized and existing under the laws of the State of South Carolina. For more complete information, see "**THE ISSUER**" herein.

The City

The City of Florence, South Carolina (the "**City**") is a municipal corporation organized and existing under the laws of the State of South Carolina. For more complete information, see "**THE CITY OF FLORENCE**" in Appendix B hereto.

The Trustee

The Bank of New York Mellon Trust Company, N.A. (the "**Trustee**") will act as trustee, as bond registrar, and as paying agent for the Series 2020 Bonds under the Trust Agreement.

Purpose of the Series 2020 Bonds

The Issuer is issuing the Series 2020A Bonds for the purpose of providing funds to finance (i) the payment of the \$3,025,000 General Obligation Bond Anticipation Note, Taxable Series 2019A and \$4,340,000 General Obligation Bond Anticipation Note, Tax-Exempt Series 2019B, dated November 26, 2019 (the "**2019 Notes**"), the proceeds of which were used to defray the cost of certain economic and development efforts in the City's downtown area including, but not limited to, property, acquisition, parking, building demolition and streetscape additions and improvements, the proceeds of which have been expended for such purposes (the "**2019 Project**"); (ii) the cost of a downtown theater, an athletic complex consisting of multiple baseball fields, a full-sized 400 meter track and a 1,500-seat baseball stadium, and the 2019 Project (collectively, the "**Capital Improvements**"), (iii) the cost of the construction of a municipal parking garage (the "**Municipal Parking Garage**"), and (iv) the costs of issuing the Series 2020 Bonds. The real property on which the Capital Improvements are or will be located will not be subject to the Base Lease or the Facilities Agreement (as hereinafter defined). The Municipal Parking Garage will be

located on such real property and will be subject to the Base Lease and the Facilities Agreement. For more complete information, see "PLAN OF FINANCING" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS" herein.

The Issuer is issuing the Series 2020B Bonds for the purpose of providing funds to (i) refinance the outstanding Installment Purchase Revenue Bond (City of Florence Project), Series 2017, dated November 15, 2017 (the "**Refunded Bond**"), and (ii) pay the costs of issuing the Series 2020B Bonds. See "PLAN OF FINANCING - Plan of Refunding" herein.

Security and Sources of Payment for the Series 2020 Bonds

The Series 2020 Bonds are special limited obligations of the Issuer, payable solely from and secured by the amounts pledged (the "**Trust Estate**") under the Trust Agreement, as described below.

The City is the owner of certain land upon which will be located the Municipal Parking Garage as well as certain land (collectively, the "**Real Property**") upon which is located improvements which constitute the Freedom Florence Recreation Complex, a multi-use facility of approximately 100 acres and containing, among other things, nine lighted baseball/softball fields, three lighted football fields, a recreational/competitive gymnastics center and walking, jogging and biking trails (the "**Existing Facilities**"). The City currently owns, or will hereafter acquire, additional real property upon which the Capital Improvements and the Municipal Parking Garage (collectively, the "**Project Facilities**") will be located. In order to provide for the acquisition, construction, renovation and equipping of the Project Facilities, the City will convey title to the Municipal Parking Garage and the Existing Facilities to the Issuer and lease the Real Property to the Issuer pursuant to a Base Lease and Conveyance Agreement dated as of September 1, 2020 (the "**Base Lease**") between the City, as lessor, and the Issuer, as lessee. The City is purchasing the Municipal Parking Garage and the Existing Facilities from the Issuer pursuant to a Municipal Facilities Purchase and Occupancy Agreement (the "**Facilities Agreement**"), dated as of September 1, 2020, between the Issuer, as seller, and the City, as purchaser. In order to raise funds to pay the costs of the Project Facilities, the Issuer will issue the Series 2020A Bonds. The Facilities Agreement obligates the City to make semiannual installment payments of purchase price, also referred to as "**Acquisition Payments**," to the Issuer in amounts calculated to be sufficient to enable the Issuer to pay, when due, the principal of, premium, if any, and interest on the Series 2020 Bonds.

To secure its obligations under the Series 2020 Bonds, the Issuer will enter into a Trust Agreement (the "**Trust Agreement**"), dated as of September 1, 2020, with the Trustee, pursuant to which the Issuer (i) will assign to the Trustee, and will grant a first priority security interest in, all of its right, title and interest in and to (a) the Facilities Agreement (except for certain rights reserved to the Issuer) and all amounts to be received thereunder and (b) the Base Lease, (ii) will assign and pledge to the Trustee, and will grant a first priority security interest in, all revenues and receipts derived from the Issuer's ownership interests in the Municipal Parking Garage and the Existing Facilities and leasehold interest in the Real Property, and (iii) will assign and pledge to the Trustee, and will grant a first priority security interest in, all moneys held by the Trustee in certain funds and accounts created under the Trust Agreement.

The financial obligations of the City under the Facilities Agreement do not constitute general obligations of the City to which its faith and credit or taxing power are pledged, but are subject to and dependent upon lawful appropriations of funds being made by the City Council of the City to pay the Acquisition Payments due in each fiscal year under the Facilities Agreement using funds appropriated by the City Council for such purpose, including the proceeds of general obligation bonds. The City's obligations under the Facilities Agreement are from year to year only and do not constitute a mandatory payment obligation of the City in any fiscal year in which funds are not appropriated by the City to pay the Acquisition Payments due in such fiscal year. The City has no continuing obligation to appropriate funds to pay Acquisition Payments due under the Facilities Agreement and may terminate its obligations under the Facilities Agreement on an annual basis without any penalty.

Under certain circumstances, the Trust Agreement permits the Issuer to issue additional bonds, which will be equally and ratably secured on a parity basis with the Series 2020 Bonds under the Trust Agreement. The Series 2020 Bonds and any additional bonds on a parity therewith issued hereafter are collectively referred to as the "**Bonds**".

For more complete and detailed information, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS" herein.

Environmental Matters

The two properties subject to the Base Lease are the Freedom Florence Recreation Complex, defined above as the Existing Facilities, and the Municipal Parking Garage. The Existing Facilities have been owned and operated by the City for the benefit of its citizens for approximately 30 years. While there was no Phase 1 report conducted on the property which constitutes the Existing Facilities, the City has no knowledge of any hazardous materials contained thereon. On January 29, 2020, the City retained the services of SCS Engineers to conduct a Phase 1 report on the property where the Municipal Parking Garage will be constructed. A copy of the Phase 1 report for the property on which the Municipal Parking Garage will be constructed is available by request from the City. The City has no further plans for additional environmental testing.

Description of the Series 2020 Bonds

Redemption. The Series 2020 Bonds are subject to optional and mandatory redemption prior to maturity on the terms described in this Official Statement. For more complete information, see "THE SERIES 2020 BONDS—Redemption" herein.

Denominations. The Series 2020 Bonds are issuable in the denominations of \$5,000 or any integral multiple thereof.

Book Entry Bonds. The Series 2020 Bonds will be issued as fully registered bonds in the form of one bond for each stated maturity of each series thereof, and, when issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company ("DTC"), New York, New York, an automated depository for securities and clearing house for securities transactions, which will act as securities depository for the Series 2020 Bonds. Purchasers will not receive certificates representing their ownership interest in the Series 2020 Bonds purchased. Purchases of beneficial interests in the Series 2020 Bonds will be made in book entry only form (without certificates), in authorized denominations, and, under certain circumstances as more fully described in this Official Statement, such beneficial interests are exchangeable for one or more fully registered bonds of like principal amount and maturity in authorized denominations. For more complete information, see "THE SERIES 2020 BONDS—Book-Entry Only System" herein.

Payments. So long as DTC or its nominee, Cede & Co., is the registered owner of the Series 2020 Bonds, payments of the principal of, premium, if any, and interest on the Series 2020 Bonds will be made directly to Cede & Co., which will remit such payments to the DTC participants, which will in turn remit such payments to the beneficial owners of the Series 2020 Bonds.

For a more complete description of the Series 2020 Bonds, see "THE SERIES 2020 BONDS" herein.

State of South Carolina Tax Exemption

The Series 2020 Bonds and the interest thereon will be exempt from all State, county, municipal and school district and other taxes or assessments imposed within the State of South Carolina, except estate, transfer and certain franchise taxes. The Issuer has taken no action to cause, and does not intend, interest on the Series 2020 Bonds to be excluded pursuant to section 103(a) of the Internal Revenue Code (the "**Code**") from the gross income of the owners thereof for federal or State income tax purposes. See Appendix D hereto for the form of the opinions Bond Counsel proposes to deliver in connection with the issuance of the Series 2020 Bonds. For a more complete discussion of such opinion and certain other tax consequences of owning the Series 2020 Bonds, see "TAX MATTERS" herein.

Professionals Involved in the Offering

Certain legal matters pertaining to the Issuer and its authorization and issuance of the Series 2020 Bonds are subject to the approving opinions of Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, Bond Counsel.

Certain legal matters will be passed on for the Issuer and the City by its counsel, James W. Peterson, Jr., Florence, South Carolina, and for the Underwriter by its counsel, Burr & Forman, Greenville, South Carolina. Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, is serving as Disclosure Counsel. First Tryon Advisors is serving as Financial Advisor. The financial statements of the City as of June 30, 2019, attached hereto as Appendix A, have been audited by Burch, Oxner, Seale Co., Florence, South Carolina, independent certified public accountants, to the extent and for the period indicated in its report thereon, which appears in Appendix A hereto.

Legal Authority

The Series 2020 Bonds are being issued and secured pursuant to the authority granted by the laws of the State of South Carolina and under the provisions of a Bond Resolution of the Issuer, adopted by the Board of Directors of the Issuer on August 25, 2020. For more complete information, see "THE SERIES 2020 BONDS - Legal Authority" herein.

Offering and Delivery of the Series 2020 Bonds

The Series 2020 Bonds are offered when, as, and if issued by the Issuer and accepted by Stephens Inc. (the "Underwriter"), subject to prior sale and to withdrawal or modification of the offer without notice. The Series 2020 Bonds in definitive form are expected to be delivered to The Depository Trust Company in New York, New York on or about September 9, 2020.

Investment Considerations

Introduction

In analyzing the Series 2020 Bonds and the security and sources of payment therefor and in order to make an informed investment decision, potential investors should carefully consider the following investment considerations prior to making a decision to purchase the Series 2020 Bonds. The following investment considerations are not intended to be exhaustive of the general or specific investment considerations relating to the purchase of the Series 2020 Bonds. Additional investment considerations relating to the purchase of the Series 2020 Bonds are described throughout this Official Statement, whether or not specifically designated as investment considerations. Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

Nonappropriation

The debt service on the Series 2020 Bonds will be payable primarily from Acquisition Payments made by the City pursuant to the Facilities Agreement. The obligation of the City to make Acquisition Payments under the Facilities Agreement is limited to funds that are specifically budgeted and appropriated annually for that purpose. Subject to its right to terminate the Facilities Agreement by exercising its right of nonappropriation, the City has covenanted in the Facilities Agreement that it will enact by June 30 of each year a budget providing for the appropriation of funds sufficient to make Acquisition Payments coming due in the next fiscal year. The City may terminate the Facilities Agreement annually without any penalty. See "MUNICIPAL FACILITIES PURCHASE AND OCCUPANCY AGREEMENT" in Appendix C hereto.

Each Acquisition Payment made by the City under the Facilities Agreement will cause an undivided interest in the Municipal Parking Garage and the Existing Facilities, equal to that percentage of the total debt service (principal and interest) payable on the Series 2020 Bonds funded from such installment payment, to transfer from the Issuer to the City. The Facilities Agreement provides that upon its termination, either by reason of default or nonappropriation, entire components of the Municipal Parking Garage and the Existing Facilities will be partitioned between the Issuer and the City based upon their respective percentages of undivided interests in the Municipal Parking Garage and the Existing Facilities. The determination of which particular components of the Municipal Parking Garage and the Existing Facilities will remain with the Issuer and which components will be transferred to the City will be made by an advisor appointed by the Trustee, who is directed by the Facilities Agreement to protect the interests of the Beneficial Owners of the Series 2020 Bonds in preparing the partition plan. See "SECURITY

AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS" herein and "MUNICIPAL FACILITIES PURCHASE AND OCCUPANCY AGREEMENT" in Appendix C hereto.

Continuing Need for Decreasing Interest in the Municipal Parking Garage and the Existing Facilities. As the City makes Acquisition Payments over the term of the Series 2020 Bonds, it will increase its undivided interest in the Municipal Parking Garage and the Existing Facilities and reduce the Issuer's undivided interest in the Municipal Parking Garage and the Existing Facilities. As a result, the City's need for the portion of the Municipal Parking Garage and the Existing Facilities retained by the Issuer will diminish as the Issuer's undivided interest in the Municipal Parking Garage and the Existing Facilities decreases. Moreover, as Acquisition Payments are made, the City's proportionate undivided interest in the Municipal Parking Garage and the Existing Facilities will increase at a relatively faster rate than the outstanding principal amount of the Series 2020 Bonds will be reduced. In the later years of the term of the Series 2020 Bonds, the unpaid principal amount of the Series 2020 Bonds might exceed the fair market value of the Issuer's undivided interest in the Municipal Parking Garage and the Existing Facilities. In the event the Facilities Agreement is terminated and the Municipal Parking Garage and the Existing Facilities are partitioned between the Issuer and the City, the Facilities Agreement directs the advisor preparing the partition plan to protect the interests of the Beneficial Owners of the Series 2020 Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS - Facilities Agreement" herein.

Remedies Upon Nonappropriation

The Issuer has not mortgaged the Real Property or the Municipal Parking Garage or the Existing Facilities to secure the Series 2020 Bonds. In the event the City terminates the Facilities Agreement, the Series 2020 Bonds will be payable from such moneys, if any, as may be held or made available by the Trustee from the leasing until the expiration of the Base Lease (November 1, 2054) of the Real Property that remains with the Issuer after the partitioning described above is accomplished. The Base Lease requires the Real Property to always be operated for a civic or public purpose to the extent such requirement continues to be applicable under State of South Carolina (the "**State**") law and is in compliance with all applicable governmental rules, regulations and orders. Any restriction as to the use of the Real Property will limit the potential tenants to which the Real Property could be leased and could reduce the revenues from leasing the Real Property. The Municipal Parking Garage and the Existing Facilities are designed to be used solely for municipal purposes. There can be no assurance of the value of the Real Property for any use other than municipal purposes in the event of termination of the Facilities Agreement. In this event, the revenues from leasing the Real Property, if any, may be substantially less than the amount of remaining debt service on the Series 2020 Bonds.

COVID-19

As of the date of this Official Statement, the United States, including the State and the City, continue to be impacted by the pandemic caused by a novel coronavirus and resulting disease known as COVID-19. The pandemic led to a declaration of emergency by the Governor of South Carolina and the issuance of progressively more stringent orders in March 2020 regarding social distancing and the suspension of schools and the operations of businesses in the State other than those deemed "essential." Beginning in late April 2020, the Governor issued a series of orders gradually easing most of those restrictions.

The COVID-19 pandemic has altered and is continuing to alter the behavior of businesses, government and people in a manner that is having detrimental effects on global and local economies, including the City's economy. The impact of the pandemic on the City, its operations, and the local, regional, national and international economies cannot be predicted due to the dynamic nature of the outbreak, including uncertainties relating to its duration and severity, as well as what actions may be taken by governmental authorities, businesses and institutions to attempt to contain or mitigate its impact. Data presented in this Official Statement regarding revenues received by the City in prior fiscal years should not be relied upon as a projection of revenues to be received by the City in the present and future fiscal years.

Cyber Security Management

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations and faces multiple cyber security threats including, but not limited to,

hacking, phishing, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "**Systems Technology**"). As a recipient and provider of sensitive information, the City may be the target of cyber security incidents that could result in adverse consequences to the City and its Systems Technology, requiring a response action to mitigate the consequences.

Cyber security incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. The City has implemented certain controls, including data and network security measures, malware protection, security configuration, website filtering and protection, and user training, to mitigate the risk of cyber security breaches from internal sources or activities, and the City has in place a cyber security insurance policy.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

This Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "budgeted" and analogous expressions are intended to identify forward looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward looking statements. These forward looking statements speak only as of the date of this Official Statement. The Issuer and the City each disclaims any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained herein to reflect any change in its expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Issuer, the City, the Series 2020 Bonds, the Project Facilities, the Real Property, the Municipal Parking Garage, the Trust Agreement, the Facilities Agreement, the Base Lease, the Continuing Disclosure Agreement, and the security and sources of payment for the Series 2020 Bonds. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, such contracts, and other documents are intended as summaries only and are qualified in their entirety by reference to such laws and documents, and references herein to the Series 2020 Bonds are qualified in their entirety by reference to the form thereof included in the Trust Agreement. Copies of such contracts and other documents and information are available, upon request and upon payment to the City of a charge for copying, mailing, and handling. During the period of the offering of the Series 2020 Bonds copies of such documents are available, upon request and upon payment to the Underwriter of a charge for copying, mailing, and handling.

THE ISSUER

The City of Florence Public Facilities Corporation is a South Carolina not-for-profit corporation. The members of the board of directors of the Corporation are Randall S. Osterman, President; Charles E. Pope, Jr., Vice President; Kevin V. Yokim, Secretary, and Kevin V. Yokim, Treasurer. The Corporation holds a leasehold interest in the Real Property and fee simple title to the Project Facilities. The Corporation is established as a single-purpose corporate entity which is prohibited from engaging in any business other than to own and lease facilities to be used for governmental functions in connection with the financing of such facilities.

THE SERIES 2020 BONDS

Description

The Series 2020 Bonds will be dated the date of delivery and will bear interest at the rates per annum set forth on the cover page of this Official Statement, computed on the basis of a 360-day year consisting of twelve 30-

day months, payable on May 1, 2021, and semiannually thereafter on May 1 and November 1 of each year (each a **"Bond Payment Date"**) and will mature on the dates and in the amounts set forth on the cover page of this Official Statement, unless earlier called for redemption.

Each of the Series 2020 Bonds will bear interest from the later of the date of delivery or the date to which interest has been paid immediately preceding the authentication date thereof, unless the authentication date thereof is a Bond Payment Date, in which event each such Series 2020 Bond will bear interest from the earlier of such authentication date or the date to which interest has been paid or, in the event no interest has been paid, from the date of delivery.

The Series 2020 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Purchases of beneficial ownership interests in the Series 2020 Bonds will be made in book-entry form, and purchasers will not receive certificates representing interests in the Series 2020 Bonds so purchased. If the book-entry system is discontinued, Series 2020 Bonds will be delivered as described in the Trust Agreement, and Beneficial Owners will become the registered owners of the Series 2020 Bonds. See "THE SERIES 2020 BONDS—Book-Entry Only System" herein.

Redemption

Series 2020A Bonds

Optional Redemption. In the event the City exercises its option pursuant to the Facilities Agreement to purchase the Issuer's interest in the Municipal Parking Garage and the Existing Facilities and pay the amount required to defease and redeem the Series 2020A Bonds or to prepay Base Payments, or in the event the City makes a voluntary prepayment under the Facilities Agreement, the Series 2020A Bonds maturing on and after November 1, 2031 will be redeemed in whole or in part at any time, on or after November 1, 2030, by the Issuer at the redemption price of 100% of the principal amount thereof plus accrued interest to such redemption date.

Mandatory Redemption. The Series 2020A Bonds maturing on November 1, 2040, are subject to mandatory sinking fund redemption (to the extent not previously redeemed) at a redemption price of 100% of such principal amount, plus interest accrued to the redemption date, on November 1 of each of the following years in the respective principal amounts for each year specified below:

<u>Year</u>	<u>Amount</u>
2036	\$715,000
2037	735,000
2038	760,000
2039	785,000
2040*	810,000

*Final maturity.

The Series 2020A Bonds maturing on November 1, 2045, are subject to mandatory sinking fund redemption (to the extent not previously redeemed) at a redemption price of 100% of such principal amount, plus interest accrued to the redemption date, on November 1 of each of the following years in the respective principal amounts for each year specified below:

<u>Year</u>	<u>Amount</u>
2041	\$835,000
2042	860,000
2043	890,000
2044	920,000
2045*	950,000

*Final maturity.

The amount of any mandatory sinking fund redemption shall be reduced to the extent Series 2020A Bonds of the applicable maturity have been purchased by the Issuer or redeemed by the Issuer pursuant to any optional redemption provisions, in such manner as the Issuer shall direct, or, absent such direction, on a pro-rata basis.

Series 2020B Bonds

Optional Redemption. In the event the City exercises its option pursuant to the Facilities Agreement to purchase the Issuer's interest in the Municipal Parking Garage and the Existing Facilities and pay the amount required to defease and redeem the Series 2020B Bonds or to prepay Base Payments, or in the event the City makes a voluntary prepayment under the Facilities Agreement, the Series 2020B Bonds maturing on and after November 1, 2031 will be redeemed in whole or in part at any time, on or after November 1, 2030, by the Issuer at the redemption price of 100% of the principal amount thereof plus accrued interest to such redemption date.

Notice of Redemption

The notice of the call for redemption of Series 2020 Bonds will be given by the Trustee by first class mail, postage prepaid, at least 30 days, but not more than 60 days, prior to the date fixed for redemption to the registered owner of each Series 2020 Bond subject to redemption at such owner's address shown on the registration books of the Issuer on the 15th day preceding that mailing.

Partial Redemption

If less than all of the Series 2020 Bonds are called for redemption, the Series 2020 Bonds to be redeemed will be selected in the manner that the Issuer shall determine as set forth in a certificate of the Issuer filed with the Trustee. If less than all Series 2020 Bonds of any one maturity are called for redemption, the Trustee shall select the Series 2020 Bonds to be redeemed by lot, each \$5,000 portion of the principal being counted as one Series 2020 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2020 Bonds is Cede & Co., such selection shall be made by The Depository Trust Company, as described herein under the heading "THE SERIES 2020 BONDS – Book-Entry Only System."

Book-Entry Only System

DTC will initially act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds will be issued as fully registered securities in the name of Cede & Co. (DTC's partnership nominee). Upon issuance of the Series 2020 Bonds, one fully registered bond will be issued for each maturity of each Series of the Series 2020 Bonds as set forth on the cover page hereof, each in the aggregate principal amount of such maturity and will be deposited with DTC. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2020 Bonds, references herein to the Bondholders or registered owners of the Series 2020 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners (hereinafter defined) of the Series 2020 Bonds.

The information under this caption concerning DTC and DTC's book-entry system has been obtained from sources believed to be reliable, but neither the City nor the Underwriter take any responsibility for the accuracy or completeness thereof.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, the National

Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2020 Bond ("Beneficial Owner") is in turn to be recorded on the DTC Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds 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 Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other names as may be requested by an authorized representative of DTC. The deposit of Series 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

The City and the Trustee will recognize DTC or its nominee, Cede & Co., as the registered owner of the Series 2020 Bonds for all purposes. 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2020A Bonds of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2020A Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Series 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2020 Bonds are credited on the record date (identified on a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City, the Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the City and the Trustee, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City acting through the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2020 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2020 Bond certificates will be printed and delivered to DTC.

Legal Authority

The Series 2020 Bonds are being issued and secured by the Issuer pursuant to the authority granted by Chapter 31 of Title 33 of the Code of Laws of South Carolina 1976, as amended (the "**South Carolina Code**"), known as the "South Carolina Nonprofit Corporation Act of 1994." The Series 2020 Bonds are being issued under the provisions of a Bond Resolution to be adopted by the Board of Directors of the Issuer on August 25, 2020.

Section 5-7-40 of the South Carolina Code authorizes the City to enter into the Base Lease and the Facilities Agreement and to perform its obligations thereunder.

The execution, delivery, and performance of the Facilities Agreement and the Base Lease by the City were authorized and approved pursuant to an Ordinance adopted by the City Council on August 10, 2020.

Investments

For a description of how the proceeds of the Series 2020 Bonds may be invested pending their use, the provisions governing those investments, the conditions that must be satisfied before such proceeds of the Series 2020 Bonds may be applied to their intended use, and other provisions governing the investment of such proceeds of the Series 2020 Bonds and the amounts held to pay debt service on the Series 2020 Bonds, see "THE TRUST AGREEMENT" in Appendix C hereto.

Principal and Interest Requirements

Set forth below are the principal and interest payment requirements with respect to the Series 2020 Bonds.

Year Ending June 30	Series 2020A Bonds		Series 2020B Bonds		Total Debt
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Service Requirements</u>
2021		\$ 405,460		\$ 289,646	\$ 695,105
2022	\$ 530,000	626,904	\$ 710,000	431,700	2,298,604
2023	535,000	622,099	745,000	395,325	2,297,424
2024	545,000	616,343	785,000	357,075	2,303,418
2025	1,230,000	604,596	825,000	316,825	2,976,421
2026	1,255,000	586,095	865,000	278,900	2,984,995
2027	1,265,000	564,853	900,000	243,600	2,973,453
2028	1,300,000	541,336	935,000	206,900	2,983,236
2029	1,325,000	515,933	975,000	168,700	2,984,633
2030	1,345,000	488,734	1,000,000	139,200	2,972,934
2031	1,380,000	459,609	1,035,000	108,500	2,983,109
2032	1,410,000	428,395	1,075,000	66,300	2,979,695
2033	1,445,000	395,026	1,120,000	22,400	2,982,426
2034	1,475,000	359,438			1,834,438
2035	1,510,000	321,564			1,831,564
2036	1,555,000	281,141			1,836,141
2037	715,000	249,217			964,217
2038	735,000	226,844			961,844
2039	760,000	203,776			963,776
2040	785,000	179,936			964,936
2041	810,000	155,326			965,326
2042	835,000	129,442			964,442
2043	860,000	102,271			962,271
2044	890,000	74,219			964,219
2045	920,000	45,205			965,205
2046	<u>950,000</u>	<u>15,229</u>			<u>965,229</u>
Total	\$26,365,000	\$9,198,990	\$10,970,000	\$3,025,071	\$49,559,060

PLAN OF FINANCING

Estimated Sources and Applications of Funds

The sources and applications of funds in connection with the issuance of the Series 2020 Bonds are estimated below.

<u>Series 2020A Bonds</u>		<u>Series 2020B Bonds</u>	
<u>Sources of Funds</u>		<u>Sources of Funds</u>	
Principal Amount	\$26,365,000.00	Principal Amount	\$10,970,000.00
Total Estimated Sources	\$26,365,000.00	Net Original Premium	1,897,235.40
		Other contributions	854,000.00
		Transfers from funds held for Refunded Bond	<u>71,053.30</u>
		Total Estimated Sources	\$13,792,288.43
<u>Uses of Funds</u>		<u>Uses of Funds</u>	
Cost of Municipal Parking Garage	\$ 9,496,652.89	Redemption of Refunded Bond	\$13,642,776.06
Cost of Capital Improvements	9,000,000.00	Cost of Issuance*	<u>149,512.37</u>
BAN Retirement	7,503,347.11	Total Estimated Uses	\$13,792,288.43
Cost of Issuance*	<u>365,000.00</u>		
Total Estimated Uses	\$26,365,000.00		

*Includes underwriting, legal, financial advisory and accounting fees, initial Trustee's fees, rating agencies' fees, and other costs of issuance.

Plan of Refunding

A portion of the proceeds of the Series 2020B Bonds together with other funds will be used to refund the Refunded Bond. The Refunded Bond will be redeemed on September 9, 2020.

2020 Project Fund

A portion of the proceeds of the offering of the Series 2020A Bonds in the approximate amount of \$18,496,652.89 will be deposited into a project fund (the "**2020 Project Fund**") established pursuant to the Trust Agreement. Money on deposit in the 2020 Project Fund, plus earnings thereon, will be used, as needed, to finance the costs of the Municipal Parking Garage and Capital Improvements, including without limitation payment of engineering, legal and all other expenses incidental to the Municipal Parking Garage and Capital Improvements. Until such time as money on deposit in the 2020 Project Fund is applied to the costs of the Municipal Parking Garage and Capital Improvements, such money shall be invested and reinvested in Authorized Investments (as such term is defined herein in Appendix C - "TRUST AGREEMENT"). All earnings therefrom shall be added to and become a part of the 2020 Project Fund. The 2020 Project Fund shall be held, maintained and controlled as described in the Trust Agreement.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS

Facilities Agreement

Nature of Obligation

Pursuant to the Facilities Agreement, the City will agree to pay to the Issuer Acquisition Payments for the Municipal Parking Garage and the Existing Facilities in such amounts and at such times as will be sufficient to enable the Issuer to pay the principal of, premium, if any, and interest on the Series 2020 Bonds, as and when the

same shall become due and payable. See "MUNICIPAL FACILITIES PURCHASE AND OCCUPANCY AGREEMENT" in Appendix C hereto.

The financial obligations of the City under the Facilities Agreement do not constitute general obligations of the City to which its faith and credit or taxing power are pledged, but are subject to and dependent upon lawful appropriations of funds being made by the City Council of the City to pay the Acquisition Payments due in each fiscal year under the Facilities Agreement. The City's obligations under the Facilities Agreement are from year to year only and do not constitute a mandatory payment obligation of the City in any fiscal year in which funds are not appropriated by the City to pay the Acquisition Payments due in such fiscal year. The City has no continuing obligation to appropriate funds to pay Acquisition Payments due under the Facilities Agreement and may terminate its obligations under the Facilities Agreement on an annual basis without any penalty.

The City's exercise of its option to terminate its obligations under the Facilities Agreement is determined by the failure of the City Council of the City to specifically budget and appropriate moneys to pay all Acquisition Payments for the next fiscal year of the City, determined by July 1 of each year. As more fully set forth in Appendix C hereto under "MUNICIPAL FACILITIES PURCHASE AND OCCUPANCY AGREEMENT," the term "Acquisition Payments" includes the Base Payments and the Additional Payments, the term "Base Payments" means the amounts payable by the City under the Facilities Agreement sufficient in amount and time to enable the Issuer to pay the Series 2020 Bonds, including principal and interest, and the term "Additional Payments" means the costs and expenses paid by the Corporation or the Trustee under the Facilities Agreement, administrative expenses, and costs incurred by the Corporation in connection with its operation and existence as a nonprofit corporation.

Conveyance of Property Interest

Under the terms of the Facilities Agreement, upon each payment or prepayment of Base Payments (other than those made from proceeds of the Series 2020 Bonds), an undivided interest in the Municipal Parking Garage and the Existing Facilities, equal to that percentage of the "**Acquisition Price**" (defined to mean the sum of all Base Payments, which equals the total principal and interest payable on the Series 2020 Bonds) represented by such payment or prepayment, will transfer from the Issuer to the City. Under the terms of the Facilities Agreement, payment by the City of Base Payments also entitles the City to the use and occupancy of all of the Real Property and Municipal Parking Garage and the Existing Facilities during the applicable fiscal year in which such Base Payments are made.

The Facilities Agreement provides that upon its termination, either by reason of default or nonappropriation, entire components of the Municipal Parking Garage and the Existing Facilities will be partitioned between the Issuer and the City based upon their respective percentages of undivided interests in the Municipal Parking Garage and the Existing Facilities. The determination of which particular components of the Real Property will remain subject to the leasehold interest of the Issuer and which components will be transferred to the City will be made by an advisor appointed by the Trustee, who is directed by the Facilities Agreement to protect the interests of the Beneficial Owners of the Series 2020 Bonds in preparing the partition plan. The Facilities Agreement provides that, in making the determinations of which components of the Municipal Parking Garage and the Existing Facilities are to be allocated to the Issuer to protect the interests of the Beneficial Owners of the Series 2020 Bonds, the advisor preparing the partition plan may take into account the market value of such components and the relative importance of such components to the City, all to determine which components will best protect the interests of the Beneficial Owners of the Series 2020 Bonds. The Facilities Agreement obligates the City to relinquish its right of possession to the components of the Real Property partitioned to the Issuer and obligates the Issuer to release from the Base Lease the components of the Real Property partitioned to the City. See "MUNICIPAL FACILITIES PURCHASE AND OCCUPANCY AGREEMENT - Event of Nonappropriation" in Appendix C hereto.

Source of Base Payments

The City expects to make the Base Payments with funds appropriated by the City Council of the City to make the Base Payments due on the 15th day preceding the following Bond Payment Date.

The City represents in the Facilities Agreement that it has no reason to believe, as of the date of the Facilities Agreement, that it will not continue making Acquisition Payments through the entire duration of the

Facilities Agreement, and reasonably believes that it will pay the Acquisition Payments due or coming due thereunder in order to continue to use the Municipal Parking Garage and the Existing Facilities. This representation is subject to the ability of the City to terminate the Facilities Agreement and all its obligations under the Facilities Agreement.

Trust Agreement

As security for its obligations under the Series 2020 Bonds, the Issuer has (1) assigned and pledged to the Trustee, and granted a first priority security interest in, all of its right, title and interest in and to (a) the Facilities Agreement, including all moneys, revenues, and receipts to be received thereunder (except for certain rights reserved to the Issuer), and (b) the Base Lease, (2) assigned and pledged to the Trustee, and granted a first priority security interest in, all revenues and receipts derived from the Issuer's ownership interests in the Municipal Parking Garage and the Existing Facilities and leasehold interest in the Real Property, and (3) assigned and pledged to the Trustee, and granted a first priority security interest in, all moneys held by the Trustee in certain funds and accounts created under the Trust Agreement, all pursuant to the Trust Agreement. See "THE TRUST AGREEMENT" in Appendix C hereto.

The Issuer has not granted any lien on or security interest in the Real Property to secure the Series 2020 Bonds. In the event the City terminates the Facilities Agreement, the Series 2020 Bonds will be payable from such moneys, if any, as may be held or made available by the Trustee from the leasing until the expiration of the Base Lease (November 1, 2054) of the Real Property that remains with the Issuer after the partitioning is accomplished that is described herein under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2020 BONDS — Facilities Agreement." The Base Lease requires the Real Property to always be operated for a civic or public purpose to the extent such requirement continues to be applicable under State law and in compliance with all applicable governmental rules, regulations and orders. This restriction as to the use of the Real Property will limit the potential tenants to which the Real Property could be leased and could reduce the revenues, if any, from leasing the Real Property.

Limited Obligations

The Series 2020 Bonds are special limited obligations of the Issuer payable solely from the Trust Estate pledged under the Trust Agreement. The Series 2020 Bonds are not payable from and are not secured by a lien, security interest, or encumbrance upon any other funds or assets of the Issuer.

The Series 2020 Bonds shall not constitute a general obligation of the City nor a debt, indebtedness, or obligation of, or a pledge of the faith and credit or taxing power of, the City or the State or any political subdivision thereof, within the meaning of any constitutional or statutory provision whatsoever. Neither the faith and credit nor the taxing power of the State, the City, or any political subdivision thereof is pledged to the payment of the principal of, premium, if any, or interest on the Series 2020 Bonds or other costs incident thereto. The Issuer has no taxing power.

Parity Obligations

Under certain circumstances, the Trust Agreement permits the Issuer, for specified purposes, to issue Additional Bonds, which will be equally and ratably secured on a parity basis with the Series 2020 Bonds under the Trust Agreement. Prior to the delivery of any Additional Bonds, the Trust Agreement requires a supplemental Facilities Agreement to be filed with the Trustee, pursuant to which the Base Payments must be increased and the term of the Facilities Agreement must be extended, if necessary, so as to assure that the additional Base Payments will adequately provide for the retirement of the Additional Bonds by making available to the Issuer sufficient money for the payment when due of principal and interest. The issuance of Additional Bonds (other than for refunding purposes) may create dilution of interest in and additional claims against the Trust Estate pledged under the Trust Agreement. For a description of additional requirements for issuing Additional Bonds, see "THE TRUST AGREEMENT - Provisions Relating to Additional Bonds; Conditions for Issuance" in Appendix C hereto.

TAX MATTERS

Federal Income Tax - Series 2020A Bonds

Generally. INTEREST ON THE SERIES 2020A BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES. OWNERS OF THE SERIES 2020A BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE FEDERAL, STATE AND LOCAL TAX CONSEQUENCES AND FOREIGN TAX CONSEQUENCES OF THEIR ACQUISITION, OWNERSHIP AND DISPOSITION OF THE SERIES 2020A BONDS.

The following is a summary of certain U.S. federal income tax considerations of the purchase, ownership and disposition of the Series 2020A Bonds. This summary applies to holders only if they are a Beneficial Owner of a Series 2020A Bond and acquire a Series 2020A Bond in this offering for a price equal to the issue price of the Series 2020A Bond. The issue price of the Series 2020A Bond is the first price at which a substantial amount of the Series 2020A Bonds is sold to the public. For purposes of this discussion, a "U.S. Holder" means a Beneficial Owner of a Series 2020A Bond that, for U.S. federal income tax purposes, is: a citizen or resident alien individual of the United States; a corporation (including for this purpose any other entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any State thereof or the District of Columbia; an estate the income of which is subject to U.S. federal income taxation regardless of its source; or a trust (i) that is subject to the primary supervision of a court within the United States and under the control of one or more "United States persons" (as defined for U.S. federal income tax purposes), or (ii) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a "United States person."

For the purposes of this discussion, a "non-U.S. Holder" means a Beneficial Owner of a Series 2020A Bond that, for U.S. federal income tax purposes, is an individual, corporation (including for this purpose any other entity treated as a corporation for U.S. federal income tax purposes), trust or estate that is not a U.S. Holder.

This summary is based on provisions of the Code, the Regulations and administrative and judicial interpretations thereof, all as of the date of this Official Statement and all of which are subject to change or differing interpretation (perhaps retroactively), and is for general information only. This summary addresses only Beneficial Owners of the Series 2020A Bonds that hold the Series 2020A Bonds as capital assets within the meaning of Section 1221 of the Code and does not represent a detailed description of the U.S. federal income tax consequences to prospective purchasers of the Series 2020A Bonds in light of their particular circumstances. In addition, it does not represent a detailed description of the U.S. federal income tax consequences applicable to prospective purchasers of the Series 2020A Bonds that are subject to special treatment under the U.S. federal income tax laws, such as taxpayers subject to the alternative minimum tax, the U.S. federal estate and gift tax, U.S. expatriates, financial institutions, partnerships or other pass-through entities, or investors in such entities, individual retirement and other tax deferred accounts, dealers and traders in securities or currencies, insurance companies, tax-exempt organizations, persons holding the Series 2020A Bonds as part of a conversion, constructive sale, wash sale or other integrated transaction or a hedge, straddle or synthetic security, and U.S. Holders whose functional currency is other than the U.S. dollar. The City cannot assure holders that a change in law will not alter significantly the tax considerations that are described in this summary.

If a U.S. or non-U.S. partnership (including for this purpose an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Series 2020A Bonds, the tax treatment of a partner generally will depend upon the status of the partner, the activities of the partnership and certain determinations made at the partner level. Non-U.S. partnerships also generally are subject to special tax documentation requirements.

U.S. Holders. Interest. It is expected and this discussion assumes that either the issue price of the Series 2020A Bonds will equal the stated principal amount thereof or the Series 2020A Bonds will be issued with less than a *de minimis* amount of original issue discount ("**OID**"). Therefore, a U.S. Holder will have ordinary interest income equal to the amount of interest paid or accrued on a Series 2020A Bond, includable in accordance with the U.S. Holder's regular method of tax accounting for U.S. federal income tax purposes.

Disposition of the Series 2020A Bonds. Unless a nonrecognition provision of the Code applies, the sale, exchange, redemption, defeasance, retirement or other disposition of a Series 2020A Bond will result in capital gain

or loss equal to the difference, if any, between the amount realized on the disposition (excluding amounts attributable to accrued and unpaid interest, which, as described above, will be taxed as ordinary income to the extent not previously included in gross income by the U.S. Holder) and the U.S. Holder's tax basis in the Series 2020A Bonds. Generally, the U.S. Holder's tax basis for determining gain or loss on the disposition of the Series 2020A Bond will equal the purchase price paid by the U.S. Holder for the Series 2020A Bond, (i) increased by the amount of OID previously included in income by such U.S. Holder with respect to such Series 2020A Bond, if any, and (ii) decreased by any payments previously made on such Series 2020A Bond (other than payments of qualified stated interest), and further decreased by any amortized premium (if any). Such gain or loss will be long-term capital gain or loss if the Series 2020A Bond is held for more than one year as of the time of the disposition. The deductibility of capital losses is subject to limitations. U.S. Holders should consult their tax advisors regarding the treatment of capital gains and losses.

Non-U.S. Holders. Interest. The United States generally imposes a 30% withholding tax on payments of interest to non-U.S. persons. The 30% (or lower applicable treaty rate) U.S. federal withholding tax will not apply to a non-U.S. Holder in respect of any payment of interest on the Series 2020A Bonds that is not effectively connected with the conduct of a U.S. trade or business provided that such non-U.S. Holder is not a bank whose receipt of interest on the Series 2020A Bonds is described in Section 881(c)(3)(A) of the Code; and (a) provides identifying information (i.e., name and address) to the City or its paying agent on IRS Form W-8BEN (or successor form), and certifies, under penalty of perjury, that such non-U.S. Holder is not a U.S. person or (b) a financial institution holding the Series 2020A Bonds on behalf of such non-U.S. Holder certifies, under penalty of perjury, that it has received the applicable IRS Form W-8BEN (or successor form) from the Beneficial Owner and provides the City or its paying agent with a copy.

If a non-U.S. Holder cannot satisfy the requirements described above, payments of interest made to such non-U.S. Holder will be subject to the 30% U.S. federal withholding tax, unless such non-U.S. Holder provides the City or its paying agent with a properly executed (i) IRS Form W-8BEN (or successor form) claiming an exemption from or reduction in withholding under the benefit of an income tax treaty or (ii) IRS Form W-8ECI (or successor form) stating that interest paid on the Series 2020A Bond is not subject to withholding tax because it is effectively connected with such non-U.S. Holder's conduct of a trade or business in the United States.

If a non-U.S. Holder is engaged in a trade or business in the United States and interest on the Series 2020A Bonds is effectively connected with the conduct of that trade or business (or, if required by an applicable income tax treaty, is attributable to a permanent establishment in the United States maintained by such non-U.S. Holder), such non-U.S. Holder, although exempt from the 30% withholding tax, generally will be subject to U.S. federal income tax on that interest on a net income basis in the same manner as if such non-U.S. Holder were a "United States person" as defined under the Code. In addition, if a non-U.S. Holder is a non-U.S. corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with the conduct by it of a trade or business in the United States. For this purpose, effectively connected interest on the Series 2020A Bond will be included in earnings and profits.

Disposition of the Series 2020A Bonds. Any gain realized on the disposition of a Series 2020A Bond by a non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax unless (i) that gain is effectively connected with the non-U.S. Holder's conduct of a trade or business in the United States (or, if required by an income tax treaty, is attributable to a U.S. permanent establishment maintained by such non-U.S. Holder), (ii) such non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of that disposition and certain other conditions are met, or (iii) in the case of disposition proceeds representing accrued interest, the non-U.S. Holder cannot satisfy the requirements of the complete exemption from withholding tax described above (and the non-U.S. Holder's U.S. federal income tax liability has not otherwise been fully satisfied through the U.S. federal withholding tax described above).

If a non-U.S. Holder's gain is effectively connected with such non-U.S. Holder's U.S. trade or business (or, if required by an applicable income tax treaty, is attributable to a U.S. permanent establishment maintained by such non-U.S. Holder), such non-U.S. Holder generally will be required to pay U.S. federal income tax on the net gain derived from the sale in the same manner as if it were a "United States person" as defined under the Code. If such a non-U.S. Holder is a corporation, such non-U.S. Holder may also, under certain circumstances, be subject to a

branch profits tax at a 30% rate (or lower applicable treaty rate). If a non-U.S. Holder is subject to the 183-day rule described above, such non-U.S. Holder generally will be subject to U.S. federal income tax at a flat rate of 30% (or a reduced rate under an applicable treaty) on the amount by which capital gains allocable to U.S. sources (including gains from the sale, exchange, retirement or other disposition of the Series 2020A Bonds) exceed capital losses allocable to U.S. sources, even though the non-U.S. Holder is not considered a resident alien under the Code.

Information Reporting and Backup Withholding. In general, information reporting requirements apply to interest paid to, and to the proceeds of a sale or other disposition of a Series 2020A Bond (including a redemption) by, certain U.S. Holders. In addition, backup withholding (currently at a rate of 28%) may apply to a U.S. Holder unless such holder provides a correct taxpayer identification number and otherwise complies with applicable requirements of the backup withholding rules. Backup withholding generally does not apply to payments made to certain exempt U.S. persons.

In general, a non-U.S. Holder will not be subject to backup withholding and information reporting with respect to interest payments made to such holder provided that the City or its paying agent has received from such holder the certification described above under "-Non-U.S. Holders-Interest" and neither the City nor its paying agent has actual knowledge or reason to know that the purported non-U.S. Holder is actually a U.S. Holder. However, the City or its paying agent may be required to report to the Internal Revenue Service (the "IRS") and the non-U.S. Holder payments of interest on the Series 2020A Bonds and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest payments and any withholding may also be made available to the tax authorities in the country in which the non-U.S. Holder resides under the provisions of a treaty or agreement.

Payments of the proceeds of a sale or other disposition (including a redemption) of the Series 2020A Bonds made to or through a non-U.S. office of non-U.S. financial intermediaries that do not have certain enumerated connections with the United States generally will not be subject to information reporting or backup withholding. In addition, a non-U.S. Holder will not be subject to backup withholding or information reporting with respect to the proceeds of the sale or other disposition of a Series 2020A Bond within the United States or conducted through non-U.S. financial intermediaries with certain enumerated connections with the United States, if the payor receives the certification described above under "-Non-U.S. Holders-Interest" or such holder otherwise establishes an exemption, provided that the payor does not have actual knowledge or reason to know that the purported non-U.S. Holder is actually a United States person or the conditions of any other exemption are not, in fact, satisfied.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against a holder's U.S. federal income tax liability provided the required information is furnished by such holder to the IRS in a timely manner.

Net Investment Income Tax. The Code generally imposes a tax of 3.8% on the "net investment income" of certain individuals, trusts and estates for taxable years beginning after December 31, 2012. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. Prospective purchasers should consult their own tax advisors regarding the possible implications of this legislation in their particular circumstances.

Federal Income Tax - Series 2020B Bonds

Generally. On the date of issuance set forth on the front cover hereof (the "**Date of Issuance**"), Bond Counsel will render an opinion that, assuming continuing compliance by the City with the requirements of the Code and the Treasury regulations issued thereunder (the "**Regulations**"), and further subject to certain considerations described in "Collateral Federal Tax Considerations" below, under existing statutes, regulations and judicial decisions, interest on the Series 2020B Bonds is excludable from the gross income of the registered owners thereof for federal income tax purposes. Interest on the Series 2020B Bonds will not be treated as an item of tax preference for purposes of the federal alternative minimum tax. The Code contains other provisions that could result in tax consequences, upon which no opinion will be rendered by Bond Counsel, as a result of (i) ownership of the Series 2020B Bonds or (ii) the inclusion in certain computations of interest that is excluded from gross income.

The opinion of Bond Counsel will be limited to matters relating to the authorization and validity of the Series 2020 Bonds and the tax-exempt status of interest on the Series 2020B Bonds as described herein. Bond Counsel makes no statement regarding the accuracy and completeness of this Official Statement.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2020B Bonds for federal income tax purposes. Bond Counsel's opinions are based upon existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof which have not been independently verified by Bond Counsel. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

The opinion of Bond Counsel described above is subject to the condition that the City comply with all requirements of the Code and the Regulations, including, without limitation, certain limitations on the use, expenditure and investment of the gross proceeds of the Series 2020B Bonds and the obligation to rebate certain earnings on investments of such gross proceeds to the United States Government, that must be satisfied subsequent to the issuance of the Series 2020B Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2020B Bonds in gross income for federal income tax purposes retroactive to the Date of Issuance of the Series 2020B Bonds. The opinion of Bond Counsel delivered on the Date of Issuance of the Series 2020B Bonds is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with the requirements subsequent to the issuance of such Series 2020B Bonds.

Collateral Federal Tax Considerations. Prospective purchasers of the Series 2020B Bonds should be aware that ownership of tax-exempt obligations may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, life insurance companies, certain foreign corporations, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. The Series 2020B Bonds have not been designated "bank qualified tax exempt obligations" under Section 265(b)(3) of the Code. Bond Counsel expresses no opinion concerning such collateral income tax consequences, and prospective purchasers of Series 2020B Bonds should consult their tax advisors as to the applicability thereof.

Future legislation, if enacted into law, or clarification of the Code may cause interest on the Series 2020B Bonds to be subject, directly or indirectly, to federal income taxation, or otherwise prevent owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislation or clarification of the Code may also affect the market price for, or marketability of, the Series 2020B Bonds. Prospective purchasers of the Series 2020B Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation, as to which Bond Counsel expresses no opinion.

The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2020B Bonds. Bond Counsel's engagement with respect to the Series 2020B Bonds ends with the issuance of the Series 2020B Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Owners regarding the tax-exempt status of the Series 2020B Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2020B Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series 2020B Bonds, and may cause the City or the Owners to incur significant expense,

regardless of the ultimate outcome. Under certain circumstances, the City may be obligated to disclose the commencement of an audit under the Continuing Disclosure Agreement. See "CONTINUING DISCLOSURE" herein.

Original Issue Premium. The Series 2020B Bonds have been sold at initial public offering prices which are greater than the amount payable at maturity. An amount equal to the excess of the purchase price of the Series 2020B Bonds over their stated redemption prices at maturity constitutes premium on such Series 2020B Bonds. A purchaser of a Series 2020B Bond must amortize any premium over such Series 2020B Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Series 2020B Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2020B Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2020B Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2020B Bonds.

State Tax Exemption

Bond Counsel is of the further opinion that the Series 2020 Bonds and the interest thereon are exempt from all taxation by the State of South Carolina, its counties, municipalities and school districts except estate, transfer or certain franchise taxes. Interest paid on the Series 2020 Bonds is currently subject to the tax imposed on banks by Section 12-11-20 of the Code of Laws of South Carolina 1976, as amended, which is enforced by the South Carolina Department of Revenue as a franchise tax. The opinion of Bond Counsel is limited to the laws of the State of South Carolina and federal tax laws. No opinion is rendered by Bond Counsel concerning the taxation of the Series 2020 Bonds or the interest thereon under the laws of any other jurisdiction.

CONTINUING DISCLOSURE

The Issuer has determined that no financial or operating data concerning the Issuer is material to any decision to purchase, hold, or sell the Series 2020 Bonds, and the Issuer will not provide any such information. The City has undertaken all responsibilities for any continuing disclosure to Beneficial Owners of the Series 2020 Bonds as described below, and the Issuer will have no liability to the Beneficial Owners of the Series 2020 Bonds or any other person with respect to such disclosures.

Pursuant to the Facilities Agreement and a Disclosure Dissemination Agent Agreement (the "**Continuing Disclosure Agreement**") to be dated as of the date of delivery of the Series 2020 Bonds between the City and Digital Assurance Certification, L.L.C. ("**DAC**"), the City will covenant for the benefit of the Beneficial Owners of the Series 2020 Bonds to provide certain financial information and operating data relating to the City (the "**Annual Report**") by not later than seven months after the end of each fiscal year of the City, commencing with the year ending June 30, 2020, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of events will be filed on behalf of the City by DAC, as dissemination agent, with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System. The specific nature of the information to be contained in the Annual Report or the notices of events is set forth in Appendix E hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) ("**Rule 15c2-12**").

As provided in the Continuing Disclosure Agreement, if the City fails to comply with any provision of the Facilities Agreement relating to the continuing disclosure, any registered owner or "**Beneficial Owner**" of the Series 2020 Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with their continuing disclosure obligations under the Continuing Disclosure Agreement. "Beneficial Owner" is defined in the Continuing Disclosure Agreement to mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2020 Bonds (including persons holding Series 2020 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2020 Bonds for Federal income tax purposes. If any person seeks to cause the City to comply with their continuing disclosure obligations under the Continuing

Disclosure Agreement, it is the responsibility of such person to demonstrate that it is a "Beneficial Owner" within the meaning of the Continuing Disclosure Agreement.

FINANCIAL ADVISOR

First Tryon Advisors has served as financial advisor (the "**Financial Advisor**") to the Issuer and the City with respect to the sale of the Series 2020 Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Series 2020 Bonds is contingent on the issuance and delivery of the Series 2020 Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement and the appendixes thereto.

NO LITIGATION

There is no controversy or litigation of any nature now pending against the City or affecting the Municipal Parking Garage and the Existing Facilities or Real Property or to the knowledge of the officers of the City threatened against them, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series 2020 Bonds or any proceedings of the City taken with respect to the issuance and sale thereof or the use of the proceeds of the Series 2020 Bonds.

UNITED STATES BANKRUPTCY CODE

The undertaking of the City should be considered with reference to Chapter 9 of the United States Bankruptcy Code, 11 U.S.C. § 901, et seq., as amended (the "**Bankruptcy Code**") and other laws affecting creditors' rights and public instrumentalities generally. Chapter 9 permits a municipality, political subdivision, public agency, or other instrumentality of a State that is insolvent or unable to meet its debts as such debts mature to file a petition in the United States Bankruptcy Court for the purpose of effecting a plan to adjust its debts; directs such a petitioner to file with the court a list of its creditors; provides that the filing of the petition under that Chapter operates as a stay of the commencement or continuation of any judicial or other proceeding against the petitioner; directs a petitioner to file a plan for the adjustment of its debts; permits the petitioner in its plan to modify the rights to payment of its creditors; and provides that the plan must be accepted in writing by or on behalf of creditors of each impaired class of claims holding at least two-thirds in amount and more than one-half in number of the creditors which have accepted or rejected the plan. The plan may be confirmed notwithstanding the negative vote of one or more classes of claims if the court finds that the plan is in the best interest of creditors, is feasible, and is fair and equitable with respect to the dissenting classes of creditors. A petitioner has the right to reinstate indebtedness under its plan according to the original maturity schedule of such indebtedness notwithstanding any provision in the documents under which the indebtedness arose relating to the insolvency or financial condition of the debtor before the confirmation of the plan, the commencement of a case under the Bankruptcy Code, or the appointment of or taking possession by a trustee in a case under the Bankruptcy Code or by a receiver or other custodian prior to the commencement of a case under the Bankruptcy Code.

ENFORCEABILITY OF REMEDIES

The realization of value from the pledge of the Trust Estate under the Trust Agreement upon any default or nonappropriation of sufficient funds to make Base Payments due under the Facilities Agreement will depend upon the exercise of various remedies specified by the Trust Agreement and the Facilities Agreement. These and other remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. The enforceability of rights and remedies with respect to the Series 2020 Bonds may be limited by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, reorganization, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. Under existing law (including particularly federal bankruptcy law), certain remedies specified by the Trust Agreement or the Facilities Agreement may not be

readily available or may be limited. A court may decide not to order the specific performance of the covenants contained in the Trust Agreement or the Facilities Agreement.

The various legal opinions to be delivered concurrently with the delivery of the Series 2020 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, insolvency, reorganization, fraudulent conveyance, or other similar laws affecting the enforcement of creditors' rights generally.

APPROVAL OF LEGAL PROCEEDINGS

Certain legal matters incident to the authorization, issuance and sale of the Series 2020 Bonds are subject to the approval of the legality of issuance thereof by Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, as Bond Counsel. Certain legal matters will be passed upon on behalf of the City and the Issuer by James W. Peterson, Jr., Florence, South Carolina, and on behalf of the Underwriter by Burr & Forman LLP, Greenville, South Carolina. Haynsworth Sinkler Boyd, P.A., Charleston, South Carolina, is acting as Disclosure Counsel.

RATINGS

The Series 2020 Bonds have been assigned a rating of "A1" by Moody's Investors Service, Inc., and a rating of "A+" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC. Such ratings reflect only the respective views of such organizations and an explanation of the significance of such ratings may be obtained only from the rating agency furnishing the same. There is no assurance that such ratings, when given, will continue for any given period of time or that they will not be revised downward or withdrawn entirely by any and all such rating agencies if, in the judgment of any and all, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2020 Bonds.

UNDERWRITING

The Series 2020A Bonds are being purchased for reoffering by the Underwriter. The Underwriter has agreed, subject to certain conditions, to purchase the Series 2020A Bonds at an aggregate purchase price of \$26,267,802.72 (which reflects Underwriter's discount of \$97,197.28). The initial public offering prices are set forth on the cover page of this Official Statement. The Underwriter is obligated to purchase all of the Series 2020A Bonds, if any are purchased, such obligation being subject to certain conditions precedent.

The Series 2020B Bonds are being purchased for reoffering by the Underwriter. The Underwriter has agreed, subject to certain conditions, to purchase the Series 2020B Bonds at an aggregate purchase price of \$12,826,793.38 (which reflects original issue premium of \$1,897,235.40 and Underwriter's discount of \$40,442.02). The initial public offering prices are set forth on the cover page of this Official Statement. The Underwriter is obligated to purchase all of the Series 2020B Bonds, if any are purchased, such obligation being subject to certain conditions precedent.

The Underwriter intends to offer the Series 2020 Bonds to the public initially at the offering prices set forth on the cover page of this Official Statement, which offering prices may subsequently be changed from time to time by the Underwriter without any requirement of prior notice. The Underwriter may offer and sell the Series 2020 Bonds to certain dealers (including dealers depositing Series 2020 Bonds into investment trusts) at prices lower than the public offering prices set forth on the inside cover page of this Official Statement.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its respective affiliates may have certain creditor and/or other rights against the City and its respective affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its respective affiliates,

officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

INDEPENDENT AUDITORS

The financial statements of the City for the year ended June 30, 2019 included in this Official Statement have been audited by Burch, Oxner, Seale Co., Florence, South Carolina, independent auditors, as stated in their report appearing herein.

MISCELLANEOUS

All the summaries of the provisions of the Series 2020 Bonds, the Trust Agreement, the Facilities Agreement, the Base Lease and all summaries and references to other documents, instruments and materials not purported to be quoted in full are only brief outlines of certain provisions thereof and are not intended to be and do not constitute complete statements of such documents or provisions. Reference is made hereby to the complete documents relating to such matters for the complete terms and provisions thereof, or for the information contained therein. The attached Appendices are integral parts of this Official Statement and should be read in their entirety together with all foregoing statements.

Certain of the information set forth in the Official Statement and in the appendices hereto has been obtained from sources other than the City that are believed to be reliable but is not guaranteed as to accuracy or completeness by the Underwriter, the Issuer or the City.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

The execution and delivery of this Official Statement have been duly authorized by the City and the Issuer.

CITY OF FLORENCE, SOUTH CAROLINA

By: _____
Stephen J. Wukela, Mayor

CITY OF FLORENCE PUBLIC FACILITIES
CORPORATION

By: _____
Randall S. Osterman, President

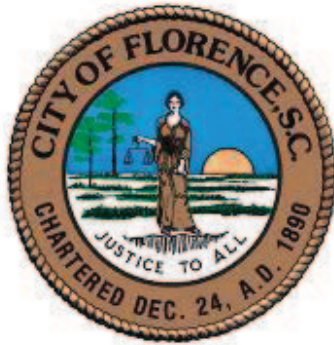
August 26, 2020

APPENDIX A

CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

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CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019



PREPARED BY
CITY OF FLORENCE, SOUTH CAROLINA
FINANCE DEPARTMENT

INTRODUCTORY SECTION

**CITY OF FLORENCE, SOUTH CAROLINA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019**

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November 30, 2019

Honorable Mayor, Members of City Council, City Manager,
and Citizens of the City of Florence, South Carolina:

State law requires that all general-purpose local governments annually publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Florence (the City) for the fiscal year ended June 30, 2019.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by Burch, Oxner, Seale Company, CPAs, P.A., a licensed certified public accounting firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement presentation; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended June 30, 2019, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Florence was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are included in the federal awards section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Florence MD&A can be found immediately following the report of the independent auditors.

The City's financial statements include government-wide financial statements as well as fund-by-fund financial information. The government-wide financial statements include a Statement of Net Position that provides the total net equity of the City including infrastructure and the Statement of Activities that shows the cost of providing government services. These statements have been prepared using the accrual basis of accounting versus the modified accrual method used in the fund financial statements. A reconciliation report is provided as a key to understanding the changes between the two reporting methods. In addition, this report includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. This report provides in the MD&A financial highlights an interpretation of the financial reports through trend analysis and by explaining changes, fluctuations and variances in the financial data. In addition, the MD&A is intended to disclose any known significant events or decisions that affect the financial condition of the City.

Profile of the Government

The City, chartered in 1890, is located in the northeastern region of South Carolina approximately 60 miles from the Atlantic Ocean. Florence is situated in the heart of seven counties that comprise what is commonly referred to as the Pee Dee region. The City of Florence is the largest city in Florence County and serves as the county seat. The City currently occupies a land area of approximately 25 square miles and serves a population of approximately 39,000. The City of Florence is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which occurs periodically when deemed appropriate by governing council.

The City of Florence operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and six other members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager, Municipal Judge, and City Attorney. The City Manager is responsible for carrying out policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the directors of various departments. The Council is elected through a partisan election process. Council members serve four-year staggered terms, with three Council members elected every two years. The Mayor is elected to serve a four-year term. The Mayor and three members of Council are elected at large. The remaining three members of Council are elected by district.

The City provides a full range of services, including: police and fire protection; the construction and maintenance of streets and other infrastructure; sanitation services; parks, recreational, and athletic activities and events; building inspections and permitting; planning and zoning services; water production and distribution services; wastewater collection and treatment services; and storm water collection services.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City of Florence are required to submit requests for appropriations to the City Manager by the spring of each year. The City Manager uses these requests to develop a proposed budget. The City Manager then presents this proposed budget to the council for review. The council is required to hold a public hearing on the proposed budget and to adopt a final budget by no later than June 30, the close of the City's fiscal year. The appropriated budget is prepared by fund and department. Budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is maintained by the City Manager at the fund level. Budget appropriations may be amended by council as necessary during the fiscal year. Budget-to-actual comparisons are provided in this financial report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 42 as part of the basic financial statements for the governmental funds.

Local Economy

The City of Florence is located at the economic and cultural heart of the Pee Dee region situated between the Piedmont and Coastal sections of South Carolina. The City is the economic center of the Pee Dee region and serves the northeastern portion of the state as a major thoroughfare and service community. Florence's location makes it especially desirable for development and expansion. As a significant transportation connector, with Interstate 95 and Interstate 20 intersecting at the city limits, Florence is among the top commercial, industrial, medical, and service centers in the state. In addition to the two major interstate highways, Florence is accessible to a regional airport, numerous trucking terminals, and both Amtrak and CSX Transportation railway services.

Florence County is home to many domestic and international businesses and ranks as one of the strongest internationally diverse economies in the state. The investments in the Florence area of companies such as GE, Thermo Fisher Scientific, Honda, Nan Ya Plastics, Johnson Controls, QVC, Otis Elevator, McCall Farms and Ruiz Foods have contributed significantly to overall capital investments and job creation in the area.

The healthcare industry in Florence continues to be one of the best in the nation, and the growth in area healthcare continues. Florence boasts two major hospital systems – McLeod Regional Medical System and MUSC Health. Florence leads the region as a center for health care excellence with numerous healthcare specialists, medical, eye care, and dental practices also located in the City.

The City of Florence is home to numerous shopping and dining venues offering an assortment of shopping malls, superstores, regional and national retail and restaurant establishments, and locally owned retail stores. Magnolia Mall, Magnolia Commons, The Plaza at Magnolia, Florence Mall, and a variety of other shops and stores throughout the city attract customers from all of Florence County as well as surrounding counties in the Pee Dee Region. Of the total retail sales in the seven Pee Dee counties, more than half comes from Florence County.

The Florence Center, a joint capital venture between the City and County of Florence, was opened in 1993. This multi-functional facility complements the recreational, cultural and tourism related activities provided in Florence. The Florence Center has, since its opening, provided local residents and tourists alike a location to gather for such diverse entertainment events as indoor sporting events, concerts, circuses, rodeos, and a variety of other assorted shows. In 2018, a \$16 million,

28,000 square-foot expansion was completed at the Florence Center to provide for space needed to attract and recruit additional conferences and conventions to the facility.

Proximity to the grand strand and the intersection of two major interstate highways in the area contribute to the growing attraction of accommodation and hospitality industries to Florence. Numerous hotels and restaurants, many of which are national chains, have located near the Florence Center and Magnolia Mall as well as along the intersection of Interstate 95 and U.S. Highway 52.

Florence continues to experience growth with expansions in healthcare, education, the arts, entertainment, shopping and hotels. This growth, coupled with the continued downtown revitalization projects, has resulted in Florence becoming a premier and dynamic part of the state. Florence is fortunate to have a diverse economy, and economic development continues in both the City and County of Florence. Florence has been recognized nationally as a prime destination for business and industry because of its accessibility and the availability of land suitable for industrial and commercial development.

Long Term Financial Planning

As part of the City's planning and needs evaluation process, essential projects and initiatives to be implemented over the course of several years have been identified and incorporated into the City's capital planning model. Through such planning and evaluation, the City has created a structured approach to meeting challenges, effecting change, and achieving goals on a multi-year basis with funding incorporated into the operating and special revenue fund budgets as well as capital improvement budgets. General governmental initiatives include downtown redevelopment; neighborhood redevelopment; recreational, athletic and other quality of life opportunities; and continued investment in public infrastructure. Funding for these endeavors, which have long-term fiscal implications, come from a variety of sources including grants, Hospitality Fee revenues, Community Development Block Grant funds, General Fund revenues, Tax Increment Financing, and other authorized financings.

The City's combined water and wastewater system is a highly-regulated enterprise that requires extensive fiscal resources for long-term viability to serve the growing demands of the Florence area. To provide sufficient revenues for payment of projected costs of operation, expansion of the System, increases in debt service, and to maintain required debt service coverage ratios, the City, in 2009, contracted with an independent rate consultant to perform a comprehensive study of the operating, capital, and long-term debt service requirements. The analysis revealed that rates for the combined water and wastewater system should be revised to meet current and future financial requirements of the system. Based on the recommendations of the rate study, City Council approved an ordinance in 2010 to revise and update the City's water and wastewater rate schedules for a ten-year period beginning in Fiscal Year 2011 and continuing through fiscal year 2020.

The City is currently in the process of updating its comprehensive ten-year water and sewer rate analysis by an independent rate consultant. Findings and recommendations of this analysis will be presented to City Council for consideration in early 2020 with the goal of adopting a new ten-year rate schedule to become effective for Fiscal Years 2021 through 2030.

Relevant Financial Policies

The Finance Department is responsible for providing comprehensive financial management, analysis, and support services to City management and departments in an effort to promote fiscal accountability, to enhance public services, to maximize revenue collections, to contain costs, and to ensure accurate performance reporting consistent with governmental standards and regulations. Policies and procedures are developed and maintained by the Finance Department to facilitate the accomplishment of these goals and to ensure adherence to best practices in financial management and accounting.

Major Initiatives

Town of Timmonsville Water and Sewer Utilities System Acquisition – The City of Florence, at the request of the Environmental Protection Agency (EPA) and the South Carolina Department of Health and Environmental Control (SCDHEC), acquired on January 9, 2014 ownership of the Timmonsville water and sewer utility system, a system that was not in compliance with EPA and SCDHEC regulations. As part of the acquisition the City of Florence entered into a consent decree with EPA and SCDHEC, based upon a plan of necessary corrective actions identified by the City's engineers. Capital improvements for both the Timmonsville water and sewer systems in the estimated amount of \$12.7 million were identified and approved by US EPA, SCDHEC, City staff, and a team of consulting engineers.

A number of funding sources, including several grants and State Revolving Fund (SRF) loans for the Timmonsville System water and sewer systems, were incorporated into a financial plan developed by the City for the total system repair and upgrade cost. Since the City's acquisition of the Timmonsville system in January 2014, City Council has approved the use of \$2.5 million in additional grant funding sources for upgrades to this system, bringing the total estimated cost of improvements to \$15 million.

Projects to repair and improve the Timmons ville system have been completed on the Timmons ville System as identified and required by the consent decree, and the Timmons ville System is now in compliance with applicable federal and state regulations. The City worked with the EPA in completing the closeout package for the consent decree. The City submitted the completed package on August 2, 2019.

Projected revenues of the Town's Utilities System combined with a number of SRF loans, including loan principal forgiveness, and several grant funding sources provide funding for the needed improvements. The combined SRF financed funds total approximately \$12 million with approximately \$3 million of the principal forgiven by SRF. The SRF loans are financed over a blended period of 20 years at an interest rate of 1% and 30 years at an interest rate of 1.1%. Funding is also provided through grants from CDBG, EDA, the SC Transportation Infrastructure Bank, the SC Rural Infrastructure Authority, and USDA Rural Development.

In addition to the improvement projects noted above, the acquisition agreement provided that the City would assume the outstanding bonded indebtedness of the Timmons ville system. Upon conveyance of the Timmons ville system to the City on January 9, 2014, an obligation held by BB&T bank in the total principal and interest amount of \$343,751 was paid in full by the City. Also on that date a USDA, Rural Development outstanding indebtedness in the principal amount of \$6,111,310 was assumed by the City through the issuance of a Waterworks and Sewerage System Junior Lien Revenue Bond in an amount not to exceed \$6.2 million to refund all of the Town's revenue bonds held by Rural Development. The outstanding Rural Development debt issued by the City is a 40-year junior lien obligation with an interest rate of 1.875%. Revenues generated by the Timmons ville system will be used to fund the outstanding Rural Development debt.

City Projects Funded with Countywide Capital Projects Sales Tax – In November 2013, the voters of Florence County approved a referendum for a one cent capital projects sales tax and the issuance of a general obligation bond in an amount not to exceed \$125 million to fund debt service payments with the sales tax revenue generated.

The "Capital Project Sales Tax II" program provides funding for the design, engineering, construction, and improvement of highways, roads, streets, drainage systems and/or bridges, and traffic flow improvements into and through Florence County. The funding also provides for: a) economic development, b) public safety, c) the promotion of desirable living conditions and improved recreational facilities, d) public health and safety in the event of fire, emergency, panic, and other dangers, and e) the ability to meet present and future needs of Florence County and its citizens.

The County began collecting the second Capital Project Sales Tax on May 1, 2014 and will continue to collect the tax until April 30, 2021. The City of Florence was allocated \$21,774,375 for the following projects within the city limits:

• Water & Sewer Improvements	\$ 750,000
• Corridor Enhancements	9,216,875
• Intersection Improvements	1,301,250
• Resurfacing	340,625
• Road Widening	9,125,625
• Recreation	1,040,000

Construction of numerous projects funded through the Capital Projects Sales Tax continued in fiscal year 2019.

Downtown Redevelopment – Downtown revitalization serves as a key element in the local economy and growth of Florence. A Downtown Master Redevelopment plan was presented to the public in 2001 as a strategic process for transforming downtown Florence into the cultural and economic heart of the Pee Dee it once was. The focus of the master plan was the role of the downtown as the heart of the city utilizing economic, physical and management strategies of implementation. As part of the master plan implementation process the Florence Downtown Development Corporation, a 501(c) (3) tax-exempt charitable corporation, was formed. City staff works with the Downtown Development Corporation, the Florence Downtown Merchants Association, and others involved with the revitalization effort in support of a long-term commitment to renovate, renew, and restore the economic and cultural vitality and vibrancy of downtown Florence.

In 2005, City Council adopted an ordinance that created an overlay district for downtown redevelopment, established design guidelines in the overlay district, and created powers and rules of procedure for a Downtown Design Review Board. On December 18, 2006, City Council adopted an ordinance creating a Tax Increment Financing (TIF) district incorporating the overlay district for downtown redevelopment as adopted by Council in 2005. Proceeds resulting from the tax increment financing district are now being used for public improvements in support of downtown development. To further encourage downtown redevelopment City Council adopted an ordinance in October 2011 that provided for the establishment of a Downtown Economic Development Incentive Program. The incentives were specifically identified and approved when City Council adopted a resolution in February 2012 authorizing a number of incentives designed to encourage the revitalization of the downtown area. Additional downtown business redevelopment and historical building incentives were approved through a resolution adopted by City Council in February 2015 to encourage the revitalization of downtown Florence by existing property owners, tenants and potential developers. In 2017, City Council further amended the downtown overlay district by adding the "Food, Artisan and Warehouse District". City Council also expanded the geographic boundary for Downtown business

incentives for qualified projects to include this newly established overlay district as well as areas in the southwest quadrant of the D-1, Downtown Overlay District.

In June 2019, City Council again amended the downtown overlay district by adding the "Irby Street Corridor Overlay District." The intent of this district is to foster redevelopment of properties adjacent to the US Highway 52/ Irby Street Corridor to create and maintain a safe, efficient, functional and attractive corridor through the City of Florence Downtown. This overlay district builds upon downtown existing overlay districts developed to foster revitalization of Downtown Florence. The district is intended to: encourage redevelopment of existing structures that enhance the character of the corridor, reduce conflict between pedestrian and vehicular traffic, and promote a viable commercial corridor through Downtown Florence. By resolution adoption, City Council also expanded the geographic boundary for Downtown business incentives for qualified projects to include this overlay district.

Downtown Florence has been designated as a state-recognized cultural district by the South Carolina Arts Commission. A cultural district is an area that has a concentration of cultural facilities, activities and assets, is easily identifiable to visitors and residents, and serves as a center of cultural, artistic and economic activity.

Special Obligation Bond for Downtown Redevelopment – In December 2006, City Council adopted an ordinance establishing the Downtown Redevelopment District Project Area in downtown Florence. As provided by the ordinance, the City had until December 2016 to issue a Tax Increment Financing (TIF) obligation bond to fund public infrastructure improvements.

In 2014, the City issued a TIF bond in the approximate amount of \$12.9 million to provide for public infrastructure improvements to include the construction of parking decks, ingress and egress acquisition, surface parking, and utilities upgrades. The TIF Bond was issued through the year 2026.

In July 2016, City Council approved an ordinance to revise and extend the original TIF redevelopment plan adopted in 2006, and to extend the maximum term of maturity of TIF obligations from the original 20-year maturity of 2026 to a 40-year maturity expiring in 2046. These revisions were made by City Council to provide for the issuance of Special Obligation Bonds to be used for the construction of additional parking, street improvements, and other essential infrastructure enhancements in the TIF district as well as funding for the revitalization and redevelopment of three Florence School District One facilities. This bond was also used to refund the Series 2014 TIF Revenue Bond.

On November 9, 2016, the City of Florence issued a total of \$35,565,000 Special Obligation Bonds. The bonds included approximately \$21,720,000 of taxable and tax-exempt "new money" which is being used to fund capital infrastructure projects downtown as well as issuance costs and capitalized interest. These infrastructure projects, estimated at a total construction cost of \$20 million, include parking, street improvements, and other essential infrastructure enhancements to be provided. This amount also includes \$12 million for the revitalization and redevelopment of three Florence School District One facilities. The remaining \$13,845,000 bond funds were used to refund the Series 2014 TIF Revenue Bond including issuance costs and capitalized interest.

The Special Obligation Bond was issued with a junior lien pledge of revenues of the water and sewer utility system. While the City projects that there should be minimal use of water and sewer utility system revenues to pay debt service on the TIF bond, the projected coverage impact of the junior lien debt on the water and sewer system assuming the full payment of TIF debt service with water and sewer revenues would be small.

Construction of numerous projects funded through the Special Obligation Bond continued in fiscal year 2019.

Soccer Complex Construction – On October 13, 2014, City Council authorized the execution of a Memorandum of Understanding between the City and the Drs. Bruce and Lee Foundation for the funding, construction, and operation of a new soccer complex. On October 21, 2014 a Memorandum of Understanding (MOU) between the City and the Foundation was signed and executed for those purposes. The MOU provides that the City will construct the soccer complex, a main access road, roads internal to the complex, and parking for the complex. The complex includes an access road at the intersection of Twin Church Road and West Palmetto Street, a 5.5-acre retention pond and 14 regulation-size soccer fields – two of which are lighted. Ten of the soccer fields are laser graded with sodding, while four soccer fields are graded and seeded for future play.

Funding for project totals approximately \$7,965,000. The sources of funding include \$6,480,000 from the Foundation and \$1,040,000 from proceeds of the countywide one-cent Sales Tax Referendum passed in 2013, for a total of \$7,520,000. The Foundation is providing the \$6 million funding at a rate of \$2 million per year from 2017 through 2019. The City provided additional funding from the Water and Sewer Enterprise Fund in the approximate amount of \$395,000 for water and sewer infrastructure to include future access to water and sewer services on adjacent undeveloped tracts of land. In addition to the funding provided for in the MOU, the City received a \$50,000 grant from the South Carolina Department of Parks, Recreation and Tourism to be used for soccer complex construction costs.

Because funding for the soccer complex and the gymnasium façade redesign is being provided by the Bruce and Lee

Foundation over a four-year period beginning in 2017, it was necessary to issue a General Obligation bond through 2020 to provide short-term funding for the construction and redesign projects. In February 2016, City Council authorized the issuance of a General Obligation bond to finance, over a period of four years, the construction of a soccer complex and provide additional funding for the regional gymnasium facility façade redesign. In March 2016, the City issued a 2016 General Obligation Bond in the amount of \$6,750,000 at an interest of 1.16% for 4 years. The bond will be repaid with the funds to be received from the Drs. Bruce and Lee Foundation.

Bids for construction of the soccer complex were received in February 2016. D & L Sitework, Inc. of Conway, SC was selected as the contractor for this project, and construction was begun in May 2016.

The City held a grand opening of the facility to celebrate the completion of construction at the new soccer complex on February 15, 2018. The new 80-acre, 14-field facility includes two stadium type fields that can host national tournaments.

The Drs. Bruce and Lee Foundation is providing the City additional grant funding in the amount of \$1.58 million for the construction of a soccer complex pavilion. This structure will house a concession and lounge area, restrooms, storage areas, an elevator, administrative offices, officials' locker room, meeting space and a covered second floor viewing area.

Bids for construction of the soccer complex pavilion were received in November 2018. Gilbert/Fields of Florence was selected as the contractor for this project and construction was begun in January 2019. This project is scheduled for completion in January 2020.

Installment Purchase Revenue Bonds for Recreation and Athletic Capital Improvements – City staff presented a number of capital improvement projects to City Council for funding consideration to ensure the City's commitment to provide quality programs and facilities for recreational and athletic activities continues to be met. The following parks, recreation, and athletics projects were identified for which deferred improvements and other capital repairs, as well as certain facility renovations and property acquisitions, should be made:

- Capital Improvements/Renovations to Recreation Facilities
- Freedom Florence Complex Improvements
- Two Community Centers
- Land Purchase (Clemson Property)
- Sports Facilities Improvements and Development
- Trail Connections

City staff proposed that the annual debt service for this bond issue be funded with revenues generated as a result of Council's adopting in fiscal year 2014 an ordinance that changed the amount of credit given toward property taxes from a portion of the Local Option Sales Tax ("LOST") funds collected. Staff determined that the annual debt service for this \$15 million bond issue would best be funded through the issuance of an Installment Purchase Revenue Bond ("IPRB"). In September 2017 Council approved a resolution authorizing the formation of the City of Florence Public Facilities Corporation as the South Carolina non-profit entity required as part of the IPRB structure to finance the capital improvements described above.

On November 13, 2017 City Council approved an ordinance authorizing the issuance of Series 2017 IPRB. On November 15, 2017, the City issued an Installment Purchase Revenue Bond in the amount of \$15 million at an interest of 2.99% for a 15-year term to pay costs associated with the construction of Recreation and Athletic capital improvements.

Construction of the Dr. Iola Jones and Maple Park community centers as well as a track and field facility were begun in fiscal year 2019 utilizing this IPRB funding.

Neighborhood Redevelopment – In recognition that housing and neighborhood conditions are central to the City's current and future well-being, the City continues to pursue a number of strategies to foster and encourage neighborhood redevelopment.

City staff has worked with citizens in three focus areas to complete neighborhood action plans since February 2012 as part of its neighborhood revitalization initiative. The focus areas are North Florence, Northwest Florence and East Florence. These areas include some of the oldest and most challenged neighborhoods surrounding the City's downtown.

In 2014, the Florence Neighborhood Revitalization Plan was developed by the City with input from residents to preserve, connect and bridge gateway neighborhoods to downtown Florence by restoring the vibrancy of these neighborhoods one block at a time. The Florence Neighborhood Revitalization Plan is a comprehensive plan that will serve to enhance the overall desirability of Florence as a place to live, increase the City's regional competitiveness, set the stage for catalytic development and build from the success within and around the City's downtown. The initial focus of the plan includes four (4) neighborhood developments identified as the Neighborhood Revitalization Project Areas. These developments, located in

North Florence, Northwest Florence, and East Florence, will improve these communities which will, in turn, serve to enhance the quality of life in the City of Florence as a whole.

As part of this process, the City has committed over \$3 million to construction and incentive costs and another \$6 million to street and infrastructure improvements, including new sidewalks, curbing, pocket parks and bike lanes. To date, the city has purchased approximately 50 abandoned and dilapidated houses, and is in the process of building several new houses in the redevelopment area. The City anticipates the construction of between 20 and 50 new houses over the next five years. As part of the revitalization plan, the city is also creating down payment and purchase incentives for qualified buyers that cover the gap between the cost and market value of the new homes.

In March 2017, the official groundbreaking of the "Vista Place" project area, the first development of the four designated redevelopment areas, was held. The Vista Place development area consists of several former vacant lots on Vista Street across from North Vista Elementary School. Each lot to be developed will feature a unique, newly constructed house that will enhance the North Florence neighborhood. The construction of the first three homes was completed in February 2018. The City completed construction of five additional homes in 2019. To date, the City has sold four of its eight new homes that have been built.

In June 2018, the City began site work for "Old Carver Station", a new neighborhood development that will consist of six homes in Northwest Florence. The City signed a development partnership agreement with a private investor to build the 6 homes in "Old Carver Station." The City will provide down-payment assistance for buyers of these homes. "Old Carver Station" is located at the corner of Sumter and Alexander streets, directly across from the new R. N. Beck Childhood Education Center. Also in Northwest Florence, the City has completed a streetscape project on Sumter Street which includes street and infrastructure improvements, new sidewalks, curbing and drainage, and bike lanes.

In 2018, the City entered a neighborhood redevelopment partnership with the Greater Florence Habitat for Humanity. Over the next ten years, the City will convey up to three vacant lots each year to Habitat for the construction of new Habitat homes in North, Northwest, and East Florence. The City will also provide up to \$25,000 in construction upgrades for each Habitat home built on these sites. In fiscal year 2020 the City will begin work on a \$270,000 Historic Pine Street Streetscapes project in East Florence to include new sidewalks, curbing, and landscaping. The City will also begin developing new housing plans along Historic Pine Street.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Florence for its comprehensive annual financial report for the fiscal year ended June 30, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

To be awarded a Certificate of Achievement award, a governmental entity must publish an easily readable and efficiently organized comprehensive annual financial report, with contents which conform to GFOA program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Certificate awarded for fiscal year ended 2018 marks the twenty-first consecutive year the award has been received by the City of Florence. We believe that this comprehensive annual financial report conforms to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for a certificate.

The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department as well as the City's independent auditors, Burch, Oxner, Seale Company. Their assistance provided in the preparation of this report is sincerely appreciated.

In closing, without the guidance, leadership, and support of the City Manager, Mayor, and City Council, preparation of this report would not have been possible.

Respectfully submitted,



Thomas W. Chandler
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Florence
South Carolina**

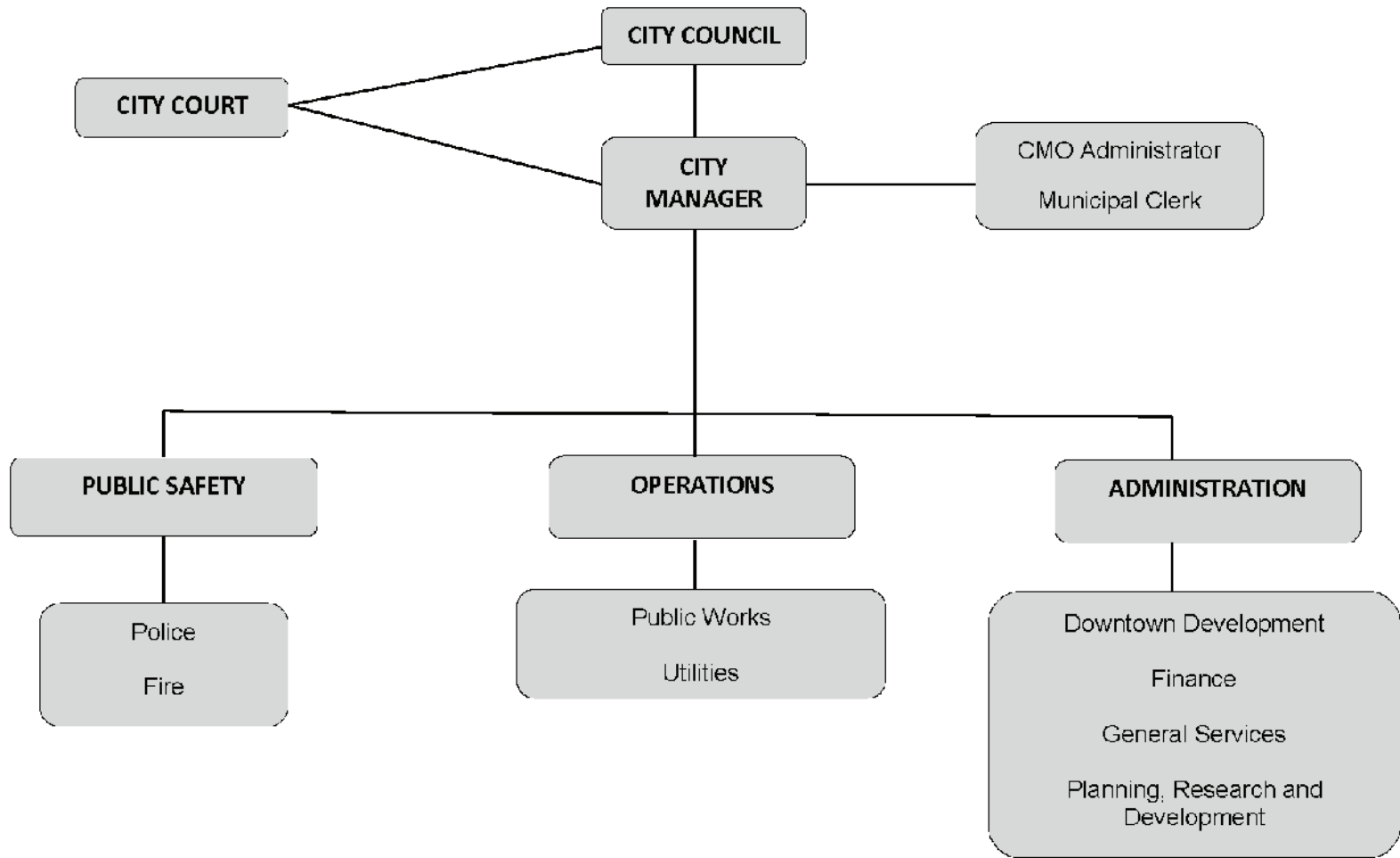
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO

**CITY OF FLORENCE
ORGANIZATIONAL CHART
FY 2018-19**



**CITY OF FLORENCE, SOUTH CAROLINA
PRINCIPAL OFFICIALS
JUNE 30, 2019**

GOVERNING BODY

Stephen J. Wukela, Mayor

Frank J. Brand, II, Mayor Pro Tempore

Octavia Williams-Blake

Teresa Myers Ervin

George D. Jebaily

Pat Gibson-Hye Moore

Glynn Willis

ADMINISTRATION

Andrew H. Griffin, City Manager

Thomas W. Chandler, Finance Director

Scotty B. Davis, General Services Director

Allen L. Heidler, Police Chief

Randall S. Osterman, Fire Chief

Charles E. Pope, Jr., Public Works Director

Raymond R. Reich, Downtown Development Director

Michael D. Hemingway, Utilities Director

Jerry B. Dudley, Planning Manager

James C. Moore, Development Manager

FINANCIAL SECTION

BURCH, OXNER, SEALE CO.
CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION

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S.C. ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS
DIVISION FOR CPA FIRMS
AMERICAN INSTITUTE OF CPAS

1341 W. ALICE DRIVE, 29505
P.O. DRAWER 4707
FLORENCE, SC 29502
TELEPHONE (843) 669-3142
TELECOPIER (843) 662-9255

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
City of Florence, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Florence, South Carolina, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund

information of the City of Florence, South Carolina as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and the hospitality fee fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Other Postemployment Benefits and pension schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Florence, South Carolina's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Uniform Schedule of Court Fines, Assessments, and Surcharges on Page 144, listed in the table of contents under Other Financial Information, is presented for purposes of additional analysis as required by the State of South Carolina and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards on Page 179, listed in the table of contents under the Uniform Guidance Section, is presented for the purposes of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is also not a required part of the basic financial statements of the City of Florence, South Carolina.

The combining and individual fund statements and schedules, the Uniform Schedule of Court Fines, Assessments, and Surcharges, and the Schedule of Expenditures of Federal Awards, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, the Uniform Schedule of Court Fines, Assessments, and Surcharges, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2019, on our consideration of the City of Florence, South Carolina's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements 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 effectiveness of the City of Florence, South Carolina's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Florence, South Carolina's internal control over financial reporting and compliance.

Burch, Grier, Seale Co, CPAs, PA

October 23, 2019

CITY OF FLORENCE, SOUTH CAROLINA

Management's Discussion and Analysis

As management of the City of Florence, South Carolina (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the City's basic financial statements, which immediately follows this section, and our letter of transmittal in the preceding Introductory Section.

Financial Highlights

The following information highlights the most significant changes to the City's financial position over the last year. Though not intended to be all-inclusive, this information provides a snapshot of the most important changes in the City's financial position over the last year:

- The assets and deferred outflows of the City of Florence exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$177,190,079 (*net position*). Of this amount, \$11,256,972 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$6,291,525 during the fiscal year ended June 30, 2019, with a \$466,490 increase resulting from governmental activities and a \$5,825,035 increase resulting from business-type activities.
- As of the close of the current fiscal year, the City of Florence's governmental funds reported a combined ending fund balance of \$50,312,724, a decrease of \$7,021,331 in comparison with the prior year. Approximately 35.2 percent of this total amount, \$17,709,776 is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$17,709,776, or 44.6 percent of the total general fund expenditures.
- The City of Florence had \$196.4 million in bonds and notes outstanding versus \$195.8 million last year, an increase of \$0.6 million from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Florence's finances, in a manner similar to statements of a private-sector business.

The *statement of net position* presents information on all of the City of Florence's assets and deferred outflows and liabilities and deferred inflows, with the difference between the two reported as *net position*. Over time, increases and decreases in the net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Florence include general government, public safety, public works, community development, and culture and recreation services. The business-type activities of the City of Florence include water and sewer services and stormwater services.

The government-wide financial statements include the City itself (*known as the primary government*) and one blended component unit, the City of Florence Public Facilities Corporation, which is reported in the Governmental Activities of the primary government.

The government-wide financial statements can be found on pages 35-37 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Florence, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into these categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements utilize the modified accrual basis of accounting, which focuses on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains a variety of individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Hospitality Fund, and Installment Purchase Revenue Bond Capital Projects Fund, which are all considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 38-41 of this report. The Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund and the Hospitality Fund can be found on page 42-43 of this report.

Proprietary funds. The City of Florence maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide statements. The City of Florence uses enterprise funds to account for its water and sewer activities and stormwater operations.

Proprietary funds provide the same types of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer activities and for the stormwater operations. The water and sewer fund is a major fund of the City and the stormwater fund is a nonmajor fund

The basic proprietary fund financial statements can be found on pages 44-47 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 48 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49-86 of this report.

Other supplemental information. In addition to the basic financial statements and accompanying notes, the report also presents certain *required supplementary information*.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 100-145 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Florence, assets and deferred outflows exceeded liabilities and deferred inflows by \$177,187,119 at the close of the most recent fiscal year.

By far the largest portion of the City's net position (87.0%) reflects its investment in capital assets (e.g. land, buildings, infrastructure, and equipment); less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Florence's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of unrestricted net position, \$11,256,972, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Florence is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its separate business-type activities. The same situation held true for the prior fiscal year. The governmental activities Unrestricted Net Position is negative primarily due to GASB Statements 68 and 75 requiring the City to accrue net pension liabilities and OPEB liabilities in accordance with GAAP.

City of Florence's Net Position

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 57,023,695	\$ 62,497,471	\$ 58,179,675	\$ 55,934,154	\$ 115,203,370	\$ 118,431,625
Capital assets	93,865,951	83,748,040	231,107,413	228,520,328	324,973,364	312,268,368
Total assets	150,889,646	146,245,511	289,287,088	284,454,482	440,176,734	430,699,993
Deferred Outflow s	6,239,005	6,879,774	2,048,653	2,319,657	8,287,658	9,199,431
Long-term liabilities	115,138,720	113,764,944	144,054,888	146,077,423	259,193,608	259,842,367
Other liabilities	6,879,876	5,348,453	3,577,036	2,802,752	10,456,912	8,151,205
Total liabilities	122,018,596	119,113,397	147,631,924	148,880,175	269,650,520	267,993,572
Deferred Inflow s	1,512,817	881,140	110,976	126,158	1,623,793	1,007,298
Net Position:						
Net investment in capital assets	51,255,140	45,883,732	102,974,482	101,751,447	154,229,622	147,635,179
Restricted	3,862,325	4,019,313	7,841,160	7,988,039	11,703,485	12,007,352
Unrestricted	(21,520,227)	(16,772,297)	32,777,199	28,028,320	11,256,972	11,256,023
Total net position	\$ 33,597,238	\$ 33,130,748	\$ 143,592,841	\$ 137,767,806	\$ 177,190,079	\$ 170,898,554

City of Florence's Changes in Net Position

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for Services	\$ 18,140,380	\$ 17,282,058	\$ 37,688,509	\$ 36,087,806	\$ 55,828,889	\$ 53,369,864
Operating grants and contributions	2,712,773	2,655,631	-	-	2,712,773	2,655,631
Capital grants and contributions	941,560	1,051,725	191,335	1,190,748	1,132,895	2,242,473
General Revenues:						
Property taxes	11,022,616	10,815,950	-	-	11,022,616	10,815,950
Hospitality fees	4,342,184	4,101,928	-	-	4,342,184	4,101,928
Grants and contributions not restricted to specific programs	9,152,620	9,468,380	-	-	9,152,620	9,468,380
Other	2,203,848	2,521,158	2,473,729	1,368,140	4,677,577	3,889,298
Total Revenues	48,515,981	47,896,830	40,353,573	38,646,694	88,869,554	86,543,524

City of Florence's Changes in Net Position - Continued

	Governmental		Business-type		Total	
	activities		activities			
	2019	2018	2019	2018	2019	2018
Expenses:						
General Government	9,236,887	12,317,892	-	-	9,236,887	12,317,892
Public Safety	14,208,407	15,066,903	-	-	14,208,407	15,066,903
Public Works	6,037,673	7,500,862	-	-	6,037,673	7,500,862
Culture and Recreation	4,280,394	5,088,425	-	-	4,280,394	5,088,425
Community Development	16,067,752	2,387,177	-	-	16,067,752	2,387,177
Interest on long-term debt	2,088,378	2,149,479	-	-	2,088,378	2,149,479
Water and Sewer	-	-	29,139,836	27,566,748	29,139,836	27,566,748
Stormwater	-	-	1,518,702	1,293,521	1,518,702	1,293,521
Total Expenses	51,919,491	44,510,738	30,658,538	28,860,269	82,578,029	73,371,007
Increase (decrease) in net position before transfers	(3,403,510)	3,386,092	9,695,035	9,786,425	6,291,525	13,172,517
Transfers	3,870,000	3,471,229	(3,870,000)	(3,471,229)	-	-
Increase (decrease) in net position	466,490	6,857,321	5,825,035	6,315,196	6,291,525	13,172,517
Net position - beginning	33,130,748	26,273,427	137,767,806	131,452,610	170,898,554	157,726,037
Net position - ending	<u>\$ 33,597,238</u>	<u>\$ 33,130,748</u>	<u>\$ 143,592,841</u>	<u>\$ 137,767,806</u>	<u>\$ 177,190,079</u>	<u>\$ 170,898,554</u>

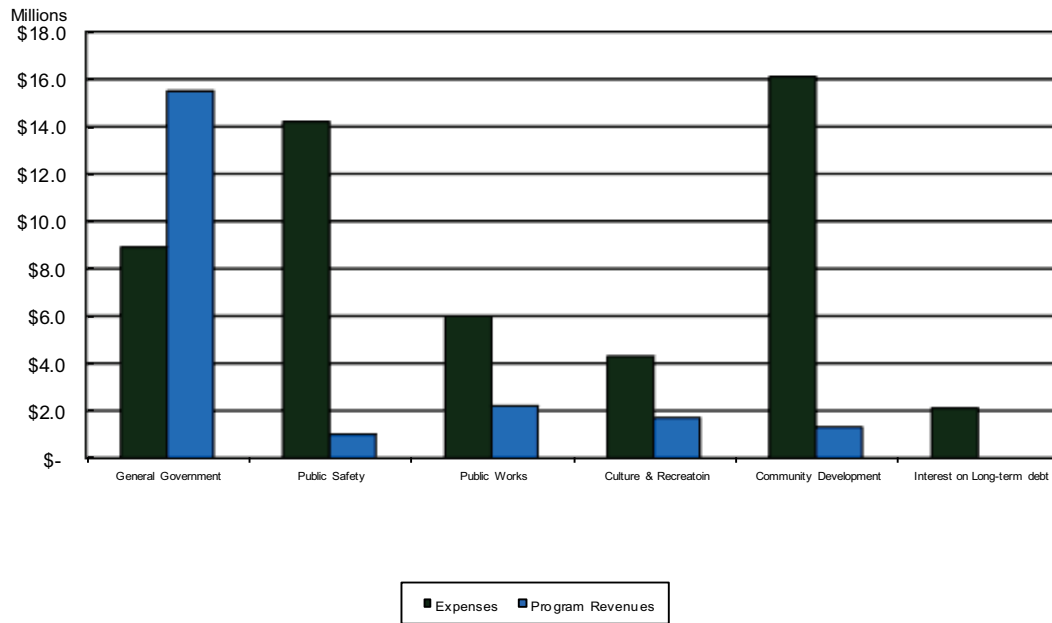
Governmental activities. Governmental activities increased the City of Florence's net position by \$466,490. Key elements of this increase are as follows:

In November 2013 Florence County voters approved a county wide referendum which re-imposed an existing one-cent capital project sales tax that was due to expire in April 2014. The revenues generated by "Capital Project Sales Tax II" program provides funding for the design, engineering, construction, and improvement of highways, roads, streets, drainage system and/or bridges, and traffic flow improvements into and through Florence County. In January 2014, County Council passed an ordinance to issue general obligation bonds in an amount not to exceed \$125 million with debt service payments to be funded from the Capital Project Sales Tax. The City of Florence was allocated \$21,774,375 for projects within the city limits. During the current fiscal year Florence County reimbursed the City \$3,492,702 for capital sales tax projects that are currently under construction within the City.

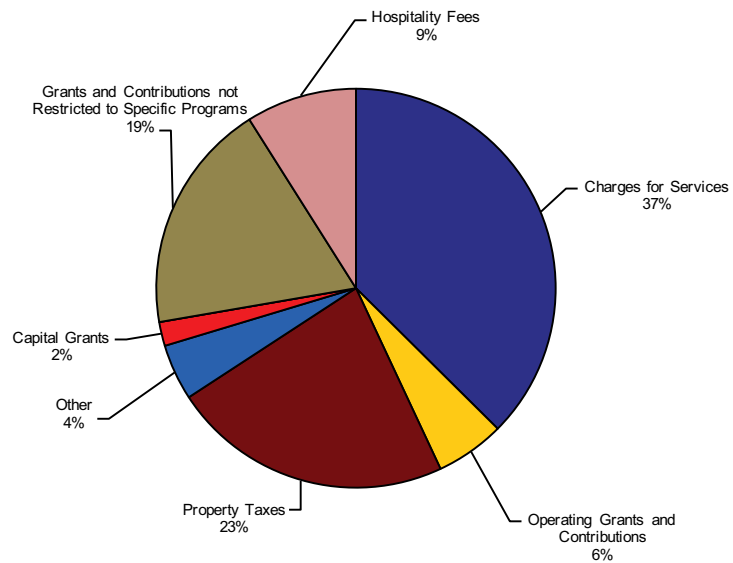
On October 9, 2016 Hurricane Matthew made landfall in South Carolina affecting the Florence area with downed trees, wind damage, flooding, power outages, and damage to the City's infrastructure. The hurricane left approximately 150,000 cubic yards of debris within the City of Florence. In addition to using city personnel and equipment (force labor & equipment) for emergency measures and debris cleanup, the City contracted with three companies for debris removal, grinding, and hauling. The City also contracted the debris monitoring services to ensure compliance with FEMA requirements. The contracted cost for debris removal and monitoring was \$1,762,622. An additional \$1,252,931 in force labor and equipment was used for emergency measures and cleanup efforts. At June 30, 2019, the accounts receivable balance remaining was \$284,589 which is for water and sewer infrastructure damaged during Hurricane Matthew. In addition to \$1,874,445 in reimbursements that had been recognized in prior years and had been accounted for as accounts receivable, the City received another \$212,230 for FEMA reimbursements in Fiscal Year 2018-19.

On November 15, 2017, the City of Florence closed on a \$15 million Installment Purchase Revenue Bond (IPRB), Series 2017, to finance certain recreation related improvements. The IPRB is a 15-year issue with an interest rate of 2.99% that will mature November 1, 2032. The recreation improvements include construction of miscellaneous deferred capital projects, the construction of a sports complex, construction of community centers, upgrades to the Freedom Florence complex, and construction of trail segments throughout the City. In FY 2018-19 the City began several of the recreational projects and expended a total of \$3,325,133.

Expenses and Program Revenues - Governmental Activities



Revenue by Source – Governmental Activities

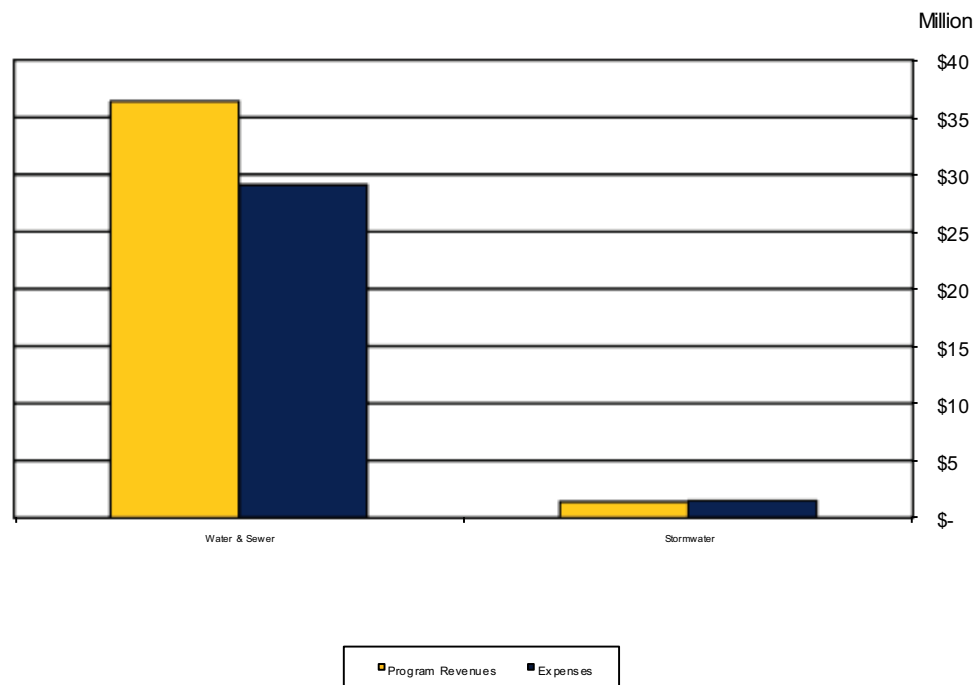


Business-type activities. Business-type activities increased the City of Florence's net position by \$5,825,035, accounting for 92.6 percent of the total growth in the government's net position. Key elements of this increase are as follows:

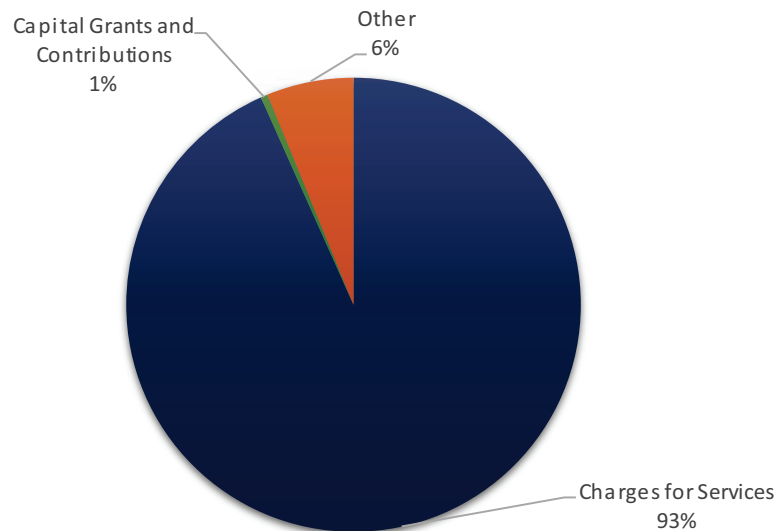
Capital Water and Sewer Projects – In the fiscal year ended June 30, 2019 the City expensed \$4,242,336 for the upgrade and rehabilitation of the water and sewer system acquired in January 2014 from the Town of Timmons ville. These upgrades and rehabilitation are required by a consent decree entered into by the City to bring the system into compliance with federal and state regulation. On August 2, 2019 the City, working with the EPA, submitted the completed closeout package for the consent decree. Additional information on the Town of Timmons ville water and sewer system acquisition is provided in the Transmittal Letter. In addition to the Town of Timmons ville project, the City of Florence expensed \$6,316,628 for other capital projects in the water and sewer enterprise fund. With a combination of the Timmons ville project and other completed water and sewer projects, the City capitalized \$11,586,678 and booked \$7,734,943 in Construction in Process for uncompleted projects.

The stormwater fund expensed \$59,638 toward the completion of several stormwater related projects. The City capitalized \$700,254 in completed stormwater projects and added \$50,821 to Construction in Process for projects that have not been completed.

Expenses and Program Revenues - Business-type Activities



Revenue by Source – Business-type Activities



Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Florence's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not yet been limited to use by an external party or the City itself.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$50,312,724, a decrease of \$7,021,331 in comparison with the prior year. Approximately 35.2 percent of this total amount or \$17,709,776 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form: \$6,659,506, 2) restricted for particular purposes: \$22,670,970, 3) committed for particular purposes: \$375, or 4) assigned for particular purposes: \$3,272,097. Additional information on the City's fund balances can be found at Note IV.G.

The general fund is the primary operating fund of the City of Florence. At the end of the current fiscal year, unassigned fund balance of the general fund was \$17,709,776, while total fund balance was \$27,307,161. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and total fund balance to total fund expenditures. Unassigned fund balance represents 44.6 percent of total general fund expenditures, while total fund balance represents 68.8 percent of that same amount.

During the current fiscal year the City's fund balance of the General Fund increased by \$10,331,566. This amount represents a 60.9% increase. The most significant contributor to the increase in Fund Balance was the receipt of \$7,100,000 from the issuance of Bond Anticipation Notes (BAN) to be used for the purchase of several parcels of property in the downtown redevelopment area for a future economic development project. An additional \$1,183,000 was recognized in higher than anticipated collection of Property Taxes, Business Licenses, Building Permits, and Interest Revenue. Additionally, City Council adopted an ordinance to recognize funds from Local Option Sales Tax which had previously been designated for property tax credits to be used for certain General Fund purposes. This additional revenue will be used to fund the debt service for future economic development. The additional revenue received from Sales Tax collections was \$1,238,000.

The Hospitality Fund has a total fund balance of \$2,471,357, an increase of 31.9%. The increase is largely due to approximately \$555,000 in unexpended grant funds for construction of the City's Soccer Complex Pavilion. The City has been granted a total of \$2,434,000 by the Doctors Bruce and Lee Foundation for the construction of the pavilion, with the funds being granted over 3 years.

The City maintains a TIF Debt Service Fund to receive tax revenue generated by a Tax Increment Financing (TIF) district. These funds are generated from the difference between the current assessed value of each parcel of property within the district and the 2006 assessed value of each parcel. The increase in overall assessed value in the TIF district applied to the tax millage of all taxing entities in Florence County participating in and contributing to the TIF creates the tax revenue used to repay bonds issued to construct public purpose projects within the district. The entire fund balance of \$862,082 is committed for the repayment of the TIF bonds.

The City of Florence maintains a General Fund Debt Service Fund to manage the collection of the debt service millage and the debt service payment for the City's general obligation debt. The Debt Service millage is 2.8 mills. The entire fund balance of \$783,344 is committed for the repayment of City's general obligation debt.

The City of Florence Public Facilities Corporation was established in fiscal year 2017-18 to provide for the issuance of the 2017 Installment Purchase Revenue Bonds (IPRB). This bond issue provided funds needed to complete the recreational projects as outlined in the Base Lease agreement between the City of Florence Public Facilities Corporation and the City of Florence.

Proprietary funds. The City of Florence's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the water and sewer operations and the stormwater operations at the end of the fiscal year amounted to \$32,777,199. The total growth in the net position was \$5,825,035. Other factors concerning the finances of these funds have been addressed in the discussion of the City of Florence's business-type activities.

General Fund Budgetary Highlights

The City's final amended General Fund budget was \$3,873,300 greater than the original budget of \$35,770,000. City Council amended the General Fund budget twice during the fiscal year that ended June 30, 2019. The first amendment increased From Unappropriated Reserve revenues by \$2,339,600 for the re-appropriation of funds to fund projects and purchase equipment budgeted in fiscal year 2017-18 but deferred until fiscal year 2018-19. The first amendment also increased From Unappropriated Reserve revenues by \$551,500 to fund projects and purchases which were not anticipated during the development and adoption of the FY 2018-19 budget. The second amendment increased Miscellaneous Revenues by \$35,600 to provide for donations received to fund the acquisition of a sculpture of James Allen to be placed in the James Allen Plaza. Also increased was Insurance Reimbursement Revenues in the amount of \$76,600 to replace a damaged traffic signal pole and repair various City park facilities damaged during Hurricane Florence. Lastly, the second amendment increased From Unappropriated Reserves in the amount of \$870,000 for projects and purchases which were not included in the FY 2018-19 budget.

Original Budget vs Final Budget Variances

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance</u>	<u>Percentage</u>
Revenues				
Licenses, Permits and Fees	\$ 13,185,000	\$ 13,410,600	\$ 225,600	1.71 %
Governmental Reimbursements	3,173,800	3,190,000	16,200	0.51 %
Permits and Fees	2,577,000	2,467,500	(109,500)	-4.25 %
Fines and Forfeitures	407,600	319,500	(88,100)	-21.61 %
Miscellaneous Revenue	376,000	349,000	(27,000)	-7.18 %
Other Funding Sources	200,000	3,961,100	3,761,100	1,880.55 %
Transfers	5,295,000	5,390,000	95,000	1.79 %
			<u>\$ 3,873,300</u>	

Original Budget vs Final Budget Variances - Continued

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance</u>	<u>Percentage</u>
Expenditures				
City Council	\$ 336,060	\$ 340,630	\$ 4,570	1.36%
Legal Services	137,190	142,230	5,040	3.67%
City Court	596,340	569,510	(26,830)	-4.50%
City Manager	477,340	488,450	11,110	2.33%
Finance and Accounting	943,490	939,770	(3,720)	-0.39%
Human Resources	644,570	647,550	2,980	0.46%
Community Services	380,300	408,210	27,910	7.34%
Police	9,579,230	9,895,930	316,700	3.31%
Fire	5,927,070	5,912,600	(14,470)	-0.24%
Beautification and Facilities	3,249,970	3,307,570	57,600	1.77%
Sanitation	3,652,000	3,895,410	243,410	6.67%
Equipment Maintenance	503,460	495,600	(7,860)	-1.56%
Recreation Services/Sports Tourism	1,401,390	1,651,270	249,880	17.83%
Athletic Programs	1,727,850	2,221,390	493,540	28.56%
Planning Research and Development	381,650	440,250	58,600	15.35%
Building Inspections and Permits	483,090	530,930	47,840	9.90%
Debt Service	1,240,500	1,243,700	3,200	0.26%
Other Employee Benefits	733,100	758,100	25,000	3.41%
General Insurance/Claims	580,000	700,200	120,200	20.72%
Community Programs	363,000	563,600	200,600	55.26%
Non-Departmental	2,432,400	4,490,400	2,058,000	84.61%
			<u>\$ 3,873,300</u>	

Significant variance - Budget to Actual

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Percentage</u>
Revenues				
Governmental Reimbursements	\$ 3,190,000	\$ 4,593,691	\$ 1,403,691	44.00%
Expenditures				
Athletic Programs	\$ 2,221,390	\$ 1,643,970	\$ (577,420)	-25.99%
Non-Departmental	4,490,400	3,499,092	<u>(991,308)</u>	-22.08%
			<u>\$ (1,568,728)</u>	

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019, amounts to \$364,973,363 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, park facilities, and infrastructure. The total increases in the City's investment in capital assets for the current fiscal year was \$12,770,368 (a 12.08 percent increase for governmental activities and a 1.16 percent increase for business-type activities).

The City routinely replaces aging vehicles to maintain a fleet of reliable, cost-efficient vehicles in service. In keeping with this practice, the City purchased a number of vehicles from the General Fund, Water and Sewer Utility Fund, and Stormwater Fund.

In fiscal year 2018-19 the City purchased properties totaling \$5,196,161. Of this amount, properties totaling \$4,651,703 were purchased for later development and improvements in the downtown area. Additional properties purchased totaling \$185,875 will be utilized in the City's efforts to improve blighted neighborhoods and provide affordable housing to lower income citizens. The remaining \$358,583 was used for the acquisition of the former Florence Museum building and property.

The City has arranged several funding sources to complete approximately \$12.7 million in projects designed to bring Town of Timmonsville water and sewer system that the City of Florence acquired in January 2014 into compliance with Environmental Protection Agency (EPA) and South Carolina Department of Health and Environmental Control (SCHEC) regulations. Several State Revolving Fund loans, including loan principal forgiveness, and several grant funding sources will provide funding for the needed improvements. The combined State Revolving Fund (SRF) financed funds will total approximately \$12 million with

approximately \$3 million of the principal forgiven by SRF. The SRF loans will be financed over a blended period of 20 years at an interest rate of 1% and 30 years at an interest rate of 1.1%. Funding is also provided through grants from CDBG, EDA, the SC Transportation Infrastructure Bank, the SC Rural Infrastructure Authority, and USDA Rural Development. As part of the Timmons ville System conveyance agreement, the City assumed, as a junior lien, a \$6.1 million Rural Development Loan from the Town of Timmons ville. Additionally, upon conveyance, the City paid off an obligation of the Timmons ville System held by BB&T in the amount of \$343,751. Additional information on the Town of Timmons ville water and sewer system acquisition is provided in the Transmittal Letter. During fiscal year 2018-19 the City expended \$4,272,366 to bring the Timmons ville system into compliance.

In November 2013 Florence County voters approved a county wide referendum which re-imposed an existing one-cent capital project sales tax that was due to expire in April 2014. The revenues generated by "Capital Project Sales Tax II" program provides funding for the design, engineering, construction, and improvement of highways, roads, streets, drainage system and/or bridges, and traffic flow improvements into and through Florence County. The funding also provides for a) economic development, b) public safety, c) the promotion of desirable living conditions and improved recreational facilities, d) public health and safety in the event of fire, emergency, panic, and other dangers, and e) the ability to meet present and future needs of Florence County and its citizens.

In January 2014, County Council passed an ordinance to issue general obligation bonds in an amount not to exceed \$125 million with debt service payments to be funded from the Capital Project Sales Tax to be repaid over seven years – the term of the imposed one-cent sales tax funding. The County began collecting the second Capital Project Sales Tax on May 1, 2014 and will continue to collect the tax until April 30, 2021. The City of Florence was allocated \$21,774,375 for the following projects within the city limits:

• Water & Sewer Improvements	\$ 750,000
• Corridor Enhancements	9,216,875
• Intersection Improvements	1,301,250
• Resurfacing	340,625
• Road Widening	9,125,625
• Recreation	1,040,000

As of June 30, 2019 the City has expended \$18,144,517 in Capital Sales Tax funds.

**City of Florence's Capital Assets
(Net of depreciation)**

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 19,005,739	\$ 15,917,043	\$ 2,322,986	\$ 2,415,540	\$ 21,328,725	\$ 18,332,583
Buildings and Systems	29,480,982	29,701,901	217,568,084	213,073,887	247,049,066	242,775,788
Infrastructure	21,850,786	19,426,488	-	-	21,850,786	19,426,488
Machinery and Equipment	5,237,599	5,772,960	3,314,291	3,104,152	8,551,890	8,877,112
Construction in Process	18,290,845	12,929,648	7,902,052	9,861,377	26,192,897	22,791,025
Totals	<u>\$ 93,865,951</u>	<u>\$ 83,748,040</u>	<u>\$ 231,107,413</u>	<u>\$ 228,454,956</u>	<u>\$ 324,973,364</u>	<u>\$ 312,202,996</u>

Additional information on the City's capital assets can be found in note IV.C beginning on page 63 of this report.

Long-term debt. At the end of the current fiscal year, the City of Florence had total general obligation bonded debt outstanding of \$10,795,778, which is backed by the full faith and credit of the government. Other bonds totaling \$148,353,771 are backed by specified revenue sources; the remaining \$42,748,946 of the Long-term Obligations comprises capital leases and notes payable.

**City of Florence's Long-term Debt
Bonds and Notes Payable**

	Governmental activities		Business-type activities		Total	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds	\$ 10,795,778	\$ 6,046,942	\$ -	\$ -	\$ 10,795,778	\$ 6,046,942
Revenue Bonds	56,682,000	58,333,000	91,671,771	94,944,511	148,353,771	153,277,511
Notes Payable	350,000	749,554	36,923,800	35,726,808	37,273,800	36,476,362
Capital Leases	5,475,146	6,088,630	-	-	5,475,146	6,088,630
Totals	<u>\$ 73,302,924</u>	<u>\$ 71,218,126</u>	<u>\$ 128,595,571</u>	<u>\$ 130,671,319</u>	<u>\$ 201,898,495</u>	<u>\$ 201,889,445</u>

The City's total debt increased by \$9,050 (less than 1 percent) during the current fiscal year.

The City of Florence maintains an "AA-" rating from Standards & Poor's and an "Aa2" rating from Moody's for revenue obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City in the amount of \$14,115,416 exceeds the City of Florence's outstanding general obligation debt (net of amount available in the debt service fund) of \$10,012,434 by \$4,102,982.

Additional information on the City of Florence's long-term debt can be found in note IV. E and F beginning on page 65 of this report.

Economic Factors and Next Year's Budgets and Rates

In addition to the information provided below, a number of economic factors which can be found in the statistical section of this report were considered in preparing the City's budget for the 2020 fiscal year:

- Amounts available in FY 2018-19 for appropriation in the General Fund are for \$35.77 million, a decrease of 9% from the FY 2017-18 final revised budget of \$39.28 million. The City's budget amendments were reviewed earlier in this report.
- In FY 2019-20 the City's total millage rate increased to 61.8 mills due to property tax reassessment. The total millage includes 59.1 operating mills and 2.7 debt service mills. The 0.9 mill increase in total millage is due mainly to the sale of Carolinas Hospital System, a for profit hospital, to the Medical University of South Carolina (MUSC), a state agency. As state agencies are not subject to property tax, this sale removed approximately \$5.5 million of assessed value from the City's total assessed value for millage calculation.
- The Florence area unemployment rate decreased 31% from 4.5% in fiscal year 2018 to 3.1% in fiscal year 2019.

As for the City's business-type activities, we expect that the 2020 results will also improve based on the following:

- Based on recommendations of a comprehensive ten-year rate study completed by an independent rate consultant, City Council approved an ordinance in 2010 incorporating the recommended rates. This ordinance increases the water and sewer rates incrementally each year through fiscal year 2020.
- Beginning in FY 2019-20, the City will begin a 3 year process to replace approximately the 37,000 meters within the City's combined water and sewer systems which are not on the Flexnet system. This system was first installed and replaced all of the meters in the Timmons ville system after the Timmons ville system was acquired by the City of Florence in 2014. The Flexnet system will offer more accurate reading and will reduce the cost associated with reading meters.

Requests for Information

This financial report is designed to provide a general overview of the City of Florence's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Florence, 324 West Evans St., Florence South Carolina, 29501-3430.

BASIC FINANCIAL STATEMENTS

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City of Florence, South Carolina
Statement of Net Position
June 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 20,108,037	\$ 7,406,137	\$ 27,514,174
Receivables	5,457,940	6,799,507	12,257,447
Inventories	6,659,506	297,658	6,957,164
Investments	8,246,810	35,725,672	43,972,482
Restricted cash and cash equivalents	1,848,127	7,950,701	9,798,828
Restricted investments	14,703,275	-	14,703,275
Capital assets not being depreciated:			
Land	19,005,739	2,322,986	21,328,725
Construction in progress	18,290,845	7,902,052	26,192,897
Capital assets net of accumulated depreciation:			
Buildings and systems	29,480,982	217,568,084	247,049,066
Machinery and equipment	5,237,599	3,314,291	8,551,890
Infrastructure	21,850,786	-	21,850,786
TOTAL ASSETS	150,889,646	289,287,088	440,176,734
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	5,409,074	1,757,056	7,166,130
Deferred OPEB charges	829,931	291,597	1,121,528
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,239,005	2,048,653	8,287,658
LIABILITIES			
Accounts payable	2,482,728	1,308,368	3,791,096
Retainage payable	940,576	463,886	1,404,462
Accrued interest payable	247,202	1,712,334	1,959,536
Other liabilities	733,580	92,448	826,028
Unearned revenue	2,475,790	-	2,475,790
Noncurrent liabilities			
Long-term obligations - Due within one year	10,836,533	5,446,855	16,283,388
Due in more than one year -			
Long-term obligations	65,202,245	123,875,086	189,077,331
Net pension liability	30,287,864	11,636,812	41,924,676
Net OPEB liability	8,812,078	3,096,135	11,908,213
TOTAL LIABILITIES	122,018,596	147,631,924	269,650,520
DEFERRED INFLOWS OF RESOURCES			
Deferred pension credits	1,425,593	80,330	1,505,923
Deferred OPEB credits	87,224	30,646	117,870
TOTAL DEFERRED INFLOWS OF RESOURCES	1,512,817	110,976	1,623,793
NET POSITION			
Net investment in capital assets	51,255,140	102,974,482	154,229,622
Restricted			
Debt service	751,477	7,841,160	8,592,637
Community development	2,311,731	-	2,311,731
Public safety	659,852	-	659,852
Tourism	139,265	-	139,265
Unrestricted	(21,520,227)	32,777,199	11,256,972
TOTAL NET POSITION	\$ 33,597,238	\$ 143,592,841	\$ 177,190,079

The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina

Statement of Activities

Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 9,236,887	\$ 14,282,134	\$ 269,947	\$ 941,560
Public safety	14,208,407	934,158	116,816	-
Public works	6,037,673	2,255,868	-	-
Culture and recreation	4,280,394	668,220	1,031,267	-
Community development	16,067,752	-	1,294,743	-
Interest on long-term debt	2,088,378	-	-	-
Total governmental activities	<u>51,919,491</u>	<u>18,140,380</u>	<u>2,712,773</u>	<u>941,560</u>
Business-type activities:				
Water and sewer	29,139,836	36,365,890	-	125,545
Stormwater	<u>1,518,702</u>	<u>1,322,619</u>	<u>-</u>	<u>65,790</u>
Total business-type activities	<u>30,658,538</u>	<u>37,688,509</u>	<u>-</u>	<u>191,335</u>
Total primary government	<u>\$ 82,578,029</u>	<u>\$ 55,828,889</u>	<u>\$ 2,712,773</u>	<u>\$ 1,132,895</u>
General Revenues:				
Property taxes				
Hospitality taxes				
Unrestricted intergovernmental				
Investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position beginning of year				
Net position end of year				

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ 6,256,754	\$ -	\$ 6,256,754
(13,157,433)	-	(13,157,433)
(3,781,805)	-	(3,781,805)
(2,580,907)	-	(2,580,907)
(14,773,009)	-	(14,773,009)
(2,088,378)	-	(2,088,378)
<u>(30,124,778)</u>	<u>-</u>	<u>(30,124,778)</u>
-	7,351,599	7,351,599
-	<u>(130,293)</u>	<u>(130,293)</u>
-	<u>7,221,306</u>	<u>7,221,306</u>
<u>(30,124,778)</u>	<u>7,221,306</u>	<u>(22,903,472)</u>
11,022,616	-	11,022,616
4,342,184	-	4,342,184
9,152,620	-	9,152,620
837,750	930,193	1,767,943
1,366,098	1,543,536	2,909,634
3,870,000	<u>(3,870,000)</u>	<u>-</u>
<u>30,591,268</u>	<u>(1,396,271)</u>	<u>29,194,997</u>
466,490	5,825,035	6,291,525
<u>33,130,748</u>	<u>137,767,806</u>	<u>170,898,554</u>
<u>\$ 33,597,238</u>	<u>\$ 143,592,841</u>	<u>\$ 177,190,079</u>

The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>Hospitality Fund</u>	<u>Installment Purchase Rev Bond Capital Projects Fund</u>	<u>Florence County Penny II Capital Projects Fund</u>	<u>2016 TIF Construction Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 13,181,936	\$ 1,892,759	\$ 1,174,867	\$ -	\$ 909,922	\$ 2,948,553	\$ 20,108,037
Receivables							
Property taxes, less allowance for doubtful accounts	180,171	-	-	-	-	5,764	185,935
Due from other governmental agencies	3,355,355	-	-	1,169,514	-	328,967	4,853,836
Other	13,837	404,332	-	-	-	-	418,169
Due from other funds	574,464	-	-	-	-	-	574,464
Investments	8,246,810	-	-	-	-	-	8,246,810
Inventories	6,325,288	-	-	-	-	334,218	6,659,506
Restricted cash and cash equivalents	-	986,045	-	-	-	862,082	1,848,127
Restricted investments	-	-	10,989,660	-	3,713,615	-	14,703,275
TOTAL ASSETS	\$ 31,877,861	\$ 3,283,136	\$ 12,164,527	\$ 1,169,514	\$ 4,623,537	\$ 4,479,584	\$ 57,598,159
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 1,198,778	\$ 731,117	\$ -	\$ -	\$ 248,450	\$ 304,383	\$ 2,482,728
Retainage payable	84,292	80,662	-	591,923	166,108	17,591	940,576
Due to other funds	-	-	-	541,159	-	33,305	574,464
Other liabilities	733,543	-	-	-	37	-	733,580
Unearned revenue	2,475,790	-	-	-	-	-	2,475,790
TOTAL LIABILITIES	4,492,403	811,779	-	1,133,082	414,595	355,279	7,207,138
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-property taxes	78,297	-	-	-	-	-	78,297
Total deferred inflows of resources	78,297	-	-	-	-	-	78,297
Fund balances:							
Nonspendable	6,325,288	-	-	-	-	334,218	6,659,506
Restricted	-	2,471,357	12,164,527	36,432	4,208,942	3,789,712	22,670,970
Committed	-	-	-	-	-	375	375
Assigned	3,272,097	-	-	-	-	-	3,272,097
Unassigned	17,709,776	-	-	-	-	-	17,709,776
TOTAL FUND BALANCES	27,307,161	2,471,357	12,164,527	36,432	4,208,942	4,124,305	50,312,724
TOTAL LIABILITIES AND FUND BALANCES	\$ 31,877,861	\$ 3,283,136	\$ 12,164,527	\$ 1,169,514	\$ 4,623,537	\$ 4,479,584	\$ 57,598,159

The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina

Reconciliation of the Governmental Funds

Balance Sheet to the Statement of Net Position

June 30, 2019

Total fund balances for governmental funds	\$ 50,312,724
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Total net position reported for governmental activities in the Statement of Net Position is different because:

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds, reported at original cost (\$133,097,938) less accumulated depreciation (\$39,231,987).	93,865,951
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The City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to its participation in the State pension plans are not recorded in the governmental funds but are recorded in the Statement of Net Position.	(26,304,383)
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable in the funds.	78,297
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(84,355,351)</u>
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Net position of governmental activities	<u>\$ 33,597,238</u>
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The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2019

	<u>General</u>	<u>Hospitality Fund</u>	<u>Installment Purchase Rev Bond Capital Projects Fund</u>	<u>Florence County Penny II Capital Projects Fund</u>	<u>2016 TIF Construction Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues							
Property taxes	\$ 10,544,233	\$ -	\$ -	\$ -	\$ -	\$ 481,372	\$ 11,025,605
Licenses, permits and fees	14,194,184	4,342,184	-	-	-	269,758	18,806,126
Intergovernmental	4,840,786	-	-	3,555,957	-	2,210,863	10,607,606
Charges for services	3,143,544	-	-	-	-	144,075	3,287,619
Fines and forfeitures	327,772	-	-	-	-	-	327,772
Investment earnings	158,328	1,285	324,608	-	329,114	24,415	837,750
Miscellaneous	3,908,287	3,675,000	-	-	-	147,629	7,730,916
TOTAL REVENUES	37,117,134	8,018,469	324,608	3,555,957	329,114	3,278,112	52,623,394
Expenditures							
Current:							
General government	7,713,553	884,368	-	-	-	-	8,597,921
Public safety	14,347,567	-	-	-	-	235,476	14,583,043
Public works	6,486,423	-	-	-	-	-	6,486,423
Culture and recreation	3,313,499	1,014,598	-	-	-	102,797	4,430,894
Community development	-	-	3,325,133	-	11,566,962	1,196,359	16,088,454
Debt service:							
Principal	1,669,884	2,847,000	-	-	-	750,718	5,267,602
Interest	614,953	263,730	-	-	-	1,190,574	2,069,257
Capital outlay	5,558,750	1,150,527	-	3,481,692	2,459,815	907,299	13,558,083
TOTAL EXPENDITURES	39,704,629	6,160,223	3,325,133	3,481,692	14,026,777	4,383,223	71,081,677
DEFICIENCY OF REVENUES OVER EXPENDITURES	(2,587,495)	1,858,246	(3,000,525)	74,265	(13,697,663)	(1,105,111)	(18,458,283)
Other Financing Sources (Uses)							
Issuance of debt	7,100,000	-	-	-	-	-	7,100,000
Capital leases	252,400	-	-	-	-	-	252,400
Insurance proceeds	214,552	-	-	-	-	-	214,552
Transfers in	5,352,109	-	-	-	-	249,444	5,601,553
Transfers out	-	(1,260,000)	-	(113,976)	-	(357,577)	(1,731,553)
NET OTHER FINANCING SOURCES (USES)	12,919,061	(1,260,000)	-	(113,976)	-	(108,133)	11,436,952
NET CHANGES IN FUND BALANCES	10,331,566	598,246	(3,000,525)	(39,711)	(13,697,663)	(1,213,244)	(7,021,331)
Fund balances at beginning of year	16,975,595	1,873,111	15,165,052	76,143	17,906,605	5,337,549	57,334,055
FUND BALANCES AT END OF YEAR	\$ 27,307,161	\$ 2,471,357	\$ 12,164,527	\$ 36,432	\$ 4,208,942	\$ 4,124,305	\$ 50,312,724

The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2019

Net change in fund balances-total governmental funds \$ (7,021,331)

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$13,558,084) exceeded depreciation (\$3,804,859) in the current period. 9,753,225

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. 364,686

Governmental funds do not report amounts not received within 60 days of year end as revenue. However, in the Statement of Activities, amounts are recorded as revenue when earned. (2,989)

Long-term debt issued provide current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net position. Payment of long-term debt principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide Statement of Net Position. (2,084,798)

Changes in the City's proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources for the current year are not reported in the governmental funds but are reported in the Statement of Activities. (608,385)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 66,082

Change in net position of governmental activities \$ 466,490

The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina
Statement of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual
General Fund
Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget</u>
Revenues				
Property taxes	\$ 10,415,600	\$ 10,415,600	\$ 10,544,233	\$ 128,633
Licenses, permits and fees	13,185,000	13,410,000	14,194,184	784,184
Intergovernmental	3,173,800	3,190,000	4,840,786	1,650,786
Charges for services	2,577,000	2,467,500	3,143,544	676,044
Fines and forfeitures	407,600	319,500	327,772	8,272
Investment earnings	70,000	70,000	158,328	88,328
Miscellaneous	376,000	349,000	3,908,287	3,559,287
TOTAL REVENUES	<u>30,205,000</u>	<u>30,221,600</u>	<u>37,117,134</u>	<u>6,895,534</u>
Expenditures				
Current:				
General government	7,966,830	11,279,590	7,713,553	3,566,037
Public safety	15,121,830	14,682,560	14,347,567	334,993
Public works	6,903,930	6,677,580	6,486,423	191,157
Culture and recreation	3,083,740	3,396,260	3,313,499	82,761
Debt service:				
Principal	-	-	1,669,884	(1,669,884)
Interest	-	3,200	614,953	(611,753)
Capital outlay	1,286,770	3,125,440	5,558,750	(2,433,310)
TOTAL EXPENDITURES	<u>34,363,100</u>	<u>39,164,630</u>	<u>39,704,629</u>	<u>(539,999)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(4,158,100)</u>	<u>(8,943,030)</u>	<u>(2,587,495)</u>	<u>6,355,535</u>
Other Financing Sources				
Issuance of debt	-	7,100,000	7,100,000	-
Capital leases	-	-	252,400	252,400
Insurance proceeds	70,000	70,600	214,552	143,952
Transfers in	4,088,100	1,772,430	5,352,109	3,579,679
NET OTHER FINANCING SOURCES	<u>4,158,100</u>	<u>8,943,030</u>	<u>12,919,061</u>	<u>3,976,031</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>10,331,566</u>	<u>10,331,566</u>
Fund balances at beginning of year	<u>16,975,595</u>	<u>16,975,595</u>	<u>16,975,595</u>	<u>-</u>
FUND BALANCES AT END OF YEAR	<u>\$ 16,975,595</u>	<u>\$ 16,975,595</u>	<u>\$ 27,307,161</u>	<u>\$ 10,331,566</u>

The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina

Statement of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

Hospitality Fund

Year Ended June 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final</u>
				<u>Budget</u>
Revenues				
Licenses, permits and fees	\$ 4,240,000	\$ 4,240,000	\$ 4,342,184	\$ 102,184
Investment earnings	5,000	5,000	1,285	(3,715)
Miscellaneous	2,000,000	2,000,000	3,675,000	1,675,000
TOTAL REVENUES	<u>6,245,000</u>	<u>6,245,000</u>	<u>8,018,469</u>	<u>1,773,469</u>
Expenditures				
Current:				
General government	1,411,100	1,426,600	884,368	542,232
Culture and recreation	1,362,500	1,362,500	1,014,598	347,902
Debt service:				
Principal	3,411,400	3,411,400	2,847,000	564,400
Interest	-	-	263,730	(263,730)
Capital Outlay	60,000	87,000	1,150,527	(1,063,527)
TOTAL EXPENDITURES	<u>6,245,000</u>	<u>6,287,500</u>	<u>6,160,223</u>	<u>127,277</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>(42,500)</u>	<u>1,858,246</u>	<u>1,900,746</u>
Other Financing Sources (Uses)				
Transfers in (out)	-	42,500	(1,260,000)	(1,302,500)
NET OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>42,500</u>	<u>(1,260,000)</u>	<u>(1,302,500)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>598,246</u>	<u>598,246</u>
Fund balance at beginning of year	<u>1,873,111</u>	<u>1,873,111</u>	<u>1,873,111</u>	<u>-</u>
FUND BALANCE AT END OF YEAR	<u>\$ 1,873,111</u>	<u>\$ 1,873,111</u>	<u>\$ 2,471,357</u>	<u>\$ 598,246</u>

The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-type Activities - Enterprise Funds		
	Major Fund	Non-Major Fund	
	Water and	Stormwater	
	Sewer Fund	Utility Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,898,710	\$ 1,507,427	\$ 7,406,137
Accounts receivable, net	5,609,851	107,682	5,717,533
Due from other governmental agencies	1,081,974	-	1,081,974
Investments	35,338,235	387,437	35,725,672
Inventories	297,658	-	297,658
Restricted cash and cash equivalents	7,919,149	31,552	7,950,701
Total current assets	56,145,577	2,034,098	58,179,675
Noncurrent assets:			
Capital assets			
Land	2,010,032	312,954	2,322,986
Buildings and system	306,788,621	7,276,938	314,065,559
Construction in progress	7,842,956	59,096	7,902,052
Machinery and equipment	8,635,261	1,623,109	10,258,370
Less accumulated depreciation	(96,475,567)	(6,965,987)	(103,441,554)
Total capital assets (net of accumulated depreciation)	228,801,303	2,306,110	231,107,413
Total noncurrent assets	228,801,303	2,306,110	231,107,413
TOTAL ASSETS	284,946,880	4,340,208	289,287,088
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension charges	1,639,919	117,137	1,757,056
Deferred OPEB charges	280,382	11,215	291,597
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,920,301	128,352	2,048,653
LIABILITIES			
Current liabilities:			
Accounts payable	1,295,822	12,546	1,308,368
Retainage payable	459,192	4,694	463,886
Accrued interest	1,710,821	1,513	1,712,334
Other liabilities	87,828	4,620	92,448
Compensated absences - current	144,000	2,700	146,700
Notes payable - current	2,447,591	-	2,447,591
Revenue bonds payable - current	2,517,564	335,000	2,852,564
Total current liabilities	8,662,818	361,073	9,023,891
Noncurrent liabilities:			
Accrued compensated absences	552,388	27,282	579,670
Notes payable	34,476,209	-	34,476,209
Revenue bonds payable	88,469,207	350,000	88,819,207
Net pension liability	10,861,024	775,788	11,636,812
Net OPEB liability	2,977,053	119,082	3,096,135
Total noncurrent liabilities	137,335,881	1,272,152	138,608,033
TOTAL LIABILITIES	145,998,699	1,633,225	147,631,924
DEFERRED INFLOWS OF RESOURCES			
Deferred pension credits	74,974	5,356	80,330
Deferred OPEB credits	29,468	1,178	30,646
TOTAL DEFERRED INFLOWS OF RESOURCES	104,442	6,534	110,976
NET POSITION			
Net investment in capital assets	101,353,372	1,621,110	102,974,482
Restricted for debt service	7,841,160	-	7,841,160
Unrestricted	31,569,508	1,207,691	32,777,199
TOTAL NET POSITION	\$ 140,764,040	\$ 2,828,801	\$ 143,592,841

The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2019

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>Water and</u>	<u>Stormwater</u>	
	<u>Sewer Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Operating Revenues			
Current use charges	\$ 35,410,623	\$ -	\$ 35,410,623
Miscellaneous	1,533,696	9,840	1,543,536
Water and sewer tap fees	955,267	-	955,267
Stormwater service fees	-	1,322,619	1,322,619
Total operating revenues	<u>37,899,586</u>	<u>1,332,459</u>	<u>39,232,045</u>
Operating Expenses			
Personnel	5,298,212	226,188	5,524,400
Employee benefits	2,860,079	101,186	2,961,265
Purchased services	6,648,760	433,009	7,081,769
Supplies and materials	1,662,464	8,122	1,670,586
Other operating expenses	1,575,492	46,127	1,621,619
Depreciation and amortization	8,731,231	427,112	9,158,343
Total operating expenses	<u>26,776,238</u>	<u>1,241,744</u>	<u>28,017,982</u>
Operating Income	<u>11,123,348</u>	<u>90,715</u>	<u>11,214,063</u>
Nonoperating Revenues (Expenses)			
Investment earnings	914,247	15,946	930,193
Economic development	(975,184)	-	(975,184)
Miscellaneous revenues	2,182,166	-	2,182,166
Gain (loss) on disposal of assets	21,504	(250,911)	(229,407)
Interest expense	(3,592,084)	(26,047)	(3,618,131)
Total nonoperating revenues (expenses)	<u>(1,449,351)</u>	<u>(261,012)</u>	<u>(1,710,363)</u>
Income Before Transfers and Capital Contributions	<u>9,673,997</u>	<u>(170,297)</u>	<u>9,503,700</u>
Capital Contributions	<u>125,545</u>	<u>65,790</u>	<u>191,335</u>
Income Before Transfers	<u>9,799,542</u>	<u>(104,507)</u>	<u>9,695,035</u>
Transfers			
Transfers out	(3,760,000)	(110,000)	(3,870,000)
Total transfers	<u>(3,760,000)</u>	<u>(110,000)</u>	<u>(3,870,000)</u>
Changes in Net Position	<u>6,039,542</u>	<u>(214,507)</u>	<u>5,825,035</u>
Net position at beginning of year	<u>134,724,498</u>	<u>3,043,308</u>	<u>137,767,806</u>
NET POSITION AT END OF YEAR	<u>\$ 140,764,040</u>	<u>\$ 2,828,801</u>	<u>\$ 143,592,841</u>

The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina

Statement of Cash Flows

Proprietary Funds

Year Ended June 30, 2019

	Business-type Activities - Enterprise Funds		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>Water and</u>	<u>Stormwater</u>	
	<u>Sewer Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Cash flows from operating activities			
Receipts from customers and users	\$ 39,526,846	\$ 1,334,264	\$ 40,861,110
Payments to employees for services	(5,316,983)	(240,906)	(5,557,889)
Payments to suppliers for goods and services	(13,736,702)	(582,698)	(14,319,400)
Other receipts	3,715,862	9,840	3,725,702
Net cash provided by operating activities	24,189,023	520,500	24,709,523
Cash flows from noncapital financing activities			
Transfers out	(3,760,000)	(110,000)	(3,870,000)
Net cash used in noncapital financing activities	(3,760,000)	(110,000)	(3,870,000)
Cash flows from capital and related financing activities			
Acquisition and construction of capital assets	(10,464,400)	(148,565)	(10,612,965)
Principal payments on revenue bonds and notes	(5,255,918)	(325,000)	(5,580,918)
Proceeds from issuance of bonds and notes	3,505,170	-	3,505,170
Interest on bonds and notes	(3,613,737)	(26,764)	(3,640,501)
Net cash used in capital and related financing activities	(15,828,885)	(500,329)	(16,329,214)
Cash flows from investing activities			
Investment purchases	(5,080,483)	278,055	(4,802,428)
Investment income	914,247	15,946	930,193
Net cash provided (used) by investing activities	(4,166,236)	294,001	(3,872,235)
Net increase in cash and cash equivalents	433,902	204,172	638,074
Cash and cash equivalents at beginning of year	13,383,957	1,334,807	14,718,764
Cash and cash equivalents at end of year	\$ 13,817,859	\$ 1,538,979	\$ 15,356,838
Reconciliation to Statement of Net Position:			
Cash and cash equivalents	\$ 5,898,710	\$ 1,507,427	\$ 7,406,137
Restricted cash and cash equivalents	7,919,149	31,552	7,950,701
Total cash and cash equivalents	\$ 13,817,859	\$ 1,538,979	\$ 15,356,838

	Business-type Activities - Enterprise Funds		
	<u>Major Fund</u>	<u>Non-Major Fund</u>	
	<u>Water and</u>	<u>Stormwater</u>	
	<u>Sewer Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Reconciliation of operating income to cash flow provided by operating activities:			
Operating income	\$ 11,123,348	\$ 90,715	\$ 11,214,063
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	8,665,859	427,112	9,092,971
Amortization	65,372	-	65,372
Non-cash pension expense	346,963	24,784	371,747
(Increase) decrease in:			
Receivables	3,161,256	11,645	3,172,901
Prepaid expenses	92,632	-	92,632
Inventories	(70,552)	-	(70,552)
Increase (decrease) in:			
Accounts payable	721,202	(5,810)	715,392
Retainage payable	101,714	(13,228)	88,486
Accrued expenses	(7,202)	(24)	(7,226)
Compensated absences	(11,569)	(14,694)	(26,263)
Net cash provided by operating activities	<u>\$ 24,189,023</u>	<u>\$ 520,500</u>	<u>\$ 24,709,523</u>
Non-cash Investing, Capital and Financing Activities:			
Contributed assets	<u>\$ 125,545</u>	<u>\$ 65,790</u>	<u>\$ 191,335</u>

The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina

Statement of Fiduciary Net Position

Agency Funds

June 30, 2019

Assets

Cash and cash equivalents	\$	353,951
Investments		<u>63,737</u>

TOTAL ASSETS	\$	<u>417,688</u>
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Liabilities

Due to others	\$	<u>417,688</u>
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TOTAL LIABILITIES	\$	<u>417,688</u>
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The notes to the financial statements are an integral part of these financial statements.

City of Florence, South Carolina

Notes To Financial Statements

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Florence, South Carolina conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standards setting body for governmental accounting and financial reporting. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Chartered in 1890, the City of Florence operates under a council-manager form of government and provides the following services: public safety, streets, sanitation, culture and recreation, building inspections and permitting, codes enforcement, planning and zoning, public improvements, water and sewer, stormwater and general administrative services.

As required by GAAP, the financial statements must present the City of Florence's financial information with any of its component units. The primary criterion for determining inclusion or exclusion of a legally separate entity (component unit) is financial accountability, which is presumed to exist if the City of Florence both appoints a voting majority of the entity's governing body, and either 1) the City of Florence is able to impose its will on the entity or, 2) there is a potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the City of Florence. If either or both of the foregoing conditions are not met, the entity could still be considered a component unit if it is fiscally dependent on the City of Florence and there is a potential that the entity could either provide specific financial benefits to, or to impose specific financial burdens on the City of Florence.

In order to be considered fiscally independent an entity must have the authority to do all of the following: (a) determine its budget without the City of Florence having the authority to approve or modify that budget; (b) levy taxes or set rates or charges without approval by the City of Florence; and (c) issue bonded debt without approval by the City of Florence. An entity has a financial benefit or burden relationship with the City of Florence if, for example, any one of the following conditions exists: (a) the City of Florence is legally entitled to or can otherwise access the entity's resources, (b) the City of Florence is legally obligated or has otherwise assumed the obligation to finance the deficits, or provide financial support to, the entity, or (c) the City of Florence is obligated in some manner for the debt of the entity. Finally, an entity could be a component unit even if it met all the conditions described above for being fiscally independent if excluding it would cause the City of Florence's financial statements to be misleading.

Blended component units, although legally separate entities, are in substance, part of the government's operations and data from these units are combined with data of the primary government in the fund financial statements. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City of Florence. Based on the criteria above, the City reports one blended component unit but has no component units to discretely present. The blended component unit does not issue separate financial statements.

Blended component unit – City of Florence Public Facilities Corporation is a single purpose corporate entity which is prohibited from engaging in any business other than to construct, own and lease facilities to be used for essential City functions in connection with the issuance of tax-exempt certificates of participation, limited obligation bonds and installment purchase revenue bonds to finance such facilities. Since the corporation is governed by a board of directors appointed by City Council and solely exists for the benefit of the City, then the data of the component unit are blended with the data of the City. The reported fund is the Installment Purchase Revenue Bond Capital Projects Fund.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The City is responsible for appointing the members of the board of the Housing Authority of Florence, but the City's accountability for this organization does not extend beyond making appointments.

The City is a participant with Florence County in a joint venture to operate the Florence Center. Both the City and County contributed \$637,307 as its share of the debt-service of the Florence Center for the fiscal year ended June 30, 2019. Any additional funding shortfall is to be paid equally by the City and County. The Florence Center Commission is comprised of nine members, four appointed by the City, four appointed by the County, and one by the members of the Commission. Neither of the participating governments have any equity interest in the joint venture; therefore, no equity interest has been reflected in the financial statements. Complete financial statements for the Florence Center can be obtained from the Director at 3300 West Radio Drive, Florence, South Carolina 29501.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all non-fiduciary activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is to be reported separately from certain legally separate component units for which the primary government is financially accountable. The City of Florence reports no legally separate component units other than the above mentioned blended component unit.

The statement of activities demonstrates the degree to which direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been eliminated for the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which are comprised of each fund's assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are summarized into a single column. The various fund categories and fund types presented in the financial statements are described below:

Governmental Fund Types

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

Governmental Fund Types (Continued)

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources other than major capital projects that are legally restricted to expenditures for specified purposes. The funds consist of Hospitality, Rollcart and Equipment Replacement, Housing Partnership, HOME Program, Community Development Block Grant, E-911, Victims Services, Drug Control, Federal Equitable Sharing, NSP Grant, Neighborhood Improvement Program, Accommodation Tax, Public Safety Grants, NSP-3, Neighborhood Redevelopment, JAG Grant and Sunday Local Option Revenue Fund.

Debt Service Funds - Debt Service Funds are governmental funds that are used to account for funds needed to make principal and interest payments on outstanding debt issues. The funds consist of the TIF Revenue and Debt Service and Other Debt Service Funds.

Capital Projects Funds - Capital Project Funds are governmental funds that are used to account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds. The funds consist of the 2016 TIF Construction Projects, Florence County Penny Tax II and the Installment Purchase Revenue Bond Capital Projects Fund.

Proprietary Fund Types

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. These funds consist of Water and Sewer Utilities and Stormwater Utility Funds.

Fiduciary Fund Types

Agency Funds - Agency Funds are used to account for assets held by the City as an agent for individuals and other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds consist of Court Escrow, Fire Trust, Veterans Park Development, Narcotics Holding Funds, Florence Area Humane Society, Eat Smart Move More and Police Benevolence Fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total column. Interfund services provided and used are not eliminated. Governmental activities which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Governmental Fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Taxpayer-assessed property taxes and other sources of funds are considered "measurable" when in the hands of intermediary collecting governments and are recognized as revenue at that time or if they are collected within 60 days of year end. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major government funds: *General Fund*. This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund: *Hospitality Fund*. This fund is used to account for a 2% Hospitality Fee assessed on prepared food and beverages within the City. *Installment Purchase Revenue Bond Capital Projects Fund*. This fund is used to account for the financial resources that are restricted, committed, or assigned through proceeds from the sale of installment purchase revenue bonds to fund expenditures associated with the purchase of and improvements made to City owned facilities. *2016 TIF Construction Capital Projects Fund*. This fund is used to account for revenues received and paid from the TIF funds. *Florence County Penny Tax II*. This fund is used to account for various construction projects paid from the penny tax collections.

The City reports the following major enterprise fund: *Water and Sewer*. This fund is used to account for transactions relating to the operations of the City water and sewer system.

New Accounting Pronouncements

During the fiscal year ended June 30, 2019, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

The primary objective of Statement 83 is to enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain ARO's, including obligations that may not have been previously reported.

The primary objective of Statement 84 is to increase consistency in accounting and financial reporting for debt extinguishments.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

New Accounting Pronouncements (Continued)

The primary objective of Statement 88 is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements.

The GASB has issued the following new statements:

- Statement No. 87, *Leases*, which will be effective for the year ending June 30, 2021;
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which will be effective for the year ending June 30, 2021;
- Statement No. 90, *Majority Equity Interest – an amendment of GASB Statements No. 14 and No. 61*, which will be effective for the year ending June 30, 2020; and
- Statement No. 91, *Conduit Debt Obligations*, which will be effective for the year ending June 30, 2022.

The City is currently reviewing these statements and plans on adoption, as required.

D. Assets, Liabilities, and Net Position/Fund Balance

1. Cash and Investments

Cash and cash equivalents, as reported in the statement of cash flows, includes checking accounts, money market accounts and certificates of deposits with an original maturity of three months or less. The City is authorized to invest in obligations of the U. S. Treasury and U. S. Agencies and instrumentalities, repurchase agreements, certificates of deposit and the state treasurer's investment pool.

All investments are reported at fair value. The fair value of U. S. Government securities is based on sales prices or bid-and-asked quotations on national securities exchanges or in the over-the counter market. The City owns no identifiable securities, but is a shareholder of a percentage of the South Carolina Local Government Investment Pool. Fair value was provided by the South Carolina Local Government Investment Pool and is the same as the value of the pool shares.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Property tax and accounts receivables are shown net of an allowance for uncollectibles.

3. Inventories and Prepaid Items

Inventories are valued at cost, which approximates market, using the average cost method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased. Inventory in the General Fund consist of supplies held for consumption and real property held for resale for economic development or the City's neighborhood redevelopment program. Inventory in the Enterprise Fund consist of supplies held for consumption. Inventory in the Rollcart and Equipment Replacement fund consist of rollcars and recycling bins held for future use. Certain payments made to vendors reflects costs from services applicable to future accounting periods and are recorded as prepaid expenditures in the government-wide and fund financial statements. The consumption method of accounting is used to record prepaid expenditures proportionately over the periods that the services are provided.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

4. Restricted Assets

Certain proceeds of the City's Governmental Fund and Enterprise Fund capital lease and revenue bond debt are classified as restricted assets on the statement of net position because they represent unspent proceeds of capital debt or debt service reserve funds. Unspent grant funds received in the governmental funds are also classified as restricted assets in the statement of net position.

5. Capital Assets

Governmental Funds

Capital outlays are recorded as expenditures on the governmental fund financial statements and as assets on the government-wide financial statements to the extent the City's capitalization threshold of \$8,000 for equipment and site improvements, \$15,000 for buildings and building improvements and \$50,000 for infrastructure is met. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively to 1980.

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Management estimates historical cost when necessary. Donated assets are valued at their acquisition value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements that produce permanent benefits, such as fill and grading costs that ready land for structures and landscaping, are capitalized but not depreciated. Improvements that are considered part of a structure or that deteriorate with use or the passage of time, such as parking lots, fencing, modern greens and certain other golf course improvements, are depreciated. Impaired capital assets are written down or off, based on the nature and extent of damage, deterioration or other impairment.

Proprietary Fund Types

Capital outlays of the proprietary funds are recorded as capital assets on both the fund basis and the government-wide basis. Capital assets are stated at cost or estimated original cost based on management estimates, net of accumulated depreciation. Donated capital assets are recorded at their acquisition value at the date of receipt. Repairs and maintenance are charged to expense when incurred. When capital assets are sold or retired, the cost of the assets and the related accumulated depreciation are eliminated, and a gain or loss is recognized.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives:

Buildings and system	3-60 years
Machinery and equipment	3-20 years
Infrastructure	10-30 years

6. Unearned and Unavailable Revenues

In the government-wide financial statements, and in the governmental fund types and the proprietary fund types in the fund financial statements, certain assets are recognized in connection with a transaction before the earnings process is complete. These assets are generally offset by a corresponding liability for unearned revenue. Unearned revenue in the government-wide statements and in the fund financial statements, governmental funds, is represented by various deposits on contracts. In the fund financial statements governmental funds report certain assets that are not yet available to finance expenditures for the current fiscal period and are classified as unavailable revenue and reported as a deferred inflow of resources. Unavailable revenue in the governmental funds is primarily represented by taxes receivable and amounts due from other governments.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

7. Property Taxes

City of Florence millage rates are set each year by the City Council as part of the annual budgeting process. Following a public hearing and two readings of a budget ordinance, the City's annual budget is adopted and millage rate set to become effective on July 1.

Assessed values are established by the Florence County Assessor and the South Carolina Department of Revenue and were approximately \$176.4 million for the 2018 tax year. The City's property tax rate for fiscal year 2019 was 60.9 mils (operating 58.1, debt service 2.8). Property taxes are billed and collected by Florence County under a joint billing and collection agreement.

All property taxes, with the exception of vehicle taxes, are mailed in October of each year and are levied on the assessed value established as of the prior January 1. The lien date is December 31 of each year. These property taxes are due and payable by January 15 of each year. A 3% penalty is assessed on unpaid taxes on January 16. On February 2, unpaid taxes are assessed an additional 7% for a total of 10%. On March 17, unpaid taxes are assessed an additional 5% for a total of 15%, and additional collection costs are added. Unpaid delinquent property taxes for real property and mobile homes may be subject to collection through a public property sale by Florence County.

Vehicle property tax notices are mailed monthly and are due and payable in conjunction with vehicle registration through the South Carolina Department of Motor Vehicles. Payment of vehicle property tax is required as a condition of annual vehicle registration with the Department of Motor Vehicles.

8. Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned, but unused vacation and sick leave, which may be paid to employees upon separation from the City's service. Accumulated unpaid vacation and sick leave pay is accrued when incurred in the government-wide and proprietary financial statements. Compensated absences that are expected to be liquidated with expendable financial resources as a result of employee resignations and retirements as of the end of the fiscal year are reported as an expenditure and a fund liability of the government fund that will pay it.

9. Short-Term and Long-Term Obligations and Interest Expense

In the government-wide financial statements and proprietary fund financial statements, short-term debt, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums and discounts, as well as bond insurance, are deferred and amortized over the term of the bonds using the straight-line method which approximates the bonds outstanding method. Bonds payable are reported net of the applicable premium or discount. Bond insurance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

9. Short-Term and Long-Term Obligations and Interest Expense (Continued)

In the proprietary funds (and for the governmental funds, in the government-wide statements) the difference between the re-acquisition price (new debt) and the net carrying value of the old debt on refunded debt transactions is shown as a deferred outflow or inflow of resources and amortized as a component of interest expense using the bonds outstanding method over the shorter of the remaining life of the old debt or the life of the new debt.

10. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City currently has two types of deferred outflows of resources. The City reports *deferred pension charges* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and the South Carolina Police Officers Retirement System and *deferred OPEB charges* with its defined benefit post-employment healthcare plan. These deferred charges are either (a) recognized in the subsequent period as a reduction of the net pension liability (which includes pension contributions made after the measurement date) or (b) amortized in a systematic and rational method as pension expense in future periods in accordance with GAAP.

In addition to liabilities, the Statement of Net Position and the Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City currently has three types of deferred inflows of resources: (1) The City reports *unavailable revenue – property taxes* only in the governmental funds Balance Sheet; it is deferred and recognized as an inflow of resources (property tax revenues) in the period the amounts become available. (2) The City also reports *deferred pension credits* in its Statements of Net Position in connection with its participation in the South Carolina Retirement System and South Carolina Police Officers Retirement System and (3) *Deferred OPEB credits* with its defined benefit post-employment healthcare plan. These *deferred pension credits* are amortized in a systematic and rational method and recognized as a reduction of pension expense in future periods in accordance with GAAP.

11. Net Position/Fund Balance

Government-wide Statements

Equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – Consists of all other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

11. Net Position/Fund Balance (Continued)

Fund Statements

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds.

The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are either not in spendable form, such as supplies inventories, or are legally or contractually required to be maintained intact, such as principal donated to the City to be invested and held in a permanent fund from which only the investment earnings can be spent. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances). Enabling legislation includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by an adopted ordinance of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council. Through the budget ordinance adopted annually by City Council, the City Manager is authorized to assign fund balances.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

11. Net Position/Fund Balance (Continued)

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

12. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

13. Pensions

In government-wide financial statements, pensions are required to be recognized and disclosed using the accrual basis of accounting (See Note V.A and the required supplementary information immediately following the notes to the financial statements for more information), regardless of the amount recognized as pension expenditures on the modified accrual basis of accounting. The City recognizes a net pension liability for each qualified pension plan in which it participates, which represents the excess of the total pension liability over the fiduciary net position of the qualified pension plan, or the City's proportionate share thereof in the case of a cost-sharing multiple-employer plan, measured as of the City's fiscal year-end. Changes in the net pension liability during the period are recorded as pension expense, or as deferred outflows or inflows of resources depending on the nature of the change, in the period incurred. Those changes in net pension liability that are recorded as deferred outflows or inflows of resources that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and recorded as a component of pension expense beginning with the period in which they are incurred. Projected earnings on qualified pension plan investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred outflows or inflows of resources and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

14. Other Post-Employment Benefits

Other post-employment Benefits ("OPEB") cost for retiree healthcare and similar, non-pension retiree benefits, is required to be measured and disclosed using the accrual basis of accounting (see Note V.B for more information), regardless of the amount recognized as OPEB expense on the modified accrual basis of accounting. Annual OPEB cost is equal to the annual required contributions to the OPEB Plan, calculated in accordance with GASB Statement No. 75.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

15. Fair Value

The fair value measurement and disclosure framework provides for a three-tier fair value hierarchy that gives highest priority to quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City can access at the measurement date.

Level 2 – Inputs to the valuation methodology, other than quoted prices included in Level 1, that are observable for an asset or liability either directly or indirectly and include:

- Quoted prices for similar assets and liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted market prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs to the valuation methodology that are unobservable for an asset or liability and include:

- Fair value is often based on developed models in which there are few, if any, observable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of future net realizable values or reflective of future fair values. The City believes that the valuation methods used are appropriate and consistent with GAAP. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There have been no significant changes from the prior year in the methodologies used to measure fair value.

16. Tax Abatement Agreements

During the year ended June 30, 2017, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 77, *Tax Abatement Disclosures*. This statement requires the City to disclose information for any tax abatement agreements either entered into by the City, or agreements entered into by other governments that reduce the City's tax revenues. As of June 30, 2019, the City did not have any such agreements, either entered into by the City or other governments that exceeded the quantitative threshold for disclosure.

17. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. The principal operating revenues for the City's proprietary funds are charges to customers in the form of fees for sales and services. Operating expenses for the proprietary funds include contractual management services, salaries and benefits, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities, and Net Position/Fund Balance (Continued)

18. Lease Accounting

Revenue from land and building rentals or other leased sites is accounted for under the operating lease method. Leases are normally for periods of one to ten years with options to renew. However certain leases associated with economic development initiatives, where long-term bonded debt was issued, cover periods for the repayment of such indebtedness. Lease costs are deferred and amortized to expenses over the life of the lease.

19. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without the requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to funds that initially paid for them are not presented on the financial statements. Interfund loans may occur between two funds. Short-term interfund loans outstanding at year-end are recorded as interfund receivables/payables and are expected to be paid within one year. Advances to/from other funds represent long-term interfund loans receivable and payable. Reimbursements result when one fund makes an expenditure on behalf of another. Reimbursements reduce expenditures in the reimbursed fund and increase those in the reimbursing fund.

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes reconciliation between fund balance-total governmental funds and net position-governmental activities as reported in the government-wide statement of net position. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this difference are as follows:

Accrued interest payable	\$ (247,202)
Capital leases payable	(5,475,146)
Notes payable	(350,000)
General obligation bonds payable	(10,795,778)
Revenue bonds payable	(56,682,000)
Compensated absences	(2,735,854)
OPEB liability payable	<u>(8,069,371)</u>
Net adjustment to reduce fund balance-total governmental funds to arrive at net position-governmental activities	<u>\$ (84,355,351)</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Reconciliation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between net changes in fund balances-total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation states that "Governmental funds do not report amounts not received within 60 days of year end as revenue. However, in the statement of activities, amounts are recorded as revenue when earned." The details of this \$(2,989) difference are as follows:

Deferred revenue – current year	\$ 78,297
Deferred revenue – prior year	<u>(81,286)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (2,989)</u>

Another element of that reconciliation states that "Long-term debt issued provides current financial resources to governmental funds, but incurring debt increases long-term liabilities in the statement of net position. Payment of long-term debt principal is an expenditure in governmental funds, but the payment reduces long-term liabilities in the government-wide statement of net position." The details of this \$(2,084,798) difference are as follows:

Issuance of debt	\$ (7,352,400)
Payment of long-term debt principal	<u>5,267,602</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (2,084,798)</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this \$66,082 difference are as follows:

Compensated absences – current year	\$ (2,735,854)
Compensated absences – prior year	2,679,075
Accrued interest – current year accrual	(247,202)
Accrued interest – prior year accrual	266,323
Net OPEB liability – current year accrual	<u>103,740</u>
Net adjustment to increase net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 66,082</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Formal budgetary integration is employed as a management control device during the year for the General Fund, Hospitality Fund and Enterprise Funds. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Legal budgets are adopted only for the General Fund, Hospitality Fund and Enterprise Funds. Thus, the budgetary financial statements included in this report do not include non-budgeted Special Revenue Funds or Agency Funds.
2. The City Council approves, by ordinance, total budget appropriations only. The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter the total appropriations of any fund must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations; however, for report purposes, this level has been expanded to a functional basis (general government, capital outlay, etc.).
3. Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.
4. The budget amounts shown in the financial statements are the original amounts and the final authorized amounts as revised during the year.

There are a number of limitations and restrictions contained in the various bond indentures in the Enterprise Fund. The City is in compliance with all significant limitations and restrictions.

For the fiscal year ended June 30, 2019, the City had no expenditures that exceeded appropriations at the legal level of budgetary control and no fund deficits in its individual funds.

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the City's deposits might not be recovered. The City's policy requires deposits to be secured by collateral, obligations of the U.S. Treasury and U.S. Agencies and instrumentalities, State of South Carolina or South Carolina local governments, valued at market or par, whichever is lower, less the amount of insurance (FDIC).

At June 30, 2019, the City's bank balance was \$29,542,172, all of which was collateralized with securities held by the pledging financial institutions' trust department or agent in the City's name.

Restricted cash of \$1,848,127 at June 30, 2019, in the Governmental Funds is comprised of grant funds. Restricted cash of \$7,950,701 in the Enterprise Fund includes \$462,640 of unspent proceeds of revenue bonds to be used for the purchase and construction of capital assets.

In February, 2017, the City awarded its cash management contract to First Citizens Bank for the next five years.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

A. Deposits and Investments (Continued)

Investments

As of June 30, 2019, the City had the following investments.

	Fair Value	Investment Maturities (in years)		Credit Ratings
		Less than 1	1 - 5	
South Carolina Local Government Investment Pool	<u>\$ 58,675,757</u>	<u>\$ 58,675,757</u>	<u>\$ -</u>	N/A

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the maturity of its investment portfolio to less than three years.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities be held by a third-party custodian in the name of the City. As a result, as of June 30, 2019, none of the City's investments are exposed to custodial credit risk.

Concentrations of Credit Risk

The City places no limit on the amount that the City may be invested in any one issuer or type of investment. Credit quality distribution for securities with credit exposure as a percentage of total investments are as follows. As of June 30, 2019, all of the City's investments were with the South Carolina Local Government Investment Pool which is exempt from risk categorization because third-party custodians take delivery of the investment securities. South Carolina Local Government Investment Pool is exempt from registration with the SEC under the Investment Company Act of 1940 because of the provisions of Section 2B and is not subject to any regulatory oversight. The City owns no identifiable securities, but is a shareholder of a percentage of the South Carolina Local Government Investment Pool. Fair value was provided by the South Carolina Local Government Investment Pool and is the same as the value of the pool shares.

Credit Risk

The City is authorized to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, repurchase agreements, certificates of deposit, and the state treasurer's investment pool. As of June 30, 2019, none of the City's investments are exposed to credit risk.

City of Florence, South Carolina
Notes To Financial Statements - Continued
June 30, 2019

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

B. Receivables

Receivables as of June 30, 2019, for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities	General	Hospitality	Florence County Penny II Capital Projects	Non-major Governmental Funds	Total Governmental Activities
Taxes	\$ 242,557	\$ -	\$ -	\$ 26,531	\$ 269,088
Intergovernmental	3,355,355	-	1,169,514	308,200	4,833,069
Other	13,837	404,332	-	-	418,169
Gross receivables	3,611,749	404,332	1,169,514	334,731	5,520,326
Less: Allowance for uncollectibles	(62,386)	-	-	-	(62,386)
Total receivables (net)	<u>\$ 3,549,363</u>	<u>\$ 404,332</u>	<u>\$ 1,169,514</u>	<u>\$ 334,731</u>	<u>\$ 5,457,940</u>
Business-Type Activities	Water and Sewer	Stormwater Utility	Total Business-type Activities		
Accounts receivable	\$ 5,805,072	\$ 111,784	\$ 5,916,856		
Intergovernmental	1,081,974	-	1,081,974		
Gross receivables	6,887,046	111,784	6,998,830		
Less: Allowance for uncollectibles	(195,221)	(4,102)	(199,323)		
Total receivables (net)	<u>\$ 6,691,825</u>	<u>\$ 107,682</u>	<u>\$ 6,799,507</u>		

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At June 30, 2019, the various components of deferred inflows and unearned revenue in the governmental funds and activities were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable	\$ 78,297	\$ -
Grant drawdowns prior to meeting eligibility requirements - recreation	-	5,010
Local option sales tax receivable	-	2,470,780
	<u>\$ 78,297</u>	<u>\$ 2,475,790</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

C. Capital Assets

A summary of the changes in the City's capital assets for governmental activities is as follows:

	Balances June 30, 2018	Increases	Decreases	Transfers	Balances June 30, 2019
Capital assets not being depreciated:					
Land	\$ 15,917,043	\$ 3,377,794	\$ 289,098	\$ -	\$ 19,005,739
Construction in progress	12,929,648	9,494,638	17,775	(4,115,666)	18,290,845
Total capital assets not being depreciated	28,846,691	12,872,432	306,873	(4,115,666)	37,296,584
Capital assets being depreciated:					
Buildings	35,267,816	92,567	321,464	828,220	35,867,139
Machinery and equipment	19,627,825	968,144	732,594	61,837	19,925,212
Infrastructure	36,189,587	566,500	-	3,252,916	40,009,003
Total capital assets being depreciated	91,085,228	1,627,211	1,054,058	4,142,973	95,801,354
Less accumulated depreciation for:					
Buildings	(5,565,915)	(880,241)	(59,999)	-	(6,386,157)
Machinery and equipment	(13,854,865)	(1,529,500)	(723,668)	(26,916)	(14,687,613)
Infrastructure	(16,763,099)	(1,395,118)	-	-	(18,158,217)
Total accumulated depreciation	(36,183,879)	(3,804,859)	(783,667)	(26,916)	(39,231,987)
Total capital assets being depreciated, net	54,901,349	(2,177,648)	270,391	4,116,057	56,569,367
Governmental activities capital assets, net	\$ 83,748,040	\$ 10,694,784	\$ 577,264	\$ 391	\$ 93,865,951

A summary of the City's capital balances for business-type activities is as follows:

	Balances June 30, 2018	Increases	Decreases	Transfers	Balances June 30, 2019
Capital assets not being depreciated:					
Land	\$ 2,415,540	\$ -	\$ 92,554	\$ -	\$ 2,322,986
Construction in progress	9,861,378	10,878,369	95,323	(12,742,372)	7,902,052
Total capital assets not being depreciated	12,276,918	10,878,369	187,877	(12,742,372)	10,225,038
Capital assets being depreciated:					
Buildings and system	302,079,352	191,335	947,500	12,742,372	314,065,559
Machinery and equipment	9,462,462	1,047,546	224,330	(27,308)	10,258,370
Total capital assets being depreciated	311,541,814	1,238,881	1,171,830	12,715,064	324,323,929

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

C. Capital Assets (Continued)

	Balances				Balances
	June 30, 2018	Increases	Decreases	Transfers	June 30, 2019
Less accumulated depreciation for:					
Buildings and system	(89,005,466)	(8,257,905)	(765,896)	-	(96,497,475)
Machinery and equipment	(6,358,310)	(835,066)	(222,380)	26,917	(6,944,079)
Total accumulated depreciation	(95,363,776)	(9,092,971)	(988,276)	26,917	(103,441,554)
Total capital assets being depreciated, net	216,178,038	(7,854,090)	183,554	12,741,981	220,882,375
Business-type activities capital assets, net	<u>\$ 228,454,956</u>	<u>\$ 3,024,279</u>	<u>\$ 371,431</u>	<u>\$ (391)</u>	<u>\$ 231,107,413</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General government		\$ 698,136
Public safety		630,135
Public works		1,250,317
Culture and recreation		<u>1,226,271</u>
Total depreciation - governmental activities		<u>\$ 3,804,859</u>
Business-Type Activities		
Water and sewer		\$ 8,665,859
Stormwater		<u>427,112</u>
Total depreciation - business-type activities		<u>\$ 9,092,971</u>

D. Interfund Receivables, Payables, and Transfers

Interfund receivable and payable balances at June 30, 2019 are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 574,464	\$ -
Nonmajor governmental	-	574,464
Total	<u>\$ 574,464</u>	<u>\$ 574,464</u>

The remaining balances are for reimbursable expenditures and will be paid within 30 days.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

D. Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers for the year ended June 30, 2019, are as follows:

	<u>Transfer In</u>	<u>Transfer Out</u>
General fund	\$ 5,352,109	\$ -
Hospitality fund	-	1,260,000
Florence County Penny II Capital Projects Fund	-	113,976
Nonmajor governmental funds	<u>249,444</u>	<u>357,577</u>
Total governmental funds	<u>5,601,553</u>	<u>1,731,553</u>
Water and sewer enterprise fund	-	3,760,000
Nonmajor enterprise funds	-	<u>110,000</u>
Total enterprise funds	-	<u>3,870,000</u>
Total transfers out	<u>\$ 5,601,553</u>	<u>\$ 5,601,553</u>

The transfers consist primarily of \$3,760,000 to General Fund from Water and Sewer Enterprise Fund and \$1,260,000 to General Fund from Hospitality Fund based on budgetary authorization.

Transfers are used to (1) move revenues from the fund with collection authorization to the Debt Service Fund as debt service principal and interest payments become due, (2) move restricted amounts from borrowing to the Debt Service Fund to establish mandatory reserve accounts, and (3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grants programs.

E. Capital Leases

The City has entered into lease purchase agreements to fund the purchase of vehicles and equipment for the police, fire and sanitation departments, and the City Center purchase and renovations. The book value of assets acquired under capital leases are as follows:

Machinery & equipment	\$ 3,073,147
Buildings	5,300,000
Less: accumulated depreciation	<u>(1,771,844)</u>
Total	<u>\$ 6,601,303</u>

The future minimum lease obligations and the net present value of these lease payments at June 30, 2019, were as follows:

<u>Year Ending</u> <u>June 30,</u>	
2020	\$ 714,366
2021	661,903
2022	620,353
2023	437,585
2024	437,585
2025-2029	1,950,000
2030-2032	<u>1,560,000</u>
	6,381,792
Less amount representing interest	<u>906,646</u>
	<u>\$ 5,475,146</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

F. Long-Term Debt

A summary of changes in long-term liabilities for the year ended June 30, 2019 is as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
<u>Governmental Activities</u>					
Tax Increment Revenue Bonds	\$ 35,570,000	\$ -	\$ -	\$ 35,570,000	\$ -
Direct borrowing and direct placement notes:					
General obligations bonds	6,046,942	-	2,351,164	3,695,778	1,117,390
Hospitality Revenue Bonds	7,763,000	-	847,000	6,916,000	886,000
Installment Purchase Rev Bond	15,000,000	-	804,000	14,196,000	829,000
Bond Anticipation Notes	-	7,100,000	-	7,100,000	7,100,000
US HUD Section 108 Loan	749,554	-	399,554	350,000	65,000
Total direct borrowing and direct placement notes	29,559,496	7,100,000	4,401,718	32,257,778	9,997,390
Capital leases	6,088,630	252,400	865,884	5,475,146	579,143
Compensated absences	2,679,075	3,427,178	3,370,399	2,735,854	260,000
	<u>\$ 73,897,201</u>	<u>\$ 10,779,578</u>	<u>\$ 8,638,001</u>	<u>\$ 76,038,778</u>	<u>\$ 10,836,533</u>
<u>Business-Type Activities</u>					
2010A Series Water & Sewer Revenue Bonds	\$ 2,225,000	\$ -	\$ 2,225,000	\$ -	\$ -
2010B Series Water & Sewer Revenue Bonds	67,995,000	-	-	67,995,000	-
2016 Series Water & Sewer Revenue Bonds	14,405,000	-	-	14,405,000	2,260,000
Bond premium	1,424,401	-	472,797	951,604	-
Total bonds payable	86,049,401	-	2,697,797	83,351,604	2,260,000
Direct borrowing and direct placement notes:					
Water and Sewer SRF Notes	35,726,808	3,505,170	2,308,178	36,923,800	2,447,591
2006 Series Stormwater Revenue Bonds	1,010,000	-	325,000	685,000	335,000
2014 Series RD Water & Sewer Revenue Bonds	5,591,494	-	109,883	5,481,611	114,184
2015 Series Water & Sewer Revenue Bonds	2,293,616	-	140,060	2,153,556	143,380
Total direct borrowing and direct placement notes	44,621,918	3,505,170	2,883,121	45,243,967	3,040,155
Compensated absences					
Water and sewer	714,112	899,566	917,290	696,388	144,000
Stormwater	38,521	27,843	36,382	29,982	2,700
	<u>752,633</u>	<u>927,409</u>	<u>953,672</u>	<u>726,370</u>	<u>146,700</u>
	<u>\$ 131,423,952</u>	<u>\$ 4,432,579</u>	<u>\$ 6,534,590</u>	<u>\$ 129,321,941</u>	<u>\$ 5,446,855</u>

Notes payable in the governmental activities are not general obligations of the City. Repayment is budgeted in the General Fund and Special Revenue Fund. For governmental activities, compensated absences are liquidated by the General Fund and capital leases are liquidated by the General Fund and Special Revenue Fund. General obligation bonds are direct obligations and pledge the full faith and credit of the government and are repaid by the debt service fund.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

F. Long-Term Debt (Continued)

General obligation bonds payable from governmental activities at June 30, 2019 are as follows:

In August 2010, the City issued a \$5,345,000 General Obligation Bond. The bond is for capital improvements, equipment purchases, and related issuance costs. The bond has a 3.16% interest rate and requires semi-annual interest payments and annual principal payments. The bond matures June 30, 2026. \$ 2,945,778

In March 2016, the City issued a \$6,750,000 General Obligation Bond. The bond is to defray the cost of acquisition, construction and equipping of a municipal soccer complex and improvements to its regional recreation facility. The bond has a 1.16% interest rate and requires semi-annual interest payments and annual principal payments. The bond matures March 1, 2020. 750,000

In December 2018, the City issued a \$4,200,000 General Obligation Bond Anticipation Note, Tax exempt Series 2018B for land acquisition, property demolition and infrastructure in downtown Florence. The bond anticipation note has a 2.65% interest rate and matures on December 2, 2019. 4,200,000

In December 2018, the City issued a \$2,900,000 General Obligation Bond Anticipation Note, Taxable Series 2018A for land acquisition, property demolition and infrastructure in downtown Florence. The bond anticipation note has a 3.49% interest rate and matures on December 2, 2019 2,900,000
\$ 10,795,778

Revenue bonds payable from governmental activities at June 30, 2019 are as follows:

In November, 2016, the City issued a \$9,055,000 Revenue Bond. The bond is for capital improvements in the downtown area and related issuance costs. The bond has a 3.83% interest rate and requires semi-annual interest payments and annual principal payments. This bond is secured by revenues generated by the City's tax increment financing district. The bond matures June 30, 2035. \$ 9,055,000

In November, 2016, the City issued a \$26,515,000 Revenue Bond. The bond is for capital improvements in the downtown area and related issuance costs. The bond has a 3.83% interest rate and requires semi-annual interest payments and annual principal payments. This bond is secured by revenues generated by the City's tax increment financing district. The bond matures June 30, 2047. 26,515,000

In June 2014, the City issued a \$4,648,000 Refunding Revenue Bond. The bond is for capital improvements at the City's recreation facilities. The bond has a 2.60% interest rate and requires semi-annual interest payments and annual principal payments. This bond is secured by the City's hospitality fee. The bond matures April 1, 2024. 2,459,000

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

F. Long-Term Debt (Continued)

In June 2014, the City issued a \$1,545,000 Refunding Revenue Bond. The bond is for capital improvements and related issuance costs. The bond has a 2.05% interest rate and requires semi-annual interest payments and annual principal payments. This bond is secured by the City's hospitality fee. The bond matures June 1, 2021.

471,000

In May 2014, the City issued a \$4,605,000 Revenue Bond. The bond is for recreational facility construction. The bond has a 3.42% interest rate through June 1, 2024 and thereafter a rate to be negotiated between the City and issuer and requires semi-annual interest payments and annual principal payments. This bond is secured by the City's hospitality fee. The bond matures June 1, 2034.

3,986,000

In November 2017, the City through the Public Facilities Corporation issued a \$15,000,000 Installment Purchase Revenue Bond. The bond is being used to construct, acquire or renovate certain buildings and facilities on City owned property for use by the City and to acquire and install certain equipment. The City leases the assets acquired with the proceeds from the installment purchase revenue bond under a Base Lease Agreement and Municipal Facilities Purchase and Occupancy Agreement. For financial reporting purposes the City accounts for the installment purchase revenue bond as its own debt. The bond has a 2.99% interest rate and requires semi-annual interest payments and annual principal payments. This bond is secured by certain recreation facilities owned by the City. The bond matures November 1, 2032.

14,196,000

Total revenue bonds

\$ 56,682,000

Notes payable from governmental activities at June 30, 2019 are as follows:

In June, 2008, the City borrowed \$1,000,000 on a note guaranteed under Section 108 of the U.S. Department of Housing and Urban Development bearing interest from 2.62% to 5.19%. The note was refinanced in February 2019 in order to lower the interest rate to 2.58%. Interest is paid semi-annually and annual principal payments of \$65,000 in 2009 to 2022 with a final principal payment of \$90,000 in 2023. The proceeds may be spent for the purpose of acquisition and rehabilitation of real property.

\$ 350,000

Total notes payable

\$ 350,000

Governmental activities notes payable debt service to maturity is as follows:

Year Ending June 30,	Bonds		Direct Borrowing and Direct Placement Notes	
	Principal	Interest	Principal	Interest
2020	\$ -	\$ 1,372,578	\$ 9,997,390	\$ 936,274
2021	150,000	1,370,890	2,230,187	655,425
2022	230,000	1,366,385	2,112,573	590,880
2023	315,000	1,359,394	2,189,567	527,332
2024	385,000	1,349,734	2,292,191	461,116
2025-2029	2,765,000	6,488,366	7,235,870	1,506,821
2030-2034	4,050,000	5,855,881	6,200,000	446,068
2035-2039	7,185,000	4,789,431	-	-
2040-2044	11,155,000	3,182,797	-	-
2045-2049	9,335,000	527,475	-	-
	<u>\$ 35,570,000</u>	<u>\$ 27,662,931</u>	<u>\$ 32,257,778</u>	<u>\$ 5,123,916</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

F. Long-Term Debt (Continued)

Year Ending June 30,	Capital Leases		Total Governmental Activities	
	Principal	Interest	Principal	Interest
2020	\$ 580,965	\$ 133,402	\$ 10,578,355	\$ 2,442,253
2021	524,465	116,664	2,904,652	2,142,979
2022	518,158	102,196	2,860,731	2,059,461
2023	348,965	88,621	2,853,532	1,975,346
2024	1,677,742	319,842	4,354,933	2,130,692
2025-2029	1,824,851	125,480	11,825,721	8,120,667
2030-2034	-	-	10,250,000	6,301,949
2035-2039	-	-	7,185,000	4,789,431
2040-2044	-	-	11,155,000	3,182,797
2045-2049	-	-	9,335,000	527,475
	<u>\$ 5,475,146</u>	<u>\$ 886,205</u>	<u>\$ 73,302,924</u>	<u>\$ 33,673,050</u>

Remedies for events of default

The City's outstanding notes and bonds from direct borrowings and direct placements related to governmental activities in the outstanding principal amount of \$29,559,496 contain the following provisions in the event of default:

The General Obligation Bonds are backed by the full faith, credit, and taxing power of the City of Florence. In the event of default, the State Treasurer shall withhold from the City moneys from any state appropriation to which the City may be entitled and apply the withheld funds to payment of the principal and interest of the defaulted bonds. The bondholders may also petition the court to order the City to levy ad valorem taxes with sufficient collections to provide for the principal and interest payments. General Obligation Bonds unconditionally obligate the City to levy and collect ad valorem taxes to pay the debt service. In the event of default on the US HUD Section 108 Loan, the US HUD shall withhold CDBG funds sufficient to pay the principal, and interest payments.

The Hospitality Revenue Bonds are secured by revenue generated by the City's Hospitality Tax on prepared food and beverage sales within the City. In the event of default the bank as lender may declare all outstanding bonds in default immediately due and payable. The bank shall proceed to protect and enforce its rights and the rights of the bondholders by suits, actions, or proceedings as the bank shall deem expedient.

The Installment Purchase Revenue Bonds are secured by certain City Recreation Facilities offered as collateral to the lending bank. In the event the City of Florence does not annually appropriate installment payments to the City of Florence Public Facilities Corporation (the Corporation) as outlined in the Base Lease Agreement between the City and the Corporation, the City loses its rights to use the facilities specified in the Base Lease Agreement which is pledged as collateral. The bank as lender shall proceed to protect and enforce its rights by suits, actions, or proceedings as the bank shall deem expedient.

	Date of Issuance	Original Issue	Interest Rate	Final Maturity	Balance June 30, 2019
<i>Secured by Water and Sewer Fund Revenues</i>					
Revenue Bonds	Series 2010B	67,995,000	5.625 to 6.280	9/1/2039	\$ 67,995,000
	Series 2014	6,004,585	1.875	3/28/2053	5,481,611
	Series 2015	2,702,348	2.35	6/1/2032	2,153,556
	Series 2016	14,405,000	1.75	9/1/2024	<u>14,405,000</u>
Total Revenue Bonds Secured by Water and Sewer Fund Revenues					90,035,167

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

F. Long-Term Debt (Continued)

The following table summarizes the City's business-type activities revenue bonds and notes payable:

	Date of Issuance	Original Issue	Interest Rate	Final Maturity	Balance June 30, 2019
<i>Secured by Stormwater Utility Fund Revenues</i>					
Revenue Bonds	Series 2006	4,000,000	2.65	6/2/2021	685,000
Total Revenue Bonds					<u>\$ 90,720,167</u>
<i>Secured by Water and Sewer Fund Revenues</i>					
Notes Payable	May 1999	\$ 2,767,997	2.25	3/1/2020	\$ 135,880
	May 2000	6,210,343	2.25	7/1/2029	3,031,999
	January 2003	2,517,834	2.25	2/1/2030	1,329,007
	June 2009	18,808,277	2.81	4/1/2031	12,255,669
	May 2013	10,626,372	1.90	4/1/2034	8,297,113
	September 2013	3,890,000	1.90	9/1/2034	3,037,462
	September 2014	1,750,566	1.00	4/1/2045	1,490,941
	June 2018*	2,260,938	1.00	12/1/2048	2,122,482
	June 2018*	5,730,149	1.00	2/1/2049	5,223,247
Total Notes Payable					<u>\$ 36,923,800</u>

* The City began drawing down on two notes from the South Carolina Water Quality Revolving Fund Authority in June 2018. The total loan amount available to the City for the Timmonsville water and sewer system rehabilitation is \$7,991,087. As of June 30, 2019, the City had drawn \$7,528,447 of this amount which is included in construction in progress and in notes payable.

Business-type activities revenue bond and notes payable debt service requirements to maturity are as follows:

Year Ending June 30,	Bonds		Direct Borrowing and Direct Placement Notes		Total Business-Type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 2,260,000	\$ 4,538,480	\$ 3,037,904	\$ 839,313	\$ 5,297,904	\$ 5,377,793
2021	2,290,000	4,492,980	2,967,231	778,695	5,257,231	5,271,675
2022	2,345,000	4,446,630	2,668,593	718,058	5,013,593	5,164,688
2023	2,405,000	4,375,080	2,721,138	665,512	5,126,138	5,040,592
2024	2,500,000	4,276,980	2,774,894	611,757	5,274,894	4,888,737
2025-2029	16,975,000	19,069,336	14,725,307	2,207,655	31,700,307	21,276,991
2030-2034	21,230,000	13,436,531	10,018,520	893,870	31,248,520	14,330,401
2035-2039	25,895,000	6,227,755	2,913,218	408,975	28,808,218	6,636,730
2040-2044	6,500,000	204,100	1,354,411	269,689	7,854,411	473,789
2045-2049	-	-	1,034,636	150,340	1,034,636	150,340
2050-2054	-	-	1,028,115	54,844	1,028,115	54,844
	<u>\$ 82,400,000</u>	<u>\$ 61,067,872</u>	<u>\$ 45,243,967</u>	<u>\$ 7,598,708</u>	<u>\$ 127,643,967</u>	<u>\$ 68,666,580</u>

The City's outstanding notes and bonds related to business-type activities from direct borrowings and direct placements in the outstanding principal amount of \$44,621,918 are secured by revenues generated by the City's Water & Sewer system, except for the 2006 Stormwater Revenue bonds which are secured by revenue generated by stormwater fees. All bonds for the business-type activities contain the provision that in an event of default, the Trustee may declare all outstanding bonds in default immediately due and payable. The Trustee shall proceed to protect and enforce its rights and the rights of the bondholders by suits, actions, or proceedings as the Trustee shall deem expedient.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE IV - DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (Continued)

G. Fund Balances – Governmental Funds

As of June 30, 2019, fund balances are composed of the following:

	General Fund	Hospitality Fund	Installment Purchase Rev Bonds Capital Projects Fund	Florence County Penny II Capital Projects Fund	2016 TIF Construction Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Fund Balances:							
Nonspendable	\$ 6,325,288	\$ -	\$ -	\$ -	\$ -	\$ 334,218	\$ 6,659,506
Restricted for:							
Community Development:							
Housing Partnership	-	-	-	-	-	22,355	22,355
HOME Program	-	-	-	-	-	353,600	353,600
NSP Grant	-	-	-	-	-	94,313	94,313
Block Grant	-	-	-	-	-	242,786	242,786
NSP-3 Grant	-	-	-	-	-	94,361	94,361
Neighborhood Redevelopment	-	-	-	-	-	488,571	488,571
Neighborhood Imp. Program	-	-	-	-	-	48,107	48,107
Public Safety:							
E-911	-	-	-	-	-	353,584	353,584
Victims Services	-	-	-	-	-	84,434	84,434
Drug Control	-	-	-	-	-	174,006	174,006
Federal Equitable Sharing	-	-	-	-	-	13,672	13,672
Public Safety Grants	-	-	-	-	-	35,232	35,232
Capital Projects:							
TIF Revenue & Debt Services	-	-	-	-	-	862,082	862,082
TIF Construction Projects	-	-	-	-	4,208,942	-	4,208,942
Florence County Penny Tax II	-	-	-	36,432	-	-	36,432
Installment Purchase Rev Bonds	-	-	12,164,527	-	-	-	12,164,527
Tourism:							
Accommodation Tax	-	-	-	-	-	87,853	87,853
Sunday Local Option Revenue Fund	-	-	-	-	-	51,412	51,412
Hospitality Fund	-	2,471,357	-	-	-	-	2,471,357
Debt Service	-	-	-	-	-	783,344	783,344
	<u>-</u>	<u>2,471,357</u>	<u>12,164,527</u>	<u>36,432</u>	<u>4,208,942</u>	<u>3,789,712</u>	<u>22,670,970</u>
Committed to:							
JAG Grant	-	-	-	-	-	375	375
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>375</u>	<u>375</u>
Assigned to:							
Subsequent Year's							
Expenditures	1,829,900	-	-	-	-	-	1,829,900
Downtown Redevelopment:							
Incubator Operating Fund	32,042	-	-	-	-	-	32,042
Downtown Revitalization	242,434	-	-	-	-	-	242,434
Capital Projects:							
City Center Reserve Fund	307,427	-	-	-	-	-	307,427
Downtown Florence	822,269	-	-	-	-	-	822,269
Parks and Athletic Programs:							
Recreation Registration	1,635	-	-	-	-	-	1,635
Recreation Projects	17,115	-	-	-	-	-	17,115
Park Commission	4,799	-	-	-	-	-	4,799
Recreation Programs	10,856	-	-	-	-	-	10,856
Employee Assistance	3,620	-	-	-	-	-	3,620
	<u>3,272,097</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,272,097</u>
Unassigned	<u>17,709,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,709,776</u>
Total Fund Balances	<u>\$27,307,161</u>	<u>\$ 2,471,357</u>	<u>\$ 12,164,527</u>	<u>\$ 36,432</u>	<u>\$ 4,208,942</u>	<u>\$ 4,124,305</u>	<u>\$ 50,312,724</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION

A. Employee Benefits

1. State Retirement Plans

The majority of employees of the City are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. Generally, all full-time or part-time equivalent City employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information for the South Carolina Retirement Systems' pension trust funds. The CAFR is publicly available on the Retirement Benefits' link on PEBA's website at www.retirement.sc.gov, or a copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

Membership

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the system is presented below:

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employee by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Benefits Provided

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the Code of Laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation.

A brief summary of the benefit terms for the system is presented below:

SCRS - A Class Two member who has separated from service with at least 5 or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least 8 or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the 5 or 8 year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of one percent or five hundred dollars every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

PORS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with five or eight years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

Contributions

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. The PEBA Board may increase the percentage rate in SCRS and PORS employer and employee contribution rates on the basis of the actuarial valuations. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the PEBA Board are insufficient to maintain a thirty-year amortization schedule of the unfunded liabilities of the plans, the PEBA Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; this increase is not limited to one-half of one percent per year.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Contributions (Continued)

If the most recent annual actuarial valuation of the systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than ninety percent, then the PEBA Board, effective on the following July first, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than ninety percent. Any decrease in contribution rates must maintain the 2.9 and 5 percent differentials between the SCRS and PORS employer and employee contribution rates respectively. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than ninety percent, then effective on the following July first, and annually thereafter as necessary, the PEBA Board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 90 percent.

The Retirement System Funding and Administration Act increased employer contribution rates effective July 1, 2017. It also removed the 2.9 percent and 5 percent differential and permitted increases. It also establishes a ceiling on employee contribution rates at 9 percent and 9.75 percent for SCRS and PORS, respectively. The employer contribution rates will continue to increase annually by 1 percent through July 1, 2022. The legislation's ultimate scheduled employer rate is 18.56 percent for SCRS and 21.24 percent for PORS. The amortization period is scheduled to be reduced one year for each of the next 10 years to a twenty-year amortization schedule. The recent pension reform legislation also changes the long-term funded ratio requirement from ninety to eighty-five.

The rates below are based on the employee's earnable compensation as defined in Title 9 of the South Carolina Code of Laws. Required contribution rates for the fiscal years ended June 30, 2019 and June 30, 2018 are as follows:

		2019 Employer Contributions			
		2019 Employee Retirement Contributions	Accidental Death Program	Group Life Insurance Program	Total
SCRS	9.00%	14.41%	N/A	0.15%	14.56%
PORS	9.75%	16.84%	0.20%	0.20%	17.24%

		2018 Employer Contributions			
		2018 Employee Retirement Contributions	Accidental Death Program	Group Life Insurance Program	Total
SCRS	9.00%	13.41%	N/A	0.15%	13.56%
PORS	9.75%	15.84%	0.20%	0.20%	16.24%

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Contributions - Continued

The General Assembly funded a one-time credit for employer contributions of one percent for most employers in SCRS for fiscal year 2019 and 2018.

The amount due to SCRS and PORS was \$389,725 at June 30, 2019. The amount was due to PEBA by July 31, 2019 for legally required contributions per the preceding table for the month of June 2019.

Actuarial Assumptions and Methods

Actuarial valuations of the ongoing plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. State statute requires that an actuarial experience study be completed at least once in every five-year period. An experience report on the Systems was most recently issued as of June 30, 2015.

The June 30, 2018 total pension liability, net pension liability, and sensitivity information shown in this report were determined by the consulting actuary, Gabriel, Roeder, Smith & Company (GRS), and are based on an actuarial valuation performed as of July 1, 2017. The total pension liability was rolled-forward from the valuation date to June 30, 2018 using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions, and methods used to calculate the total pension liability as of June 30, 2018:

	SCRS	PORS
Actuarial cost method	Entry age	Entry age
Actuarial Assumptions		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Inflation	2.25%	2.25%
Benefit adjustments	lesser of 1% or \$500 annually	lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality Table (2016 PRSC), was developed using the systems' mortality experience.

Former Job Class	Males	Females
Educators and judges	2016 PRSC males multiplied by 92%	2016 PRSC females multiplied by 98%
General employees and members of the general assembly	2016 PRSC males multiplied by 100%	2016 PRSC females multiplied by 111%
Public safety and firefighters	2016 PRSC males multiplied by 125%	2016 PRSC females multiplied by 111%

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability is calculated separately for each system and represents that particular system's total pension liability determined in accordance with GASB No. 67 less that system's fiduciary net position. Net pension liability totals as of June 30, 2018 for SCRS and PORS is presented below:

System	Total Pension Liability	Plan Fiduciary Net Position	Employers' Net Pension Liability	Plan Fiduciary Net Position as Percentage of the Total Pension Liability
SCRS	\$ 48,821,730,067	\$ 26,414,916,370	\$ 22,406,813,697	54.1%
PORS	7,403,972,673	4,570,430,247	2,833,542,426	61.7%

The total pension liability is calculated by the systems' actuary, and each plan fiduciary net position is reported in the systems' financial statements. The net pension liability is disclosed in accordance with the requirements of GASB No. 67 in the systems' notes to the financial statements and required supplementary information. Liability calculations performed by the systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

At June 30, 2019, the City reported a liability of \$25,859,580 for SCRS and \$16,065,096 for PORS for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating Organizations, actuarially determined. At June 30, 2018 and 2017, the City's proportion was:

	2018	2017
SCRS	0.115409%	0.114176%
PORS	0.566962%	0.618510%

For the year ended June 30, 2019, the City recognized pension expense of \$2,640,947 for SCRS and \$1,541,593 for PORS. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SCRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 46,680	\$ 152,176
Change in assumptions	1,025,963	-
Net difference between projected and actual earnings on pension plan investments	410,780	-
Changes in proportion and differences between City contributions and proportionate share of contributions	606,275	26,335
City contributions subsequent to the measurement date	1,814,872	-
Total	\$ 3,904,570	\$ 178,511

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - Continued

	PORS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 494,992	\$ -
Change in assumptions	1,059,250	-
Net difference between projected and actual earnings on pension plan investments	319,755	-
Changes in proportion and differences between City contributions and proportionate share of contributions	-	1,327,412
City contributions subsequent to the measurement date	1,387,563	-
Total	<u>\$ 3,261,560</u>	<u>\$ 1,327,412</u>

\$1,814,872 for SCRS and \$1,387,563 for PORS reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	SCRS	PORS
2020	\$ 1,451,954	\$ 289,090
2021	934,739	207,382
2022	(414,031)	44,085
2023	(61,475)	6,028
Total	<u>\$ 1,911,187</u>	<u>\$ 546,585</u>

Long-term expected rate of return

The long-term expected rate of return on pension plan investments for actuarial purposes is based upon the 30-year capital market assumptions. The long-term expected rates of return represent assumptions developed using the arithmetic building block approach based on consensus expectations and market-based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2018 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and then adding the expected inflation and is summarized in the table on the following page. For actuarial purposes, the 7.25 percent assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00 percent real rate of return and a 2.25 percent inflation component.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Long-term expected rate of return - Continued

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Expected Arithmetic Real</u>	<u>Long Term Expected Portfolio Real Rate of</u>
Global Equity	47.0%		
Global Public Equity	33.0%	6.99%	2.31%
Private Equity	9.0%	8.73%	0.79%
Equity Options Strategies	5.0%	5.52%	0.28%
Real Assets	10.0%		
Real Estate (Private)	6.0%	3.54%	0.21%
Real Estate (REITs)	2.0%	5.46%	0.11%
Infrastructure	2.0%	5.09%	0.10%
Opportunistic	13.0%		
GTAA/Risk Parity	8.0%	3.75%	0.30%
Hedge Funds (non-PA)	2.0%	3.45%	0.07%
Other Opportunistic Strategies	3.0%	3.75%	0.11%
Diversified Credit	18.0%		
Mixed Credit	6.0%	3.05%	0.18%
Emerging Markets Debt	5.0%	3.94%	0.20%
Private Debt	7.0%	3.89%	0.27%
Conservative Fixed Income	12.0%		
Core Fixed Income	10.0%	0.94%	0.09%
Cash and Short Duration (Net)	2.0%	0.34%	0.01%
Total Expected Real Return	100.0%		5.03%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.28%

Discount rate

The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina State Code of laws. Based on those assumptions, each System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

A. Employee Benefits (Continued)

1. State Retirement Plans (Continued)

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

System	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
SCRS	\$ 33,043,613	\$ 25,859,580	\$ 20,723,513
PORS	\$ 21,657,774	\$ 16,065,096	\$ 11,484,246

City's Liabilities, Deferred Amounts and Pension Expense

As of June 30, 2018, net pension liability and deferred amounts, and pension expenses for the year ended June 30, 2019 for the City were:

	SCRS	PORS	Total
Net pension liability	25,859,580	16,065,096	41,924,676
Deferred pension outflows	3,904,570	3,261,560	7,166,130
Deferred pension inflows	178,511	1,327,412	1,505,923
Pension expense	2,640,947	1,541,593	4,182,540

Detailed information regarding the fiduciary net position of the plans administered by PEBA is available in the separately issued CAFR containing financial statements and required supplementary information for SCRS and PORS which can be accessed via the contact information provided above.

2. Deferred Compensation Plan

The City offers its employees a deferred compensation plan established in accordance with Internal Revenue Code Section 457. The plan is administered by the State of South Carolina Deferred Compensation Commission as agent for the City. The plan is available to all employees and allows them to defer a portion of their salary to future years. Participation is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergencies.

B. Postemployment Benefits Other Than Pensions

Plan Description

The City's single-employer defined benefit postemployment healthcare plan (the Plan) provides medical and dental insurance to eligible retirees and their beneficiaries. As established by Resolution 98-05, adopted by City Council on May 11, 1998, and as amended by Resolution 2008-09, adopted by City Council on July 14, 2008, an employee becomes eligible when the employee qualifies for retirement benefits under the SCRS or PORS and meets a minimum required number of years of service with the City as defined below. Information regarding the SCRS and PORS eligibility may be obtained from the Comprehensive Annual financial Report of those plans.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

B. Postemployment Benefits Other Than Pensions (Continued)

Plan Description (Continued)

The contribution requirements of the City and plan members are established and amended by Council. Council has retained the right to unilaterally modify its payments toward retiree health care benefits. The Plan does not issue a publicly available financial report.

As of December 31, 2018, the most recent measurement date for the plan, there were 531 covered participants; 97 were retirees and their beneficiaries receiving benefits, and 434 were active participants.

The Plan is affiliated with the South Carolina Other Retirement Benefits Employer Trust (SC ORBET), an agent multiple-employer irrevocable trust investment plan administered by the Municipal Association of South Carolina. Each participating employer is responsible for determining the appropriate amount of contributions to remit to the Trust. SC ORBET issues a publicly available financial report that includes audited financial statements and required supplementary information for the Plan. A copy of the report may be obtained by writing to: Chief Financial Officer for Risk Management Services, Municipal Association of SC, P. O. Box 12109, Columbia, South Carolina 29211.

Funding Policy

The City contributes a fixed-dollar amount indexed each year by the Consumer Price Index (CPI). The current average monthly premium for coverage until age 65 is approximately \$527.40 for retirees and \$1,107.80 for retiree and spouse. The cost of coverage for pre-65 retirees is also implicitly subsidized by the City. Spouses are implicitly subsidized until age 65. All coverage ends at the death of the retiree. The current average monthly premium is approximately \$572.40 for retirees after age 65.

For Retirees Before July 14, 2008

Retirees pay a percentage of the explicit portion of the benefit based on their service at retirement for their own coverage based on the table below. Spouses pay the full premium rate.

<u>Years of Service</u>	<u>Percentage</u>
30+ years	0%
25-29 years	10%
20-24 years	20%
15-19 years	30%

After age 65, retirees pay the total premium cost in excess of a percentage of \$457.78 for their own coverage. The percentage is based on the service criteria listed in the table below. Retirees are expected to pay for all future increases in the cost of this coverage. Spouses pay the full premium rate after age 65.

<u>Years of Service</u>	<u>Percentage</u>
30+ years	100%
25-29 years	90%
20-24 years	80%
15-19 years	70%

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

B. Postemployment Benefits Other Than Pensions (Continued)

For Retirees After July 14, 2008

Before age 65, retirees who have 25 or more years of service with the City of Florence pay nothing for their own coverage and the full premium for spouse coverage. Retirees who have a minimum of 20 years of service but less than 25 years of service with the City pay 50% of the total cost (including implicit portion) for their own coverage and the full premium plus 50% of the implicit cost for spouse coverage.

After age 65, retirees who have 25 or more years of service with the City pay the total premium cost in excess of \$457.78 for their own coverage. Retirees who have a minimum of 20 years of service but less than 25 years of service with the City pay the total premium in excess of \$228.89 (half of \$457.78) for their own coverage. Retirees are expected to pay for all future increases in the cost of this coverage. Spouses pay the full premium rate after age 65.

Net OPEB Liability

The net OPEB liability of \$11,908,213 was measured as of December 31, 2018 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Methods

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age Normal
Inflation	2.25%
Single Discount Rate	4.75%
Demographic Assumptions	Based on the experience study performed for the South Carolina Retirement Systems for the 5-year period ending June 30, 2015.
Mortality Assumptions	RP-2014 Mortality table for Employees with a 95% multiplier.
Healthcare cost trend rates	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 15 years.
Participation Assumptions	100% of eligible retirees with 25 years or more of experience and 20% of eligible retirees less than 25 years of experience.
Aging Factors	Based on plan specific experience.
Expenses	The investment return assumption is net of the investment expenses; Administrative expenses related to the health care benefits are included in the age-adjusted claims costs.

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined during the valuation process are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

B. Postemployment Benefits Other Than Pensions (Continued)

Target Allocation

The target allocation for each major asset class are summarized in the following table:

Asset Class	Target Allocation
Cash and cash equivalents	5.7%
Fixed income	<u>94.3%</u>
Total	<u>100.0%</u>

Discount Rate

The discount rate used to measure the total OPEB liability was 4.75 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will continue based upon the current OPEB Funding Policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make projected future benefit payments for current members for all future years. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Changes in the Total OPEB Liability

	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at December 31, 2017	<u>\$ 15,671,469</u>	<u>\$ 3,797,676</u>	<u>\$ 11,873,793</u>
Changes for the year:			
Service cost	404,295	-	404,295
Interest	728,919	-	728,919
Difference between expected and actual experience	28,330	-	28,330
Contributions - employer	-	1,079,728	(1,079,728)
Benefit payments and implicit subsidy credit	(659,281)	(659,281)	-
Net investment income	-	47,396	(47,396)
Net changes	<u>502,263</u>	<u>467,843</u>	<u>34,420</u>
Balance at December 31, 2018	<u>\$ 16,173,732</u>	<u>\$ 4,265,519</u>	<u>\$ 11,908,213</u>

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.75%) or 1-percentage-point higher (5.75%) than the current discount rate:

	1% Decrease (3.75%)	Discount Rate (4.75%)	1% Increase (5.75%)
Total OPEB liability	<u>\$ 14,140,313</u>	<u>\$ 11,908,213</u>	<u>\$ 10,053,221</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

B. Postemployment Benefits Other Than Pensions (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates:

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	Healthcare Cost		
	<u>1% Decrease</u>	<u>Trend Rate</u>	<u>1% Increase</u>
Total OPEB liability	<u>\$ 10,649,537</u>	<u>\$ 11,908,213</u>	<u>\$ 13,467,887</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB:

For the year ended June 30, 2019, the City recognized OPEB expense of \$798,311. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,850	\$ -
Net difference between projected and actual earnings on plan investments	158,178	117,870
City contributions subsequent to the measurement date	<u>938,500</u>	<u>-</u>
	<u>\$ 1,121,528</u>	<u>\$ 117,870</u>

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2020	\$ 27,485
2021	27,485
2022	27,485
2023	12,855
2024	(15,717)
Thereafter	<u>(14,435)</u>
	<u>\$ 65,158</u>

City of Florence, South Carolina

Notes To Financial Statements - Continued

June 30, 2019

NOTE V - OTHER INFORMATION (Continued)

C. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains its insurance for tort liability, property, automobile fleet, boiler and machinery, and crime with the South Carolina Municipal Insurance and Risk Financing Fund (SCMIRF). Workers' compensation coverage is maintained through the South Carolina Municipal Insurance Trust (SCMIT) fund. Both the SCMIRF and SCMIT funds are self-insured pools with other municipalities in South Carolina. These programs are sponsored by and coordinated through the Municipal Association of South Carolina. The City pays an annual premium to SCMIRF and SCMIT. The City carries a \$10,000 deductible under the SCMIRF plan and a \$10,000 deductible under the SCMIT plan. Claims below these thresholds are managed by the City. The SCMIRF will reinsure through commercial companies for claims in excess of \$1 million for each insured event. If the City's losses under SCMIT exceed the annual premium, it is assessed an additional amount to fully reimburse the insurer for the losses. If the premium exceeds the losses, the City receives a refund.

D. Commitments

The City has committed itself on a number of construction and architectural contracts for Hospitality, Special Revenue, Water and Sewer and Stormwater Utility Enterprise Fund capital improvements. As of June 30, 2019, the outstanding commitments total approximately \$9,350,662.

On July 23, 1990, Florence City Council approved a joint service agreement with Florence County for a Civic Center. The City appropriated \$1,362,500 for the year ended June 30, 2019, as its share of the operating, capital, and debt service costs of the Florence Center. Per the agreement, the City is annually responsible for its share of the above listed costs. The agreement will remain in effect unless it is terminated by mutual consent of each party to the agreement.

E. Contingencies

The City is the defendant in a number of lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

The City participates in numerous state and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at June 30, 2019 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

F. Legal Debt Margin

State statutes limit the amount of general obligation debt a governmental entity may issue, without a referendum, to 8 percent of its total assessed valuation. The current debt limitation for the City in the amount of \$14,115,416 exceeds the City of Florence's outstanding general obligation debt (net of amount available in the debt service fund) of \$10,012,434 by \$4,102,982.

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board, but are not considered a part of the basic financial statements. Such information includes:

- South Carolina Retirement System
 - Schedule of the City's Proportionate Share of the Net Pension Liability
 - Schedule of the City's Contributions
- South Carolina Police Officers Retirement System
 - Schedule of the City's Proportionate Share of the Net Pension Liability
 - Schedule of the City's Contributions
- Pension Plan Supplementary Information Note
- Other Post-Employment Benefits
 - Schedule of Changes in the Net OPEB Liability and Related Ratios
 - Schedule of Employer Contributions – OPEB
- OPEB Supplementary Information Note

City of Florence, South Carolina
Required Supplementary Information
Schedule of the City of Florence's Proportionate Share
of the Net Pension Liability
South Carolina Retirement System
Last Six Fiscal Years

	Year Ended June 30,					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.12%	0.11%	0.11%	0.11%	0.11%	0.11%
Proportionate share of the net pension liability	\$ 25,859,580	\$ 25,702,854	\$ 23,600,074	\$ 20,739,324	\$ 19,459,674	\$ 20,273,191
Covered payroll	\$ 11,937,594	\$ 11,496,064	\$ 10,617,875	\$ 10,207,040	\$ 10,252,182	\$ 9,972,880
Proportionate share of the net pension liability as a percentage of covered payroll	216.623%	223.580%	222.267%	203.186%	189.810%	203.283%
Plan fiduciary net position as a percentage of the total pension liability	54.100%	53.300%	52.900%	57.000%	59.919%	56.388%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Florence, South Carolina
Required Supplementary Information
Schedule of the City of Florence's Contributions
South Carolina Retirement System
Last Six Fiscal Years

	Year Ended June 30,					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,814,872	\$ 1,618,738	\$ 1,328,945	\$ 1,174,337	\$ 1,112,568	\$ 1,086,731
Contributions in relation to the contractually required contribution	<u>1,814,872</u>	<u>1,618,738</u>	<u>1,328,945</u>	<u>1,174,337</u>	<u>1,112,568</u>	<u>1,086,731</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 12,464,783	\$ 11,937,594	\$ 11,496,064	\$ 10,617,875	\$ 10,207,040	\$ 10,252,182
Contributions as a percentage of covered payroll	14.56%	13.56%	11.56%	11.06%	10.900%	10.600%

Notes to Schedule:

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Florence, South Carolina
Required Supplementary Information
Schedule of the City of Florence's Proportionate Share
of the Net Pension Liability
South Carolina Police Officers Retirement System
Last Six Fiscal Years

	Year Ended June 30,					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Proportion of the net pension liability	0.567%	0.619%	0.624%	0.655%	0.680%	0.680%
Proportionate share of the net pension liability	\$ 16,065,096	\$ 16,944,567	\$ 15,818,344	\$ 14,284,381	\$ 13,024,941	\$ 14,103,614
Covered payroll	\$ 7,851,798	\$ 8,318,785	\$ 7,939,039	\$ 8,122,022	\$ 8,155,305	\$ 8,156,983
Proportionate share of the net pension liability as a percentage of covered payroll	204.60%	203.69%	199.25%	175.87%	159.71%	172.90%
Plan fiduciary net position as a percentage of the total pension liability	61.700%	60.900%	60.400%	64.600%	67.549%	62.979%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of the preceding fiscal year.

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Florence, South Carolina
Required Supplementary Information
Schedule of the City of Florence's Contributions
South Carolina Police Officers Retirement System
Last Six Fiscal Years

	Year Ended June 30,					
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,387,563	\$ 1,275,132	\$ 1,184,595	\$ 1,090,824	\$ 1,089,163	\$ 1,047,142
Contributions in relation to the contractually required contribution	<u>1,387,563</u>	<u>1,275,132</u>	<u>1,184,595</u>	<u>1,090,824</u>	<u>1,089,163</u>	<u>1,047,142</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 8,048,512	\$ 7,851,798	\$ 8,318,785	\$ 7,939,039	\$ 8,122,022	\$ 8,155,305
Contributions as a percentage of covered payroll	17.24%	16.24%	14.24%	13.74%	13.410%	12.840%

Notes to Schedule:

Until a full 10-year trend is compiled, the City will present information for those years for which information is available.

City of Florence, South Carolina

Pension Plan Supplementary Information Note

For the Year Ended June 30, 2019

CHANGE OF BENEFIT TERMS

No changes were made to the benefit terms during the fiscal year ended June 30, 2018 (the measurement year).

CHANGES OF ASSUMPTIONS

No changes were made to the assumptions during the fiscal year ended June 30, 2018 (the measurement year).

City of Florence, South Carolina

Schedule of Changes in the Net OPEB Liability and Related Ratios

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 404,295	\$ 391,451
Interest cost	728,919	709,445
Difference between expected and actual experience	28,330	(156,264)
Benefit payments	<u>(659,281)</u>	<u>(412,920)</u>
Net change in total OPEB liability	502,263	531,712
Total OPEB liability - beginning	<u>15,671,469</u>	<u>15,139,757</u>
Total OPEB liability - ending	<u>\$16,173,732</u>	<u>\$ 15,671,469</u>
Plan Fiduciary Net Position		
Contributions - employer	\$ 1,079,728	\$ 893,924
Net investment income	47,396	91,807
Benefit payments	(659,281)	(412,920)
Administrative expense	<u>-</u>	<u>(19,926)</u>
Net change in Plan Fiduciary Net Position	467,843	552,885
Plan Fiduciary Net Position - beginning	<u>3,797,676</u>	<u>3,244,791</u>
Plan Fiduciary Net Position - ending	<u>\$ 4,265,519</u>	<u>\$ 3,797,676</u>
Net OPEB Liability	\$11,908,213	\$ 11,873,793
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	26.37%	24.23%
Covered payroll	\$17,679,296	\$ 17,047,043
Net OPEB liability as a percentage of covered payroll	67.36%	69.65%

* This schedule is to be built prospectively until it contains ten years of data.

City of Florence, South Carolina

Schedule of Employer Contributions - OPEB

Last 10 Fiscal Years

	<u>2019</u>	<u>2018</u>
Actuarially Determined Employer Contributions	\$ 1,077,489	\$ 951,531
Contributions in relation to the actuarially determined employer contributions	<u>(1,079,728)</u>	<u>(893,924)</u>
Contribution Deficiency (excess)	<u>\$ (2,239)</u>	<u>\$ 57,607</u>
 Covered Payroll	 \$ 17,679,296	 \$ 17,047,043
Contributions as a percentage of covered payroll	6.11%	5.24%

Fiscal year 2018 was the first year of implementation of GASB 75, therefore only two years are shown.

City of Florence, South Carolina

OPEB Supplementary Information Note

Year Ended June 30, 2019

CHANGE OF BENEFIT TERMS

No changes were made to the benefit terms during the year ended December 31, 2018 (the measurement date).

No changes in assumptions were made for the measurement date of December 31, 2018.

VALUATION DATE

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

APPENDIX B
THE CITY OF FLORENCE

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DESCRIPTION OF THE CITY OF FLORENCE AND ITS SURROUNDING AREA

General Description

The City of Florence, South Carolina (the "**City**"), founded in 1853, chartered as a town in 1870, and incorporated in 1890, is located in the northern portion of Florence County (the "**County**"), South Carolina, 70 miles east of Columbia, South Carolina, and encompasses approximately 22.04 square miles. The U.S. Census Bureau 2010 population for the City was 37,056 with a total of 136,885 people living in Florence County. Based on the 2010 population estimate, the City is the 10th most populous city in the State. Florence is the largest city in the Pee Dee region of South Carolina and is its commercial, retail, medical and transportation hub. The estimated population of the City and County for 2019 was 38,531 and 138,293, respectively.

Form of Government

The City is governed by a council-manager form of government. The Mayor and City Council, who are elected for four-year staggered terms, are vested with the legislative and policy-making powers of the City. Day-to-day activities are administered by a council-appointed City Manager who serves as the chief administrative officer of the City and is responsible for the receipt and expenditure of all revenues and administering the daily operations of the City.

The present Mayor and members of the City Council, their occupations and their numbers of years on City Council are as follows:

<u>Name</u>	<u>Occupation</u>	<u>Initial Term Began</u>
Stephen J. Wukela, Mayor	Attorney, Wukela Law Firm	November, 2008
Frank J. Brand, II, Mayor Pro Tempore	Senior VP/Investments, Stifel Nicolaus	May, 2005
Octavia Williams-Blake	Director, Occupational Health, McLeod Health	November, 2008
Teresa Myers Ervin	Real Estate Agent	November, 2010
George D. Jebaily	Attorney, Jebaily Law Firm	November, 2014
Pat Gibson-Hye Moore	Paralegal	August, 2016
Glynn F. Willis	Real Estate Manager, Adams Outdoors	November, 2016

City Manager. Randall (Randy) S. Osterman was appointed City Manager on June 1, 2020. Randy was born in Cincinnati, Ohio and raised in Knoxville, Tennessee. He completed his undergraduate studies at Eastern Kentucky University and received a Bachelor of Science in Fire and Safety Engineering Technology, in December 1994. Randy also received a Master of Science in Political Science in December 2000 with an emphasis in Emergency Management from Oklahoma State University. Randy has had the privilege and unique opportunity to participate in public administration at various levels, in several fields and in different jurisdictions. Over his 39 year career, Randy has served in law enforcement, EMS, the fire service and city administration. Randy came to Florence in 2008 as the Fire Chief after serving 8 years as the Deputy Fire Chief in Hilton Head Island, South Carolina. In 2017, the Building Department was recreated in Florence and placed under Randy's leadership. In his time in Florence, Randy was not limited by job title and oversaw many special projects and activities, all leading to improvements in Florence. Randy has been married to Diane Osterman for 35 years. They enjoy boating, time on the beach and spending time with family.

Assistant City Manager. Kevin Yokim has been employed as the Assistant City Manager for the City since October 21, 2019. Prior to his time with the City, Kevin served as Finance Director for Florence County, a position he held for over 23 years. Prior to his time as finance director, Kevin worked for ten years in public accounting, first with the firm of Arthur Young and Company and more recently with Webster Rogers LLP. Kevin received his Bachelor of Science degree in Accounting from Bob Jones University in 1986 and his Master of Public Affairs degree from Indiana University in 2014. He became a CPA in 1988 and a Certified Government Finance Officer in 2001. Kevin has been a member of numerous professional and community organizations and has held leadership roles in most of these organizations. He is also very active in his local church, where he serves as a Sunday School teacher. Kevin has been married for 34 years to his wife, Kim, and they have three adult children, Jeanette, Stephen, and Michael.

Services Provided

The City provides various local services which are funded primarily from the City's *ad valorem* tax levy. These services include public services and engineering, parks and recreation, police, fire, and development services. The City also collects fees and user charges to offset the cost of providing certain of these services.

In order to provide these services, the City presently budgets for 534 full-time employees, consisting of:

<u>Department</u>	<u>Full Time</u>
General Government	14
Finance	9
Personnel	6
Community Services	6
Public Safety	223
Public Works	86
Parks & Recreation	33
Planning, Research & Development	5
Building Inspections & Permits	5
Water & Sewer	139
Stormwater	<u>8</u>
Total	534

Under State law, the City is not allowed to negotiate with collective bargaining groups. The City considers itself to have good relations with its employees.

Investment Policies

The City holds and invests all operating funds directly. Proceeds of general obligation bonds and tax collections used to pay debt service on general obligation bonds also are held and invested by the City. In both cases, the funds may be invested only in investments specified under Section 6-5-10 of the Code of Laws of South Carolina 1976, as amended, or the South Carolina Local Government Investment Pool. Section 6-5-10 provides the following investments: (1) obligations of the United States and its agencies; (2) general obligations of the State of South Carolina or any of its political units; (3) savings and loan associations to the extent that the same are insured by an agency of the federal government; (4) certificates of deposit and repurchase agreements which are collaterally secured by securities of the type described in subsections (1) or (2) of this paragraph; and (5) repurchase agreements collateralized by such investments. The South Carolina Local Government Investment Pool is managed by the South Carolina State Treasurer. In addition to the kinds of investments provided for in Section 6-5-10, the State Treasurer may also invest in obligations of private corporations so long as the obligations bear any of the three highest ratings from at least two nationally recognized rating services.

Fringe Benefits, Retirement and Health Insurance

Most full-time employees of the City are members of the South Carolina Retirement System (the "SCRS") and are covered by its pension plan. The SCRS is a cost-sharing, multiple-employer, defined benefit pension plan. The provisions of the plan are established under Title 9 of the SC Code of Laws. The SCRS provides both retirement and death benefits on an employee and employer contribution basis. Member employees currently contribute 9% of their annual compensation. The employer contribution for fiscal year 2020-21 is 15.41% of the total membership's annual compensation and will increase 1% each year through fiscal year 2022-23. The entire cost of group life insurance for covered employees is included at the rate of .15% of salaries. The total of the employer's contribution to the SCRS plan for fiscal year 2020-21 including group life insurance is 15.56% of employee salaries and will increase 1% each year through fiscal year 2022-23. Total employer retirement contributions to the SCRS paid on behalf of the City including group life insurance was \$1,010,182 for the fiscal year ended June 30, 2019. Due to the COVID-19 state of emergency, the South Carolina General Assembly did not

implement the scheduled increase effective July 1, 2020. The General Assembly will reconvene in the fall of 2020 after which time guidance is expected on how the missed increase for FY 2020-21 will be implemented.

Most full-time employees of the City's Police and Fire departments are members of the Police Officers Retirement System (the "**PORS**") and are covered by its pension plan. The PORS is a cost-sharing, multiple-employer, defined benefit pension plan. The provisions of the plan are established under Title 9 of the SC Code of Laws. The PORS provides both retirement and death benefits on an employee and employer contribution basis. Member employees currently contribute 9.75% of their annual compensation. The employer contribution for fiscal year 2020-21 is 17.84% of the total membership's annual compensation and will increase 1% each year through fiscal year 2022-23. The entire cost of group life insurance for covered employees is included at the rate of .40% of salaries. The total of the employer's contribution to the SCRS plan for fiscal year 2020-21 including group life insurance is 18.24% of employee salaries and will increase 1% each year through fiscal year 2022-23. Total employer retirement contributions to the SCRS paid on behalf of the City including group life insurance was \$1,386,741 for the fiscal year ended June 30, 2019. Due to the COVID-19 state of emergency, the South Carolina General Assembly did not implement the scheduled increase effective July 1, 2020. The General Assembly will reconvene in the fall of 2020 after which time guidance is expected on how the missed increase for FY 2020-21 will be implemented.

The City also provides comprehensive group health, life and dental insurance through the South Carolina Public Employee Benefit Authority. Employer's contribution paid on behalf of employees of the City totaled \$2,903,288 for the fiscal year ended June 30, 2019.

The City pays required contributions for fringe benefits and insurance as they come due and there are no liabilities for underfunding of such benefits.

GASB 68 and GASB 71 – Restatement for Change in Accounting Principle

The City implemented Governmental Accounting Standards Board ("**GASB**") Statement No. 68 "Accounting Financial Reporting for Pensions – an amendment of GASB Statement No. 27" ("**GASB 68**") and GASB Statement No. 71 "Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68" ("**GASB 71**" and collectively "**GASB Statements**") in the year ended December 31, 2015. These GASB Statements require the City to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources for its participation in the SCRS on financial statements prepared on the economic resources measurement focus and accrual basis of accounting (i.e. the Statement of Net Position) and present more extensive note disclosures.

The adoption of these GASB Statements has resulted in the restatement of the City's net position as of January 1, 2014 for its financial statements to reflect the reporting of net pension liabilities and deferred outflows of resources for the SCRS in accordance with the provisions of these GASB Statements. Net position of the City's financial statements as of December 31, 2014 was decreased by \$8,058,025, reflecting the cumulative change in accounting principle related to the adoption of these GASB Statements.

GASB 75 – Accounting and Financial Reporting for Other Post Employment Benefits

Government Accounting Standards Board Statement No. 75 ("**GASB 75**") establishes accounting and financial reporting requirements for state and local governments who have other post employment benefit ("**OPEB**") plans. In order to comply with the requirements of GASB 75, the City contracted with Cavanaugh McDonald Consulting, LLC to perform an actuarial valuation to determine the Total OPEB Liability ("**TOL**"), the Net OPEB Liability ("**NOL**") and the Fiduciary Net Position ("**FNP**"). For the fiscal year ended June 30, 2018, the TOL is \$11,806,824 with a FNP of \$3,113,829, resulting in a NOL of \$8,692,995. The FNP is currently at 26.4% of TOL and is held in escrow with the South Carolina Other Retirement Benefits Trust, a trust established for the purpose of sharing administrative and investment expenses in meeting GASB requirements.

Liability Insurance

The City maintains fire and casualty insurance on the City. Subject to specific immunity set forth in the South Carolina Tort Claims Act, the City, like other local governments, is liable for damages not to exceed \$300,000 per incident/person and \$600,000 per occurrence/aggregate for torts. No punitive or exemplary damages are permitted under the Tort Claims Act. The City currently self-insures against tort liability claims under the South Carolina Tort Claims Act.

ECONOMIC AND DEMOGRAPHIC CHARACTERISTICS

Demographic Characteristics

The population of the City and the County for the preceding four decennial years are set forth in the following table:

<u>Year</u>	<u>City</u>	<u>County</u>
1980	29,842	110,163
1990	30,881	114,344
2000	30,248	125,761
2010	37,056	136,885

The estimated population of the City and County for 2019 was 38,918 and 138,293, respectively.

Source: United States Department of Commerce, Bureau of the Census; Division of Research and Statistical Services, South Carolina Revenue and Fiscal Affairs Office

Per Capita Income

The per capita income in Florence County, the State and the Florence MSA for the most recent five years is set forth below:

<u>Year</u>	<u>County Per Capita Income</u>	<u>State Per Capita Income</u>	<u>Florence MSA</u>
2015	\$37,806	\$39,499	\$36,497
2016	38,998	40,406	37,454
2017	39,941	42,081	38,644
2018	41,833	43,702	40,413
2019	NA	45,314	NA

Source: U.S. Department of Commerce, Bureau of Economic Analysis
NA - Per Capita Income information was not available at the time of publication

Principal Employers

Set forth in the following table are ten of the principal employers located in the City, their type of business and approximate number of employees.

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
McLeod Regional Medical Center	Health Care	4,700
Florence School District One	Public School	2,355
MUSC Health	Health Care	1,515
The Assurant Group	Insurance	1,136
Florence County	Government	865
Wal-Mart	Retail	598
City of Florence	Government	568
Administrators/TRICARE (BCBS)	Health Care	375
Florence Co. Disabilities & Spec. Needs	Health Care	302
Nightingales Nursing Services	Health Care	271

Source: City of Florence Finance Department

Unemployment Rates

The average unemployment rates in the City, County, and State for each of the last five years are set forth in the following table:

<u>Year</u>	<u>City</u>	<u>County</u>	<u>State</u>
2015	6.3%	6.5%	6.0%
2016	4.9	5.1	4.8
2017	4.5	4.6	4.3
2018	3.4	3.7	3.4
2019	2.5	2.9	2.8

Source: South Carolina Department of Employment and Workforce

Retail Sales

The following table shows retail sales of businesses located in the City and County for the most recent years for which information is available:

<u>Year Ended December 31</u>	<u>County*</u>
2015	\$4,654,624,532
2016	5,739,081,685
2017	5,904,996,871
2018	6,174,466,012
2019	6,010,082,170

Source: South Carolina Department of Revenue

*Including City

Construction Activity

The following table shows the number of building permits issued in the City and the approximate cost of construction represented by those permits in the most recent years for which information is available:

Fiscal Year Ended June 30	Number of Residential Permits	Estimated Residential Costs	Number of Commercial Permits	Estimated Commercial Costs
2016	416	\$24,914,950	171	\$ 91,101,225
2017	508	27,439,000	172	101,609,406
2018	651	48,240,723	159	98,881,406
2019	448	40,588,908	1,160	138,741,086
2020	416	37,146,941	1,176	70,721,029

Source: Florence Building Codes Department and Florence County/Municipal Planning and Buildings Inspections Office

Facilities Located Within the County

Transportation – Interstate highway 95, the principal north-south route between Maine and Florida, intersects Interstate highway 20 which extends westward to Kent, Texas. Interstate 95 carries an average of 43,000 vehicles per day through Florence with Interstate 20 handling an additional 31,000 vehicles per day. U.S. Highways 52, 301 and 76 also converge in Florence providing excellent access to Charleston, Myrtle Beach and a direct connection, via U.S. 76, with Chicago. Due to the area's excellent accessibility to surrounding markets, the Florence area offers 38 national and local freight carriers. Over 15 truck terminals are available to move goods overnight to much of the Southeast.

The County is a strategic rail center with the largest facilities in the State consisting of five lines of CSX Transportation plus passenger service provided by Amtrak. The freight yard of CSX in Florence handles about 400 freight cars a day while each day 12 to 18 inbound and outbound freight trains move through Florence. The County's excellent rail system has also contributed to its increased importance as an industrial distribution center.

The Florence Regional Airport provides air transportation daily on American Airlines. There are two bus services in the Florence area: Greyhound Bus Lines and the Pee Dee Regional Transportation Authority. The PDRTA transports approximately 249,000 people annually through Florence, Marion, Darlington, Dillon, Chesterfield and Marlboro Counties.

Medical Services – Florence has two primary health care hospitals and providers – MUSC Health, previously Carolinas Hospital System, and McLeod Health which deliver state-of-the-art care to the residents of Florence, the Pee Dee and South Carolina. A progressive, regional medical resource, MUSC has 396 beds, more than 1,500 employees, and nearly 250 physicians representing all major specialties dedicated to serving the healthcare needs of the citizens of Northeastern South Carolina. MUSC is a premier teaching hospital and medical university with its main campus located in Charleston, South Carolina. The hospital's Chest Pain Center is first in the region to be accredited and one of only 15 in the state to achieve this distinction.

The 461 beds of McLeod Health's Florence hospital services an area which includes 12 counties, 7 hospitals, and a population close to one million. Almost 50 percent of McLeod's inpatients are referred from outside Florence County to receive the specialty care that is available at McLeod. McLeod has more than 750 physicians and 2,000 registered nurses, and more than 8,000 employees throughout the 12-county area. McLeod Health is a not-for-profit, locally owned premier healthcare system. In May 2018 McLeod held a ground breaking for a new 155,000 square-foot Emergency Room. The new ER will cost approximately \$89.5 million and will have 73 rooms and the ability to care for 109,500 patients each year. The new ER is expected to open in December 2020.

Utilities – Electricity is furnished in the City by Duke Energy, Inc. whose principal generating plant is located 30 miles from Florence with both a coal-fired unit and a nuclear unit with a combined total generating

capacity of approximately 1 million kW. The nuclear plant has been in operation since 1970. Natural gas is furnished within the City by Dominion Energy, Inc.

Public Schools – Florence County School District No. 1 ("**FSD1**") is the largest of five school districts in Florence County and the City is contained entirely in FSD1. There were approximately 15,906 pupils enrolled in public schools in FSD1 during the 2018-19 school year. All public schools are fully accredited and all teachers fully certified by the South Carolina Department of Education. There are also private and parochial schools within the County

Higher Education – College and technical schools that offer a variety of fields of study are located in the immediate area. Continuing education classes in various areas are also offered. Florence-Darlington Technical College ("**FDTC**") is a two-year occupational training college located between Florence and Darlington, and had a Fall 2019 enrollment in excess of 5,000. Students may choose degree programs offered through the College's three divisions: (1) Health Sciences; (2) Technical and General Education; and (3) Online College and Information Technology. In addition to the main campus, FDTC has five off-campus sites: Hartsville, Lake City, Mullins, a Cosmetology Center located less than one mile from the main campus, and a Health Sciences Campus in downtown Florence. Special programs and services offered at FDTC include the Advanced Welding and Cutting Center, the Caterpillar Dealer Academy and a CISCO systems training laboratory. The Southeastern Institute of Manufacturing and Technology ("**SiMT**") is located on a 146-acre tract with more than 400,000 square feet of customized training, laboratory, research, manufacturing, convention, and administrative space. SiMT offers businesses the cutting-edge, strategic training and manufacturing technology solutions to maximize workforce productivity in the Southeast. In January 2014, Florence-Darlington Technical College announced a ten year, \$52 million campus expansion. In May 2017 FDTC opened its new 37,000 square-foot Automotive and HVAC Technology Center. The facility cost approximately \$7.3 million to construct and houses the college's Automotive and HVAC programs.

Francis Marion University ("**FMU**") is a four-year, comprehensive university founded in 1970. FMU had a Fall 2019 enrollment of approximately 4,000 students and offers a broad range of undergraduate degrees enhanced by three professional schools: the School of Business, School of Education and School of Health Sciences. A four-year program of the Reserve Officer Training Corps is available. Housed on the FMU campus is the Pee Dee Education Center which is a regional educational consortium serving 19 area school districts. FMU works closely with the Center to provide resources and services to school districts in the Pee Dee such as the Pee Dee Mathematics and Science Regional Center. In addition, the Center provides early childhood services to schools and space for the FMU School of Education's Center of Excellence. The 36,000 square-foot Dr. Frank B. Lee, Jr. Nursing Building houses offices, classrooms, the Elizabeth W. Barnes Clinical Laboratory, a computer lab, conference rooms and the Dr. John M. Thomason Auditorium for the Department of Nursing Program.

The Luther F. Carter Center for Health Sciences, located in downtown Florence on the corner of West Evans and Irby Streets, represents the future of health and medical education at FMU and in the Pee Dee region. The Center is equipped with a simulation center, 52,000 square feet of classroom and office space and dedicated laboratory space for anatomy, physical examinations and clinical skills training. The Center began operations on July 1, 2016 and is home to FMU's Nurse Practitioner/Nurse Education Program, the new Physician Assistant Program, Healthcare Administration, BSN degree and RN-to-BSN program.

The Francis Marion University Performing Arts Center was built in downtown Florence in 2009. This state-of-the art educational and performance arts facility, located on approximately 4 acres of property was built for a total estimated cost of over \$30 million. The Performing Arts Center, a 64,000 square feet facility featuring a 900 seat auditorium, a 100 seat flexible black box performance space, and an academic wing for the Department of Fine Arts was made possible through a partnership between Francis Marion University and the City of Florence.

In February 2017, FMU acquired the Old Post Office and Federal Court Building in downtown Florence. The building is located at the corner of West Evans Street and Irby Street. In June, 2019 FMU announced an \$8 million renovation project for the Old Post Office and Federal Court Building which will add classrooms, labs, and office space for FMU's Health Sciences programs.

FMU acquired the former LS Rainwater building located at 143 North Dargan Street which will become home to the Kelly Center for Economic Development. Renovations to the building are nearly complete and include

a business incubator, University office space, office space for the North Eastern Strategic Alliance a regional economic development organization, and an art gallery curated by FMU's Fine Arts faculty.

Other announced future projects of the University include the construction of an Honors Center, the construction of a freshwater ecology lab and convergence center, the final phase addition to the Griffin Athletic Complex field house, remodeling the Smith University Center's athletic facility, and residence hall renovations.

Other Facilities – The Florence Center, a joint venture between the City and Florence County, was opened in 1993 and provides a regional venue for sports, entertainment, and conferences. The Florence Center accommodates athletic events, performances, small and large meetings, trade shows, and exhibitions. The facility includes a 10,000 seat arena, a 14,500 square-foot ballroom, and meeting space. In January 2018 a 25,000 square-foot expansion of and improvements to the Florence Center were completed. At an estimated construction cost of \$16 million, the expansion provides six different meeting rooms, a junior grand ballroom, 8,000 square feet of additional sub-dividable meeting room space, an 8,000 square-foot courtyard, and a new 5,000 square-foot kitchen. The newly expanded Florence Center boasts a total of 75,000 square feet of space.

The Doctors Bruce and Lee Foundation Library, owned and operated by Florence County, was opened in 2004. The design and location of the 83,000 square feet public library make this facility a focal point of downtown Florence. More than 1,000 visitors a day make use of its meeting rooms, computer training lab, internet services, wireless internet access, reference desk, books, DVDs, CDs, book clubs, public events, story times and Children's Library.

The Florence Veterans Park, located adjacent to the Florence Center, opened in 2008. This park, owned and operated by the City, is situated on approximately six acres of land and features monuments and memorials to the wars of the 20th century, as well as a large obelisk on top of which sits a bronzed American Bald Eagle, public art, an amphitheater surrounded by commemorative flags, a water wall with pool, and a steel wall with the oath of enlistment.

The Florence Little Theatre, located in downtown Florence on Dargan Street between Pine and Elm Streets, north of the Drs. Bruce and Lee Foundation Library, was completed in September 2008. This facility, previously located on South Cashua Drive outside the downtown area, provides a 35,000-square-foot, 400 seat auditorium for local community theatre live performances and events. The Drs. Bruce and Lee Foundation contributed \$10 million to construct the theatre while land donations were made by both the City and McLeod Health to facilitate site location. The Little Theatre now provides for state-of-the-art technical, lighting, and sound systems as well as increased dressing room, storage, and public access areas.

The Dr. Eddie Floyd Tennis Center Complex, a facility owned and operated by the City, which opened in July 2011 at a total cost of \$4.5 million, features 24 asphalt courts, 6 clay courts and a 5,000 square-foot activity center with outdoor decking. The activity center includes a lounge area, student study area, restrooms, locker rooms with showers, meeting and office space, and a pro shop. The facility is located at 1300 Jennie O'Bryan Parkway, off of 1060 N. Cashua Drive. The location of the facility is ideally situated for easy access and participation by all members of the Florence community. The complex currently hosts USTA league play, open/free play, personalized instruction sessions, and developmental clinics. In partnership with the Florence Tennis Association, the City also offers an after-school educational/tennis outreach program for city youth.

In October 2014, Florence County opened a new \$12 million, 28,000 square-foot Florence County Museum. The new museum is located at the corner of Cheves and Dargan Streets in downtown Florence across the street from the FMU Performing Arts Center. This state-of-the-art attraction is open year-round, six days a week. The museum collects and displays objects that are part of the past and current culture of the Florence area. The museum supports the visual arts with changing exhibits and competitions throughout the year. Art, natural history and cultural history are all a part of the collections and changing exhibits that teach and inspire visitors.

In April 2017, the City completed construction of the Pearl Moore Gymnasium, a \$5.25 million, 35,000 square-foot regional facility providing recreational and social activities. The gymnasium includes three basketball courts and is designed to allow use for other sports and activities as well. This facility also serves as home to the Florence Youth Basketball League, the Florence Wildcats, and the Florence Recreation Volleyball Program.

Additionally, the building includes office space, athletic changing rooms, a concessions area, and restrooms. The venue provides and promotes regional programming and services for City's residents as well as visitors to the City. In addition, the facility serves as an inducement to economic redevelopment and private investment in the Downtown Redevelopment Project Area, and as a catalyst for commercial activity. The project was funded by a \$4.5 million Hospitality Tax Revenue Bond and a \$750,000 grant from the Drs. Bruce and Lee Foundation.

In February 2018, the City opened the Florence Soccer Complex located at 3701 West Palmetto Street, a 100-acre site near the intersection of I-95 and West Palmetto Street in Florence. At an approximate cost of \$8 million, the complex includes an access road from West Palmetto Street, a 5.5-acre retention pond, and 14 regulation-size soccer fields – two of which are lighted. Ten of the soccer fields are laser graded with an underdrain system and sod, while four soccer fields have been seeded for future play. Other amenities of the complex include goals, benches, signage, and restroom facilities. The complex will accommodate the Florence Soccer Association and the city's growing youth soccer program. The venue will also be used to attract sports tourism to the Florence area by hosting tournaments. The facility was funded through a variety of sources including: 1) a \$6,479,725 million appropriation from the Drs. Bruce and Lee Foundation; 2) \$1.04 million from a Capital Payment Sales Tax approved in Florence County; 3) approximately \$500,000 from the City for construction of the water and sewer infrastructure at the complex; and 4) a \$50,000 South Carolina Department of Parks, Recreation and Tourism grant funding.

In February 2019, the City began construction of a \$2.4 million, 8,000 square-foot pavilion located at the Florence Soccer Complex. The two story pavilion will provide a central location for tournament registration and check-in, meeting spaces, restrooms, and covered areas on both floors to watch field play. The construction of the pavilion has been substantially completed and is expected to be fully completed and turned over to the City by Fall 2020. The completed Facility will allow the City to attract larger events and more out-of-town tournaments. The pavilion is being funded by a \$2.4 million grant from the Drs. Bruce and Lee Foundation.

In March 2019, the City, working in collaboration with the group "I Play Florence," opened BK's Playground, the first all-inclusive playground in Florence. This playground is wheelchair and walker accessible and features a variety of equipment such as ramps, a misting station, swings, a zip line for children with limited upper-body mobility, climbing equipment, a wheelchair accessible teeter totter, and a merry-go-round accessible to all children. Funding for the playground was provided through a variety of sources including: 1) \$137,500 from Foundation for the Carolinas Longleaf Fund, 2) \$386,000 from the City in property value, 3) a \$30,000 "Meet Me at the Park" grant from the Disney Foundation, 4) a \$68,000 Eastern Carolina Community Foundation grant, and 5) donations from various individuals and local businesses.

TAX INFORMATION

Property Taxation and Assessment

Article X, Section 1 of the State Constitution requires equal and uniform assessments of property throughout the State for the following classes of property and at the following ratios of fair market value of such property:

(1) Real and personal property owned by or leased to manufacturers, utilities and mining operations and used in the conduct of such business - 9.5% of fair market value. Certain real property owned by, or leased to, manufacturers for use in "research and development," office buildings and warehousing and wholesale distribution of wearing apparel is excluded from this classification, and would be subject to the six percent assessment ratio for other real property. Certain new industrial facilities may be entitled to pay a "fee-in-lieu-of-taxes" computed on an assessment ratio of not less than 4% of original cost less depreciation. See "Exempt Manufacturing Property" herein;

(2) Real and personal property owned by or leased to companies primarily engaged in transportation for hire of persons or property and used in the conduct of such business – 9.5% of fair market value;

- (3) Legal residence and not more than five contiguous acres – 4% of fair market value (if the property owner makes proper application and qualifies);
- (4) Agricultural real property used for such purposes owned by individuals and certain corporations – 4% of use value (if the property owner makes proper application and qualifies);
- (5) Agricultural property and timberlands belonging to corporations having more than ten shareholders – 6% use value (if property owner makes proper application and qualifies);
- (6) All other real property – 6% of fair market value;
- (7) Business inventories – 6% of fair market value (as of 1988, an exemption is available from taxation of property in this category, hence this item is no longer significant, except that the assessed value of business inventory as of tax year 1987 is taken into account in determining total assessed value for purposes of the bonded debt limit); and
- (8) Vehicles – 6% of fair market value.

The South Carolina Department of Revenue has been charged with the responsibility of taking steps necessary to ensure equalization of assessments statewide in order that all property is assessed uniformly and equitably throughout the State, and may require reassessment of any part or all of the property within the County. State statutes provide that, notwithstanding any other provision of law, each county will appraise and equalize the properties within its jurisdiction once every five years. The latest reassessment in the County was completed in 2018 and was effective for the 2019 tax year.

Legislation adopted by the General Assembly in its 1996 session limits the level of millage which may be imposed by a political subdivision or school district for the year in which the reassessment is implemented to the "rollback" millage. The intended effect of rollback millage is to limit the millage rate to that millage rate which, following a reassessment, will produce the same revenues as were produced in the year preceding reassessment. The rollback millage may be increased by the percentage increase in the consumer price index for the year immediately preceding the year of reassessment. The rollback millage limitation is inapplicable to millage necessary to pay general obligation debt.

Legislation adopted by the General Assembly in its 1997 session required local governments such as the City to hold a public hearing prior to an increase in millage levied for operations and maintenance and approve the increase by a "positive majority" of the governing body. In 2006, the shift in tax burden caused by the 1997 legislation resulted in a constitutional amendment, Act 388. Act 388 set statewide assessment caps on property tax and increased the state sales tax to fund further relief for homeowners from school property taxes. In addition, Act 388 provided a new method for limiting millage to the consumer price index plus increase in the City population and eliminated the City's ability to override the millage limitation by a positive majority vote of City Council. While Act 388 has had a material impact on some local governments, primarily schools, the City of Florence has not been materially affected by Act 388.

The County Assessor appraises and assesses all the real property and mobile homes located within the County and certifies the results to the County Auditor. The County Auditor appraises and assesses all motor vehicles, marine equipment, business personal property and airplanes. The Department of Revenue furnishes guides for use by the County in the assessment of automobiles, automotive equipment, and certain other classes of property and directly assesses the real and personal property of public utilities, manufacturers and business equipment.

Each year the Department of Revenue certifies its assessments to the County Auditor who prepares assessment summaries from the respective certifications, determines the appropriate millage levies, prepares tax bills and then in September charges the County Treasurer with the collection. South Carolina has no statewide property tax.

Budget and Tax Collection Procedure

The annual budget serves as the operational guide for the City's financial planning and control. All departments are required to submit requests for appropriations to the City Manager in the spring of each year. The City Manager uses these requests along with the Strategic Goals developed by the City Council as the foundation for developing a proposed budget. The City Manager reviews and revises these budget requests in March, and then submits a proposed operating budget in April to City Council for final approval prior to the beginning of each fiscal year on July 1. The operating budget includes proposed expenditures and means of financing them. Public hearings are conducted at City Hall to obtain taxpayer comments. The budget is legally enacted through passage of an ordinance. The City Manager is authorized to administer the budget and may authorize the transfer of appropriated funds within and between departments and funds as necessary to achieve the goals of the budget.

The budget is monitored on a monthly basis and revisions are made as necessary to account for changes in anticipated revenues and expenditures.

In the County, taxes are collected for county, municipal and school purposes as a single tax bill which must be paid in full by the individual taxpayer. Taxes are collected on a calendar-year basis. Real and personal property taxes in the County (except for taxes on motor vehicles which are due on the last day of the month the motor vehicle license expires) are payable on or before January 15 of each year. If taxes are not paid by January 15, a penalty of three percent is added. If taxes are not paid on or before February 1, an additional penalty of seven percent is added thereon. If taxes are not paid on or before March 16, an additional penalty of five percent is added thereon and the property goes into execution. The County Treasurer is responsible for the collection of delinquent taxes and is empowered to sell so much of the defaulting taxpayer's estate, real, personal or both, as may be sufficient to satisfy the taxes.

Assessed Value of Taxable Property

The assessed values and estimated actual values of all taxable real and personal property in the City for each of the last five years is set forth in the following table:

Tax Levy Year	<u>Real Property</u>		<u>Personal Property</u>		<u>Total</u>	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2015	\$132,275,922	\$2,690,451,600	\$38,195,859	\$483,364,382	\$170,471,781	\$3,173,815,982
2016	134,434,126	2,734,035,925	37,159,535	472,772,461	171,593,661	3,206,808,386
2017	137,193,508	2,790,873,825	35,832,793	454,809,454	173,026,301	3,245,683,279
2018	139,808,918	2,841,314,658	36,633,777	461,982,211	176,442,695	3,303,296,869
2019	139,769,920	2,852,960,850	36,243,678	461,961,630	176,011,598	3,314,922,480

Source: Florence County Finance Department and City Finance Department

<u>Classification of Property</u>	<u>2019 Tax Year Assessed Value</u>
Real Property (Nonmanufacturing)	\$139,767,920
Vehicles	18,131,412
Manufacturing (Real/Personal)	148,640
Marine/Aircraft	709,180
Business Personal Property	3,083,123
Furniture & Fixtures	6,578,130
Railroad/Pipeline	706,133
Utilities	<u>6,887,060</u>
Total	\$176,011,598

Source: Florence County Finance Department

Exempt Manufacturing Property

Article X, Section 3 of the State Constitution provides that all new manufacturing establishments located in any county after July 1, 1977, and all additions (in excess of \$50,000) to existing manufacturing establishments are exempt from *ad valorem* taxation for five years for county taxes only. No exemption is granted from school or municipal taxes, although municipal governing bodies may by ordinance grant a similar exemption to manufacturing establishments.

Tax Rates

The following table sets forth the millage levied for City operational purposes in each of the last five years.

<u>Tax Levy Year</u>	<u>City Operations</u>
2015	53.7
2016	57.4
2017	58.1
2018	58.1
2019	59.1

Source: City Finance Department

Tax Collections for Last Five Years

The following table sets forth the amount of City taxes levied, current taxes collected and the amount of delinquent City taxes for the last five years.

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Fiscal year Current Tax Collections</u>	<u>Fiscal year Percent of Levy Collected</u>	<u>Delinquent Collections*</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2015	\$ 9,289,810	\$ 9,077,292	97.7%	\$ 59,414	\$ 9,136,706	98.4%
2016	9,631,656	9,385,169	97.4	70,611	9,455,780	98.2
2017	10,329,938	9,998,304	96.8	112,511	10,110,815	97.9
2018	10,537,302	10,408,923	98.8	79,729	10,448,652	99.5
2019	10,743,520	10,671,439	99.3	0	\$10,671,439	99.3

Source: City of Florence Finance Department, Florence County Treasurer

*Includes taxes levied in the year shown but collected after the due date.

Ten Largest Taxpayers in the City

The ten largest taxpayers in the City and the amount of City taxes paid by each for the 2019 fiscal year are set forth in the following table:

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2019 Property Taxes</u>	<u>Assessed Value</u>
MUSC Health*	Medical	\$ 477,043	\$ 7,855,180
Duke Energy Progress	Utility	213,989	3,513,770
Magnolia, LLC	Property Management	198,047	3,252,000
McLeod Regional Medical Center	Medical	139,536	2,291,230
Florence Mall	Property Management	108,867	1,787,640
Wal-Mart	Retail Sales	100,396	1,648,540
Holcombe Land Management	Property Management	78,749	1,293,090
BellSouth Telecommunications	Utility	68,369	1,122,640
Raldex, Inc	Hotels	64,257	1,055,120
South Carolina Electric & Gas	Utility	<u>64,063</u>	<u>1,051,940</u>
Total		\$1,513,316	\$24,872,150

*In Fiscal Year 2019 MUSC Health purchased Carolinas Hospital System.

Source: Florence County Treasurer

Sales Tax Referenda

South Carolina law provides that, upon a county-wide referendum favorable thereto, there will be imposed a one percent sales and use tax ("**LOST**") within such county. An amount not to exceed five percent of the collections from such tax will be withheld for distribution to other counties if the county imposing the tax collects \$5,000,000 or more in a particular year. The remainder is divided between a Property Tax Credit Fund and a County/Municipal Revenue Fund. The distribution between those two funds would begin at 63 percent to the Property Tax Credit Fund, 37 percent to the County/Municipal Revenue Fund, changing over a five-year period to 71 percent to the Property Tax Credit Fund and 29 percent to the County/Municipal Revenue Fund. Collections deposited to a Property Tax Credit Fund would be distributed 67 percent to the county and 33 percent to the municipalities in the county based on their respective populations. Collections deposited to the County/Municipal Revenue Fund would be allocated among the county and the municipalities in the county area with 50 percent of such allocation based upon the location of the sale and 50 percent of the allocation based on population. Collections deposited to the Property Tax Credit Fund would be used by the receiving county or municipality to provide a credit against the property tax liability of taxpayers in the county or municipality. Moneys received by a county or municipality from the County/Municipal Revenue Fund may be used for additional expenditures or for a further property tax credit. In practical effect, if the level of expenditures is a given, either use of the moneys would result in a lower tax millage levy than otherwise. If a municipality has adopted a redevelopment plan for a tax increment-financed redevelopment project pursuant to the Tax Increment Financing Law, Title 31, Chapter 6, Code of Laws of South Carolina 1976, as amended, a deficiency resulting from the application of the Property Tax Credit Fund to lower tax millage levies must be funded from the municipality's allocation from the County/Municipal Revenue Fund each year so as to provide full funding for the project. The LOST described above was imposed in Florence County in May 1994.

In 2006, Florence County voters approved a one-cent sales tax for the purpose of generating funds for roadway improvements throughout the County for a period expiring on May 1, 2014. In November 2013, voters approved extending the one-cent sales tax for a seven-year term for a variety of capital improvements for Florence County and other governmental utilities in the County and the City ("**CPSTII**"). CPSTII commenced May 1, 2014 and shall terminate May 1, 2021, subject to an extension by referendum. Included in this CPSTII is funding for over 400 separate projects in Florence County, including \$21,774,375 for the following projects in the City:

<u>Project Category</u>	<u>Allocation</u>
Water & Sewer Improvements	\$ 750,000
Corridor Enhancements	9,216,875
Intersection Improvements	1,301,250
Resurfacing	340,625
Road Widening	9,125,625
Recreation	1,040,000

Local Hospitality Fees

The City has imposed a 2% local hospitality fee on the sale of prepared meals and beverages served within the City (the "**Hospitality Fee**") since 2004. The amount of Hospitality Fees collected during the past ten years are shown in the following table:

<u>Fiscal Year</u>	<u>Hospitality Fees Collected</u>
2008-2009	\$2,841,585
2009-2010	2,926,340
2010-2011	3,092,529
2011-2012	3,214,470
2012-2013	3,396,306
2013-2014	3,677,328
2014-2015	3,863,554
2015-2016	4,036,958
2016-2017	4,101,928
2018-2019	4,342,184

FINANCIAL INFORMATION

Financial Statements

The financial statements for the Fiscal Year ended June 30, 2015 through June 30, 2019 have been audited by Burch, Oxner, Seale Co., CPAs, P.A. A copy of the general purpose financial statements of the City for the Fiscal Year ended June 30, 2019, is attached as Appendix A to this Official Statement as the Comprehensive Annual Financial Report. Copies of complete audited financial statements for the Fiscal Year ended June 30, 2019, and prior years are available on the City website (www.cityofflorence.com) or upon request from Kevin Yokim, Assistant City Manager (843) 665-3162.

Five-Year Summary of General Fund Operations

The following table sets forth a summary of the City's General Fund operations for the Fiscal Years 2016 through 2020 derived from the City's audited financial statements for those Fiscal Years excepting the summary for Fiscal Year 2020.

CITY OF FLORENCE, SOUTH CAROLINA Statement of Revenues, Expenditures and Changes in Fund Balance For Fiscal Years 2016-2020

	<u>2015-2016</u>	<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020*</u>
Revenues					
General property taxes	\$ 9,463,978	\$10,213,969	\$10,217,385	\$10,544,233	\$10,180,591
Licenses, permits and fees	11,711,268	13,202,859	13,444,405	14,194,184	14,204,078
Intergovernmental revenue	3,452,783	6,054,556	3,713,917	4,840,786	5,222,509
Charges for services	2,367,191	2,471,693	3,016,223	3,143,544	2,654,075
Fines and forfeitures	549,212	465,109	416,398	327,772	235,122
Investment earnings	41,512	62,571	94,252	158,328	195,164
Miscellaneous	<u>375,171</u>	<u>440,085</u>	<u>724,744</u>	<u>3,908,287</u>	<u>939,041</u>
Total Revenues	\$27,961,115	\$32,910,842	\$31,627,324	\$37,117,134	\$33,630,580
Expenditures					
Current:					
General Government	\$ 6,701,764	\$ 8,220,228	\$ 8,719,395	\$ 7,713,553	\$10,417,900
Public safety	13,553,448	13,842,148	13,691,272	14,347,567	14,443,549
Public works	5,802,639	6,067,821	6,142,350	6,486,423	7,014,468
Culture and recreation	3,634,060	3,292,626	3,818,436	3,313,499	2,632,252
Debt service:					
Principal	748,902	864,958	849,700	1,669,884	829,000
Interest	93,761	220,475	182,862	614,953	412,067
Capital Outlay	<u>2,980,244</u>	<u>1,376,303</u>	<u>3,054,884</u>	<u>5,558,750</u>	<u>794,337</u>
Total expenditures	\$33,514,818	\$33,884,559	\$36,458,899	\$39,704,629	\$36,543,574
Excess (deficiency) of revenues over (under) expenditures	\$(5,553,703)	\$ (973,717)	\$ (4,831,575)	\$ (2,587,495)	\$ (2,912,994)
Other financing sources (uses):					
Issuance of debt	-	-	-	\$ 7,100,000	
Capital Leases	-	-	32,400	252,400	
Proceeds from sale of property	777,040	-	-	777,040	
Insurance proceeds	246,904	118,636	234,726	214,552	189,986
Transfers in	4,985,842	3,068,768	4,299,777	5,352,109	5,512,669
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources:	\$ 7,895,871	\$ 3,187,404	\$ 4,566,903	\$12,919,061	\$ 5,702,655
Net changes in fund balances	<u>2,342,168</u>	<u>2,213,687</u>	<u>264,672</u>	<u>10,331,566</u>	<u>2,789,661</u>
Fund balance, beginning of year	\$12,684,412	\$15,026,580	\$17,240,267	\$16,975,595	27,307,161
Fund balance, end of year	\$15,026,580	\$17,240,643	\$16,975,595	\$27,307,161	\$30,096,822

*The Fiscal Year 2019-2020 numbers are unaudited estimates and are subject to change.

General Fund Budget for Fiscal Year Ending June 30, 2021

The following is a summary of the City's general fund budget for the Fiscal Year ending June 30, 2021, which was adopted by the City on June 8, 2020.

	<u>General Fund Budget</u>
<u>Revenues</u>	
General property taxes	\$10,854,400
License and permits	14,650,000
Intergovernmental revenue	5,157,000
Permits and fees	2,920,000
Charges for services	380,000
Fines and forfeitures	200,000
Investment Earnings	545,600
Miscellaneous	143,000
Transfers	<u>5,835,000</u>
	\$40,685,000
Total Revenues	
<u>Expenditures</u>	
General Government	\$ 1,755,780
Finance & Accounting	1,039,030
Human Resources	706,890
Community Services	446,890
Public Safety	17,005,600
Public Works	7,872,980
Recreation & Athletics	3,561,750
Planning Research & Dev	598,900
Building Inspections & Permits	466,620
Debt Service	2,392,000
Employee Benefits	790,280
General Ins/Claims	714,000
Community Programs	408,500
Non Departmental	<u>2,925,780</u>
Total expenditures	\$40,685,000

Prepared by: City of Florence Finance Department

APPENDIX C

**FORM OF BASE LEASE AND CONVEYANCE AGREEMENT, MUNICIPAL FACILITIES
PURCHASE AND OCCUPANCY AGREEMENT AND TRUST AGREEMENT**

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BASE LEASE AND CONVEYANCE AGREEMENT

between

CITY OF FLORENCE
as Lessor

and

CITY OF FLORENCE PUBLIC FACILITIES CORPORATION
as Lessee

Dated as of September 1, 2020

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BASE LEASE AND CONVEYANCE AGREEMENT

THIS BASE LEASE AND CONVEYANCE AGREEMENT dated as of September 1, 2020 (the "**Base Lease**") made and entered into by and between CITY OF FLORENCE, a municipal corporation organized and existing under the laws of the State of South Carolina (the "**City**") as lessor, and CITY OF FLORENCE PUBLIC FACILITIES CORPORATION a non-profit corporation duly organized and existing under the laws of the State of South Carolina (the "**Corporation**"), as lessee,

WITNESSETH

WHEREAS, the Corporation is a non-profit corporation formed under the provisions of Sections 33-31-10 through 33-31-180, inclusive, Code of Laws of South Carolina 1976, as amended; and

WHEREAS, the City is a duly organized and existing municipal corporation organized and existing under the laws of the State of South Carolina and is authorized under the provisions of Title 5, Chapter 7, Code of Laws of South Carolina 1976, as amended, to enter into this Base Lease; and

WHEREAS, the City is the owner of certain land described in Exhibit A hereto upon which will be constructed a municipal parking garage (the "**Municipal Parking Garage**") as well as certain land (collectively, the "**Real Property**") upon which is located improvements which constitute the Freedom Florence Recreation Complex, a multi-use facility of approximately 100 acres and containing, among other things, nine lighted baseball/softball fields, three lighted football fields, a recreational/competitive gymnastics center and walking, jogging and biking trails (the "**Existing Facilities**"); and

WHEREAS, the City currently owns, or will hereafter acquire, additional real property upon which the Capital Improvements (defined below) will be located (collectively with the Municipal Parking Garage, the "**Project Facilities**"); and

WHEREAS, the City currently owns certain additional real properties upon which will be constructed a downtown theater, an athletic complex consisting of multiple baseball fields, a full-sized 400 meter track and a 1,500-seat baseball stadium, and the 2019 Project (defined below) (collectively, the "**Capital Improvements**"); and

WHEREAS, the Corporation issued a \$15,000,000 Installment Purchase Revenue Bond (City of Florence Project), Series 2017, dated November 15, 2017 (the "**Series 2017 Bond**"); and

WHEREAS, the Corporation has determined that it is in the best interest to refund the Series 2017 Bond; and

WHEREAS, the City sold a \$3,025,000 General Obligation Bond Anticipation Note, Taxable Series 2019A and a \$4,340,000 General Obligation Bond Anticipation Note, Tax-Exempt Series 2019B, dated November 26, 2019 (collectively the "**2019 Notes**"), to defray the cost of certain economic and development efforts in the City's downtown area including, but not limited to, property, acquisition, parking, building demolition and streetscape additions and improvements (the "**2019 Project**"); and

WHEREAS, in order to refund the Series 2017 Bond, to pay the 2019 Notes, to finance the acquisition, construction, renovation and equipping of the Project Facilities in an efficient and economical manner, the City desires to lease to the Corporation the Real Property and to convey to the Corporation the Municipal Parking Garage and the Existing Facilities so that the Corporation may provide for the acquisition, construction, renovation and equipping of the Project Facilities; and

WHEREAS, the Municipal Parking Garage and the Existing Facilities will be sold by the Corporation to the City under the terms of a Municipal Facilities Purchase and Occupancy Agreement dated as of September 1, 2020 (the "**Facilities Agreement**") between the Corporation and the City; and

WHEREAS, the payments to be made under the Facilities Agreement and the rights of the Corporation thereto (except for certain reserved rights as provided therein) are to be assigned to The Bank of New York Mellon Trust Company, N.A., as Trustee (the "**Trustee**") pursuant to the terms of a Trust Agreement dated as of September 1, 2020 (the "**Trust Agreement**") between the Corporation and the Trustee in order to secure and provide a source of payment for certain bonds, the proceeds of which are to be used for the payment of the costs of acquiring, constructing, renovating and equipping the Project Facilities; and

WHEREAS, the City desires to enter into this Base Lease in order to achieve the foregoing purposes;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements, including the payments of the Base Lease Rent (as hereinafter defined) herein set forth the City and the Corporation do hereby covenant and agree as follows:

ARTICLE I
DEFINITIONS AND RULES OF CONSTRUCTION

Section 1.1. Definitions of Words and Terms. Capitalized terms not otherwise defined herein are used with the meanings provided therefor in the Trust Agreement or the Facilities Agreement or shall have the following meanings, unless some other meaning is plainly intended:

"Acquisition Payments" means those payments required to be made by the City by Sections 4.1 and 4.2 of the Facilities Agreement.

"Base Lease Rent" means those items referred to as such in Section 3.4 of this Base Lease.

"Base Lease Term" means the term of this Base Lease which ends on November 1, 2054.

"City" means the City of Florence, South Carolina.

"City Council" means the City Council of the City of Florence, the governing body of the City, and any successor body.

"Corporation" means City of Florence Public Facilities Corporation, a non-profit corporation formed under the laws of the State of South Carolina, and its successors and assigns.

"Corporation Representative" means the person or persons at the time designated to act on behalf of the Corporation in matters relating to this Base Lease, the Facilities Agreement and the Trust Agreement as evidenced by a written certificate furnished to the City and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President or Vice President. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Corporation Representative.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the City or the Corporation.

"Event of Default" means (a) with respect to the Facilities Agreement, any Event of Default as defined in Section 8.1 of the Facilities Agreement, and (b) with respect to the Trust Agreement, any Event of Default as defined in Section 7.1 of the Trust Agreement.

"Fiscal Year" means the 12-month period adopted by the City as its fiscal year for financial reporting purposes. Currently, such Fiscal Year for the City begins on July 1 of each calendar year.

"Ordinance" means the Ordinance enacted by the City Council on August 10, 2020 authorizing this Base Lease and the Facilities Agreement and consenting to the Trust Agreement.

"Real Property" means property owned by the City and leased to the Corporation, as described on Exhibit A, with such releases as may from time to time be permitted pursuant to the provisions of Section 3.6 of this Base Lease and Section 5.1(c) of the Facilities Agreement.

"State" means the State of South Carolina.

"Trust Estate" means the Trust Estate described in the granting clauses of the Trust Agreement.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., a banking association or corporation organized and existing under the laws of the United States, and its successor or successors and any other trustee which at any time may be substituted in its place pursuant to and at the time serving as trustee under the Trust Agreement.

Section 1.2. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

Section 1.3. Accounting Terms. Accounting terms used herein and not otherwise specifically defined shall have the meaning ascribed to such terms by accounting principles generally accepted in the United States as from time to time in effect.

ARTICLE II REPRESENTATIONS

Section 2.1. Representations by the City. The City represents and warrants as follows:

(a) The City is a duly constituted municipal corporation organized and existing under the laws of the State of South Carolina.

(b) The conveyance of title to the Municipal Parking Garage and the Existing Facilities and the demise and lease of the Real Property to the Corporation, as provided in this Base Lease, in order to allow the Corporation to provide for the acquisition, construction, renovation and equipping of the Project Facilities, and the sale of the Municipal Parking Garage and the Existing Facilities by the Corporation to the City pursuant to the Facilities Agreement has been undertaken to enable the City to provide public capital improvement, including parking facilities, recreational and cultural activities in the City.

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fee simple title to the Municipal Parking Garage and the Existing Facilities subject to the provisions hereof and those of the Facilities Agreement. Subject to the provisions of Section 3.6 hereof, the City hereby demises and leases to the Corporation and the Corporation hereby leases from the City the Real Property for a Base Lease Term which ends on November 1, 2054 (the "**Base Lease Term**") for the rentals and other consideration set forth in Section 3.4 hereof and in accordance with the provisions of this Base Lease. The parties hereto agree to amend Exhibit A to this Base Lease to release parcels of Real Property or portions thereof in accordance with the provisions of Section 3.6 hereof, or if the City acquires or makes available Additional Real Property if such Additional Real Property is the site of Additional Project Facilities, with prior written notice to the Trustee.

Section 3.2. Purchase of the Municipal Parking Garage and the Existing Facilities. Pursuant to the terms of the Facilities Agreement, the Corporation will acquire, construct, renovate and equip the Project Facilities and will convey title to the Municipal Parking Garage and the Existing Facilities to the City, but subject to the Trust Agreement and the reservation of certain rights under this Base Lease.

Section 3.3. Assignments, Subleases and Mortgages. Except as contemplated by the Trust Agreement or permitted by the Facilities Agreement, the Corporation may not (i) mortgage or otherwise encumber or assign its rights under this Base Lease, (ii) mortgage or otherwise encumber, or lease, assign, transfer or otherwise dispose of its interest in the Real Property, the Municipal Parking Garage or the Existing Facilities or any portion thereof or (iii) remove, modify or alter the Real Property, the Municipal Parking Garage or the Existing Facilities, without the consent of the City.

Section 3.4. Rent and Other Consideration. In consideration for the conveyance of the Municipal Parking Garage and the Existing Facilities and leasing of the Real Property to the Corporation hereunder, the Corporation agrees (i) to pay to the City the sum of \$35 at closing as a prepayment of the annual Base Lease Rent of One Dollar per year for periods beginning on each January 1 and ending on each December 31 with an initial period beginning September 9, 2020, and ending on December 31, 2020, and (ii) to fulfill its obligations with respect to the Project Facilities as provided in the Facilities Agreement.

Section 3.5. Taxes and Insurance. The City shall pay and have responsibility for all taxes on and insurance of the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities for so long as this Base Lease shall remain in force, except as provided in Section 4.1(b) herein. All insurance shall provide that the proceeds shall be payable to the City, the Corporation or the Trustee as their interests may appear.

Section 3.6. Granting of Easements and Rights of Way, Release of Real Property or Portions Thereof. From time to time during the term hereof and so long as there is not an existing Event of Default under the Facilities Agreement and there has not occurred an Event of Nonappropriation that has not been waived by the Trustee, the Corporation, at the request of the City and with prior written notice to the Trustee, may execute such instruments as are necessary to provide for the granting of easements or rights of way for road construction, utilities or in such other instances as the City certifies are not inconsistent or incompatible with the continued use of the balance of the Real Property for their intended purposes. Such instruments may include a termination of this Base Lease with respect to such portion of the Real Property as is affected thereby or an acceptance or acknowledgment of the right of the grantee of any such easement or right-of-way to continue to use such property notwithstanding the exercise of any rights or remedies afforded to the Corporation hereunder or under the Facilities Agreement. Any request from the City hereunder shall be accompanied by copies of any instruments proposed to be executed together with a certificate from the City to the effect that (i) the continued use of the Real Property affected thereby will not be impaired or hampered thereby; (ii) access to the Real Property for ingress and egress will be

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(c) The City Council has full power and authority to enact the Ordinance, and the City has full power and authority to enter into the transactions contemplated by this Base Lease and to carry out its obligations hereunder.

(d) Neither the execution and delivery of this Base Lease, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the City is now a party or by which the City is bound.

(e) The City has not made, done, executed or suffered, and warrants that it will not make, do, execute or suffer, any act or thing whereby the City's interests in the Real Property, the Municipal Parking Garage and the Existing Facilities shall be or may be impaired, changed or encumbered in any manner whatsoever except as permitted by this Base Lease or the Facilities Agreement.

(f) The City is (or, prior to subjection thereof to this Base Lease, shall be) the fee owner of the Real Property free and clear of all liens, encumbrances and restrictions (including, without limitation, leases) other than Permitted Encumbrances.

Section 2.2. Representations by the Corporation. The Corporation represents and warrants as follows:

(a) The Corporation is a non-profit corporation duly incorporated under the laws of the State and has corporate power to enter into this Base Lease, the Facilities Agreement and the Trust Agreement. By proper corporate action the officers of the Corporation have been duly authorized to execute and deliver this Base Lease, the Facilities Agreement and the Trust Agreement.

(b) The execution and delivery of this Base Lease, the Facilities Agreement and the Trust Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or constitute a breach of or default under the Corporation's articles of incorporation or bylaws or any bond, debenture, note or other evidence of indebtedness of the Corporation, or any contract, agreement, or instrument to which the Corporation is a party or by which it is bound.

(c) To provide funds to finance the Project Facilities, the Corporation will enter into the Trust Agreement pursuant to which it will issue the Series 2020 Bonds payable from and secured by the Acquisition Payments under the Facilities Agreement.

(d) The Corporation has made certain representations and covenants in Section 2.6 of the Trust Agreement that are for the benefit of the Holders and also to protect the interests of the City in the property subject to this Base Lease. The Corporation hereby affirms that such covenants are intended to benefit the City and may be enforced by it upon the failure of the Trustee to do so.

ARTICLE III CONVEYANCE OF MUNICIPAL PARKING GARAGE, EXISTING FACILITIES AND LEASE OF THE REAL PROPERTY; ACQUISITION OF THE MUNICIPAL PARKING GARAGE AND EXISTING FACILITIES; RENT

Section 3.1. Conveyance of Municipal Parking Garage and the Existing Facilities and Lease of the Real Property. For and in consideration of the agreement of the Corporation to provide funds to acquire, construct, renovate and equip the Project Facilities, the City hereby conveys to the Corporation

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adequate; and (iii) that the value of the Real Property to the City will not be significantly diminished thereby.

The Corporation may also terminate this Base Lease with respect to any portion of the Real Property deemed excess or unneeded for the continued operation of the Municipal Parking Garage and the Existing Facilities and the related facilities for the purposes for which they were designed or are then being used, and release its interest in such portion to the City, upon receipt by the Corporation of the following: (i) a plat showing the location of the Municipal Parking Garage and the Existing Facilities and related facilities and the portion of the Real Property deemed excess or unneeded; (ii) an amendment to Exhibit A hereto revising the description of the affected parcel of property; (iii) a certificate from an engineer or architect stating that the remaining Real Property (including additional Real Property, if any, substituted or exchanged for such portion of the Real Property being released as provided in Section 5.1(c) of the Facilities Agreement) will be adequate for the continued operation of the Municipal Parking Garage and the Existing Facilities and related facilities for the purpose for which they were designed or are then being used including a certification that there will be adequate access to the remaining Real Property for ingress and egress; and (iv) a certification from the City that the portion of the Real Property being released from the provisions hereof is excess to or unneeded for the continued operation of the Municipal Parking Garage and the Existing Facilities and related facilities for the purposes for which they were designed or are then being used.

The City shall not be obligated to compensate the Corporation for the removal of any property or for any conveyance or grant of an easement or right-of-way under the provisions hereof and any consideration paid in connection therewith shall be turned over to the City so long as there is not an existing Event of Default under the Facilities Agreement and no Event of Nonappropriation has occurred that has not been waived by the Trustee. The Corporation shall have no obligation or responsibility to prepare or record any instrument authorized hereunder.

ARTICLE IV TERMINATION

Section 4.1. Termination.

(a) This Base Lease shall terminate upon the completion of the Base Lease Term specified in Section 3.1 hereof; provided, however, in the event the City exercises the option to purchase the Municipal Parking Garage and the Existing Facilities as provided in Section 9.1(a) of the Facilities Agreement and satisfies the conditions thereof, then this Base Lease shall be considered terminated through merger of the leasehold interest with the interest of the City and, provided further, that upon any partition of the Municipal Parking Garage and the Existing Facilities pursuant to Section 2.4 of the Facilities Agreement, this Base Lease shall be terminated with respect to that portion of the Real Property (the "**Municipal Real Property**") relating to any Municipal Facilities (as defined in the Facilities Agreement) and the Municipal Real Property shall no longer be subject to this Base Lease and the Corporation shall have no interest therein. Notwithstanding the termination of the Facilities Agreement as a consequence of an Event of Default or Event of Nonappropriation, the City may thereafter purchase the Municipal Parking Garage and the Existing Facilities not previously purchased by it upon payment of the applicable Purchase Option Price and the satisfaction of all other terms and conditions set forth in Section 9.1(a) of the Facilities Agreement.

(b) The Corporation agrees, upon any termination or completion of the Base Lease Term or the exercise by the City of its option to purchase as provided in Section 9.1(a) of the Facilities Agreement, to quit and surrender the Real Property and that all title and interest in the Municipal Parking Garage, the

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Existing Facilities and Real Property shall vest in the City free and clear of the encumbrance of this Base Lease and any other encumbrances except those permitted by Section 9.2(a) of the Facilities Agreement. The Corporation agrees, upon any partition of the Municipal Parking Garage and the Existing Facilities provided for in Section 2.4 of the Facilities Agreement, to quit and surrender the Municipal Real Property and the Existing Facilities and that in those circumstances all title and interest in the Municipal Facilities and the Municipal Real Property shall vest in the City free and clear of the encumbrance of this Base Lease and any other encumbrances except those permitted by Section 9.2(a) of the Facilities Agreement.

If an Event of Default under the Facilities Agreement occurs or if the City fails to continue the Facilities Agreement for the entire term thereof for any reason, the Corporation shall have the right to possession of portions of the Real Property (the "**Corporation Real Property**") relating to the Corporation Facilities (as defined in the Facilities Agreement) as the result of a partition as provided for in Section 2.4 of the Facilities Agreement for the remainder of the Base Lease Term and shall have the right to sublease the Corporation Facilities or transfer its leasehold interest in the Corporation Real Property and in this Base Lease upon whatever terms and conditions it deems prudent; provided that the Corporation Facilities shall always be operated for a civic or public purpose to the extent such requirement continues to be applicable under State law and in compliance with all applicable governmental rules, regulations and orders. Both parties acknowledge that the City has an insurable interest in the Corporation Facilities but not in any additions, alterations, furnishings and fixtures provided in connection with use of the Corporation Facilities by the Corporation or any person to whom the Corporation enters into a lease, license or other such agreement providing for occupancy, temporary or long-term. Therefore, the City's obligation to provide insurance and pay taxes under the provisions of Section 3.5 hereof shall be limited to the portions of the Real Property, the Municipal Parking Garage and the Existing Facilities and related property as they existed as of the Division Date (as defined in the Facilities Agreement). As to any additions, alterations, furnishings and fixtures provided in connection with use of the Corporation Facilities by the Corporation or any person to whom the Corporation enters into a lease, license or other such agreement providing for occupancy temporary or long-term, the Corporation shall provide the City with adequate public liability and comprehensive risk insurance covering such additions, alterations, furnishings and fixtures and the use thereof by the Corporation or such person, and shall pay all taxes relating thereto for the remainder of the Base Lease Term and will furnish the City with evidence thereof promptly upon written request from the City. In the event that the Corporation shall receive a payment for the transfer of its leasehold interest or total rental payments for subleasing that are, after the payment of the Corporation's expenses in connection therewith, including fees and expenses of the Trustee, in excess of the principal amount of the Outstanding Bonds at the time of termination or default and the interest and premium, if any, due and to become due thereon (with amounts so received to be credited first to such interest and then to principal), then such excess shall be paid to the City by the Corporation, its assigns or its lessee.

Section 4.2. Default by the Corporation. The City shall not have the right to exclude the Corporation from the Real Property, the Municipal Parking Garage or the Existing Facilities or to take possession of the Real Property, the Municipal Parking Garage and the Existing Facilities (except pursuant to the Facilities Agreement) or to terminate this Base Lease prior to the termination of the Base Lease Term notwithstanding any default by the Corporation hereunder; except that if, upon exercise of the option to purchase the Corporation's entire interest in the Municipal Parking Garage and the Existing Facilities granted to the City in Article IX of the Facilities Agreement and after the payment of the purchase price specified therein and the other sums payable under the Facilities Agreement, the Corporation fails to convey its interest in the Municipal Parking Garage and the Existing Facilities to the City pursuant to said option, then the City shall have the right to terminate this Base Lease, such termination to be effective 30 days after delivery of written notice of such termination to the Corporation. However, in the event of any default by the Corporation hereunder, the City may maintain an action, if permitted in equity, for specific performance.

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ARTICLE V CONTROL OF REAL PROPERTY, MUNICIPAL PARKING GARAGE AND THE EXISTING FACILITIES DURING BASE LEASE TERM

Section 5.1. Control of Real Property, Municipal Parking Garage and the Existing Facilities During Base Lease Term. Subject to the Facilities Agreement, during the Base Lease Term the Corporation shall have complete control over the Real Property, the Municipal Parking Garage and the Existing Facilities and their operation, provided however, that the Corporation shall not create any encumbrance against the Real Property, the Municipal Parking Garage and the Existing Facilities, except pursuant to the Trust Agreement, during the Base Lease Term without the written consent of the City.

ARTICLE VI MISCELLANEOUS

Section 6.1. Binding Effect. This Base Lease shall inure to the benefit of and shall be binding upon the City, the Corporation and their respective successors and assigns.

Section 6.2. Severability. In the event any provision hereof shall be determined to be invalid or unenforceable, the validity and effect of the other provisions hereof shall not be affected thereby.

Section 6.3. Amendment, Changes and Modifications. This Base Lease may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Trustee as provided in the Trust Agreement, except to the extent anticipated (i) in Section 3.1 hereof in connection with amendment of Exhibit A hereto to include additional parcels of Real Property herein, and (ii) in Section 3.6 hereof in connection with the granting of easements, releases and substitutions.

Section 6.4. Execution in Counterparts. This Base Lease may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original and all of which together shall constitute but one and the same instrument.

Section 6.5. Applicable Law. This Base Lease shall be governed by and construed in accordance with the laws of the State.

Section 6.6. Captions. The Section and Article headings herein are for convenience only and in no way define, limit or describe the scope or intent of any of the provisions hereof.

Section 6.7. Notices. It shall be sufficient service of any notice, request, complaint, demand or other paper required by this Base Lease to be given to or filed with the City, the Corporation or the Trustee if the same is given or filed in the manner and at the addresses specified in the Trust Agreement.

Section 4.3. Quiet Enjoyment. Subject to the Facilities Agreement, the Corporation at all times during the term of this Base Lease shall peaceably and quietly have and enjoy the Real Property, Municipal Parking Garage and the Existing Facilities.

Section 4.4. No Merger. Except as expressly provided herein, no union of the interests of the City and the Corporation herein or in the Facilities Agreement shall result in a merger of this Base Lease and the title to the Municipal Parking Garage and the Existing Facilities. The Corporation and City confirm that the Municipal Parking Garage and the Existing Facilities shall be property of the Corporation and title thereto shall remain vested in the Corporation as Project Facilities are constructed and shall not merge into the leasehold estate of the Corporation in the Real Property subject to the provisions of this Base Lease and the Facilities Agreement; except that title to the Municipal Parking Garage and the Existing Facilities shall revert to and be vested in the City upon termination of this Base Lease, irrespective of any Event of Nonappropriation or Event of Default under the Facilities Agreement. The Corporation shall have the power to convey undivided interests in the Municipal Parking Garage and the Existing Facilities to the City from time to time as Acquisition Payments are made as contemplated by the Facilities Agreement.

Section 4.5. Waiver of Personal Liability. All liabilities under this Base Lease on the part of the Corporation are strictly and exclusively liabilities of the Corporation as a corporation. To that end and for that purpose, the City hereby releases each and every incorporator, member, director and officer of the Corporation of and from any personal or individual liability under this Base Lease, including without limitation the obligation to make payment of the Base Lease Rent and, to the extent permitted by law, agrees to hold such individuals harmless against all suits, claims, actions and judgments arising out of this Base Lease. No incorporator, member, director or officer of the Corporation shall at any time or under any circumstances be individually or personally liable under this Base Lease for anything done or omitted to be done by the Corporation hereunder.

Section 4.6. Maintenance of Premises. Subject to the provisions of the Facilities Agreement, the Corporation covenants that it will maintain or cause to be maintained the Real Property, and will not cause, permit or suffer to be caused or permitted waste thereto. At the conclusion of the term hereof, the Real Property shall be returned to the City, together with the Municipal Parking Garage and the Existing Facilities and any other improvements thereto, in substantially the condition thereof as of the date hereof or the date the Real Property is added hereto, subject to normal wear and tear. Except as contemplated under the Facilities Agreement, the Corporation shall not make or consent to any other improvements, modifications or alterations to the Real Property, the Municipal Parking Garage or the Existing Facilities or any portion thereof, or remove any part thereof without the written consent of the City. Prior to an Event of Nonappropriation that has not been waived by the Trustee, in the event of any damage, destruction or condemnation of any of the Real Property, the provisions of Article VII of the Facilities Agreement shall be deemed to apply with respect to the Real Property in like manner as provided therein with respect to Municipal Parking Garage and the Existing Facilities, and the net proceeds from any insurance policies, performance bonds or condemnation awards shall be applied in the same manner for the benefit of Real Property as are Net Proceeds under Section 7.2 of the Facilities Agreement. After an Event of Nonappropriation that has not been waived by the Trustee, in the event of any damage, destruction or condemnation of any of the Real Property, the proceeds of any insurance, performance bonds, or condemnation awards allocable to the Corporation's interest in the Real Property shall be applied as directed by the Trustee either in the manner provided in Section 7.2 of the Facilities Agreement or to the retirement of any Bonds or indebtedness with respect thereto and the balance, if any, remaining thereafter to such use as the City may direct.

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WITNESS the due execution of this Base Lease as of the date first above written.

LESSOR:

CITY OF FLORENCE, SOUTH CAROLINA

WITNESS:

By: _____
Mayor

Attest: _____
Municipal Clerk

LESSEE:

CITY OF FLORENCE PUBLIC
FACILITIES CORPORATION

WITNESS:

By: _____
President

Attest: _____
Secretary

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EXHIBIT A

Legal Description of the Real Property

All those pieces, parcels or lots of land together with all improvements located or to be located thereon and being more particularly described as follows:

All that certain piece, parcel or tract of land, together with improvements thereon, situate, lying and being in the County of Florence, State of South Carolina, being shown and designated as Sixty (60) acres, more or less, as shown on a plat prepared for the City of Florence Recreation Complex by Engineering Consultants, Inc. dated January 27, 1986 and recorded in Plat Book 24 at page 884 in the office of the Clerk of Court for Florence County. **LESS AND EXCEPTING:** All those certain pieces, parcels, or lots of land shown as Parcels C1, containing 416.08 Square Feet, and C2, containing 7,559.51 Square Feet, as shown on a plat surveyed for Betsy S. Moore and recorded in Plat Book 83 at page 417, said lots having been conveyed to Betsy S. Moore by deed recorded on May 5, 2004 in Book A838 at page 1093. Reference is had to the above referenced plats for a more complete and accurate description of said property.

LEGAL DESCRIPTION FOR MUNICIPAL PARKING GARAGE TO BE PROVIDED.

STATE OF SOUTH CAROLINA)
)
COUNTY OF FLORENCE)

I, the undersigned, Notary Public for the State of South Carolina, do hereby certify that the Mayor and Municipal Clerk of the City of Florence, South Carolina, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this ____ day of September, 2020.

Notary Public, State of South Carolina
Notary Name Printed: _____
My Commission Expires: _____

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STATE OF SOUTH CAROLINA)
)
COUNTY OF FLORENCE)

I, the undersigned, Notary Public for the State of South Carolina, do hereby certify that the President and Secretary of the City of Florence Public Facilities Corporation personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this ____ day of September, 2020.

Notary Public, State of South Carolina
Notary Name Printed: _____
My Commission Expires: _____

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MUNICIPAL FACILITIES PURCHASE AND OCCUPANCY AGREEMENT

between

CITY OF FLORENCE PUBLIC FACILITIES CORPORATION
as Seller

and

CITY OF FLORENCE
as Buyer

DATED AS OF SEPTEMBER 1, 2020

All right, title and interest of City of Florence Public Facilities Corporation in the revenues derived under this Municipal Facilities Purchase and Occupancy Agreement (except for certain reserved rights) have been assigned to The Bank of New York Mellon Trust Company, N.A., as Trustee, under a Trust Agreement dated as of September 1, 2020, between City of Florence Public Facilities Corporation and the Trustee.

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MUNICIPAL FACILITIES PURCHASE AND OCCUPANCY AGREEMENT

This MUNICIPAL FACILITIES PURCHASE AND OCCUPANCY AGREEMENT dated as of September 1, 2020 (the "**Facilities Agreement**") is made and entered into by and between CITY OF FLORENCE PUBLIC FACILITIES CORPORATION (together with its successors and assigns, the "**Corporation**"), a non-profit corporation formed under the laws of the State of South Carolina, as Seller, and CITY OF FLORENCE (the "**City**"), a municipal corporation organized and existing under the laws of the State of South Carolina, as buyer.

WITNESSETH

WHEREAS, the Corporation is a non-profit corporation formed under the provisions of Sections 33-31-10 through 33-31-180, inclusive, Code of Laws of South Carolina, 1976, as amended; and

WHEREAS, the City is a municipal corporation organized and existing under the laws of the State of South Carolina and is authorized under the provisions of Title 5, Chapter 7, Code of Laws of South Carolina, 1976 as amended, to enter into this Facilities Agreement; and

WHEREAS, the City is the owner of certain land described in Exhibit A hereto upon which will be constructed a municipal parking garage (the "**Municipal Parking Garage**") as well as certain land (collectively, the "**Real Property**") upon which is located improvements which constitute the Freedom Florence Recreation Complex, a multi-use facility of approximately 100 acres and containing, among other things, nine lighted baseball/softball fields, three lighted football fields, a recreational/competitive gymnastics center and walking, jogging and biking trails (the "**Existing Facilities**"); and

WHEREAS, the City currently owns certain additional real properties upon which will be constructed a downtown theater, an athletic complex consisting of multiple baseball fields, a full-sized 400 meter track and a 1,500-seat baseball stadium, and the 2019 Project (defined below) (collectively, the "**Capital Improvements**"); and

WHEREAS, the Corporation issued a \$15,000,000 Installment Purchase Revenue Bond (City of Florence Project), Series 2017, dated November 15, 2017 (the "**Series 2017 Bond**"); and

WHEREAS, the Corporation has determined that it is in the best interest to refund the Series 2017 Bond; and

WHEREAS, the City sold a \$3,025,000 General Obligation Bond Anticipation Note, Taxable Series 2019A and a \$4,340,000 General Obligation Bond Anticipation Note, Tax-Exempt Series 2019B, dated November 26, 2019 (collectively the "**2019 Notes**"), to defray the cost of certain economic and development efforts in the City's downtown area including, but not limited to, property, acquisition, parking, building demolition and streetscape additions and improvements (the "**2019 Project**"); and

WHEREAS, the Corporation and the City have agreed to enter into a Base Lease and Conveyance Agreement, dated as of September 1, 2020 (the "**Base Lease**") pursuant to which the City is conveying the Municipal Parking Garage and the Existing Facilities to the Corporation and is leasing the Real Property to the Corporation so that the Corporation may provide for the acquisition, construction, renovation and equipping of the Capital Improvements, the construction of the Municipal Parking Garage and the 2019 Project (collectively, the "**Project Facilities**"); and

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WHEREAS, in order to provide funds to refund the Series 2017 Bond, to pay the 2019 Notes and for the payment of the costs of the acquisition, construction and equipping of the Capital Improvements and the 2019 Project, none of which will be situated on the Real Property nor be subject to the Base Lease or this Facilities Agreement, as well as the acquisition, construction and equipping of the Municipal Parking Garage and the Existing Facilities which will be located on the Real Property and subject to the Base Lease and this Facilities Agreement, the Corporation intends to issue \$37,335,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Series 2020, dated the date of their delivery (the "**Series 2020 Bonds**") consisting of \$26,365,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Taxable Series 2020A (the "**Series 2020A Bonds**") and \$10,970,000 City of Florence Public Facilities Corporation Installment Purchase Refunding Revenue Bonds (City of Florence Project) Series 2020B (the "**Series 2020B Bonds**") under and by the terms of a Trust Agreement dated as of September 1, 2020 (the "**Trust Agreement**") by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"); and

WHEREAS, the City has agreed to make certain payments (the "**Acquisition Payments**") for its acquisition of the Municipal Parking Garage and the Existing Facilities on an installment basis and, in accordance with the terms hereof, shall be entitled to the use and occupancy of the Real Property, the Municipal Parking Garage and the Existing Facilities; and

WHEREAS, the right to receive Acquisition Payments is being assigned to the Trustee under the Trust Agreement as security and the source of payment for the Series 2020 Bonds;

NOW, THEREFORE, in consideration of the undertaking of the Corporation to acquire, construct, renovate and equip the Project Facilities, the undertaking of the City to pay the Acquisition Payments hereunder, the mutual covenants and agreements of the parties hereto, and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the Corporation and the City, intending to be legally bound, do hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions. Capitalized terms not otherwise defined herein shall have the meanings provided therein in the Base Lease or the Trust Agreement or as set forth below:

"Acquisition Payments" means the payments to be paid by the City pursuant to Sections 4.1 and 4.2 hereof, including Base Payments and Additional Payments, subject to an Event of Nonappropriation as provided in Section 4.7 hereof.

"Acquisition Price" shall mean the sum of all Base Payments to be made hereunder on a semi-annual basis, on such dates as shown on Exhibit C hereto, in order for the City to acquire the Municipal Parking Garage and the Existing Facilities; subject, however, at all times to Sections 2.2 and 2.3 hereof, which Acquisition Price may be recalculated in the event of any prepayment of Base Payments provided for in Section 9.1 hereof.

"Additional Payments" means that portion of the Acquisition Payments specified in Sections 4.1 and 4.2 hereof as Additional Payments.

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breakage or accidents to machinery, transmission pipes or canals; or any other cause or event not within the control of the party seeking the benefit of force majeure and not due to its own negligence.

"Hazardous Substances" means (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Municipal Parking Garage, the Existing Facilities or the Project Facilities or to persons on or about the Municipal Parking Garage, the Existing Facilities or Project Facilities or (ii) cause the Municipal Parking Garage, the Existing Facilities or Project Facilities to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of "waste," "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous waste," "restricted hazardous waste," or "toxic substances" or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act ("**CERCLA**"), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act ("**RCRA**"), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Municipal Parking Garage, the Existing Facilities or Project Facilities or the owners and/or occupants of property adjacent to or surrounding the Municipal Parking Garage, the Existing Facilities or Project Facilities, or any other person coming upon the Municipal Parking Garage, the Existing Facilities or Project Facilities or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

"Municipal Facilities" mean that portion of the Municipal Parking Garage and the Existing Facilities allocated to the City as a result of the partition under the provisions of Section 2.4 hereof.

"Ordinance" means that certain ordinance enacted by the City Council on August 10, 2020, which, inter alia, authorizes the financing of the Project Facilities and expresses the intent of the City to enter into this Facilities Agreement.

"Net Proceeds" when used with respect to any proceeds from policies of insurance required hereby or any condemnation award, or proceeds from damages, refunds, adjustments or otherwise in connection with claims against any suppliers, vendors, contractors or subcontractors and/or materialmen or similar persons, including payments from sureties or on performance bonds with respect thereto, or from any liquidation of any part of the Municipal Parking Garage and the Existing Facilities, means the amount remaining after deducting from the gross proceeds thereof all expenses (including, without limitation, reasonable attorney's fees and costs) incurred in the collection of such proceeds or award.

"Permitted Encumbrances" means, as of any particular time, (i) liens for taxes and assessments not then delinquent, or liens which may remain unpaid pursuant to the provisions of Sections 4.1 and 4.2 respectively of this Facilities Agreement; (ii) the Security Documents; (iii) utility, access and other easements and other rights-of-way, restrictions and exceptions which an officer of the City certifies will not interfere with or impair the use of the Real Property, Municipal Parking Garage or the Existing Facilities by the Corporation or the City as contemplated hereby, including rights or privileges in the nature of easements; (iv) any financing statements filed to perfect security interests pursuant to this Facilities Agreement or the Trust Agreement; and (v) the matters described on Exhibit B hereto.

"Project Facilities" means the projects designated as such by the Corporation and the City to be acquired, constructed or renovated and includes the assets and improvements, the cost of acquisition,

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"Additional Project Facilities" means any facilities, other than the Project Facilities, proposed to be acquired, constructed or renovated by the Corporation with proceeds of Additional Bonds. Such Additional Project Facilities may be made subject to this Facilities Agreement.

"Additional Real Property" means any real property that is or will become the site of Additional Project Facilities. Such Additional Real Property may be made subject to the Base Lease.

"Base Payments" means that portion of the Acquisition Payments specified in Section 4.1 hereof as Base Payments.

"Bond Counsel" means a firm of nationally recognized bond counsel experienced in matters of tax-exempt finance that shall be acceptable to the Trustee.

"Bond Fund" means the fund of such name established pursuant to Section 5.5 of the Trust Agreement.

"Bond Proceeds" means the gross proceeds received from the issuance and sale of the Series 2020 Bonds.

"Certificate of Completion" means the Direction to Make Final Disbursement and Certificate of Completion filed with the Trustee in accordance with Section 3.4 hereof.

"City Council" means the City Council of the City of Florence, the governing body of the City, and any successor body.

"Completion Date" means the date on which the City provides a Certificate of Completion.

"Corporation Facilities" means that portion of the Municipal Parking Garage and the Existing Facilities allocated to the Corporation as the result of a partition under the provisions of Section 2.4 hereof.

"Environmental Regulations" means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances, chemical waste, materials or substances.

"Event of Default" means the events set forth in Section 8.1 of this Facilities Agreement.

"Event of Nonappropriation" means a termination of this Facilities Agreement pursuant to Section 4.7 herein.

"Facilities Component" means an entire building, or a portion thereof, including any related auxiliary buildings and other structures, together with the Real Property associated therewith, or portion thereof, on which such building is located.

"Fiscal Year" means the fiscal year of the City, currently beginning on each July 1 and ending on the succeeding June 30.

"Force Majeure" means, without limitation, the following: acts of God; strikes, lockouts or other industrial disturbances; acts of public enemies; orders or restraints of any kind of the government of the United States of America or of the State or any of their departments, agencies or officials or any civil or military authority; insurrection; riots; landslides; earthquakes, flood; fire; storms, droughts; explosion;

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construction, renovation or equipping for which is or has been paid from amounts disbursed from the Project Fund and includes any Additional Project Facilities.

"Project Facilities Contracts" means those contracts entered into by or on behalf of the Corporation in connection with the Project Facilities.

"Project Fund" means the fund of such name established pursuant to Section 5.2 of the Trust Agreement.

"Purchase Option Price" means an amount equal to the amount required to defease or otherwise discharge the Bonds under the Trust Agreement plus the amount of any Additional Payments which are due or accrued hereunder at the time which any purchase option hereunder is exercised.

"Real Property" means that certain real property leased to the Corporation under the Base Lease, as more particularly described on Exhibit A, as may be amended from time to time pursuant to Section 3.6 of the Base Lease in accordance with Section 10.6 herein.

"Security Documents" means this Facilities Agreement, the Base Lease, the Trust Agreement, financing statements, if any, and any other instruments or documents providing security for the Owners of the Bonds.

"State" means the State of South Carolina.

"Verification Agent" means a firm recognized in the field of verifying the sufficiency of defeasance escrows for tax-exempt or taxable bonds.

"Waiver Period" means the period of time commencing on the date notice is received by the City pursuant to Section 4.7(b) hereof of the occurrence of an Event of Nonappropriation and ending on and including the July 31 following the commencement of a Fiscal Year affected by an Event of Nonappropriation.

Section 1.2. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing person shall include firms, associations and corporations, including public bodies, as well as natural persons.

Section 1.3. Terms Defined in the Trust Agreement; Rights of the Trustee. Capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Trust Agreement unless the context clearly indicates to the contrary. The parties hereto acknowledge that the rights of the Corporation hereunder have been assigned to the Trustee to the extent and in the manner provided in the Trust Agreement. Accordingly, wherever in this Facilities Agreement reference is made to the Corporation for enforcement of any right or remedy, the parties agree that the Trustee may enforce such right or remedy regardless of whether so stated. The parties acknowledge that the Trustee is a third-party beneficiary of the obligations of the City hereunder and may act directly, in its own name, in enforcing such obligations.

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Section 1.4. City Representations, Warranties and Covenants. The City makes the following representations, warranties and covenants:

(a) The City is a municipal corporation organized and existing under the laws of the State and has full power and legal right to enter into this Facilities Agreement and the Base Lease and to perform its obligations hereunder and thereunder. The City's actions in making and performing this Facilities Agreement and the Base Lease have been duly authorized by all necessary governmental action and do not and will not violate or conflict with any law or governmental rule or regulation, or any mortgage, agreement, instrument or other document by which the City or its properties are bound.

(b) The City is a political subdivision within the meaning of Section 103(c)(1) of the Code.

(c) The City will take such action as is necessary to assure that the Project Facilities are completed, furnished and occupied by the City. In the event the amounts available from the proceeds from the Series 2020 Bonds appear to be insufficient for such purpose, the City shall cooperate with the Corporation to make such modifications or changes in the Project Facilities as will assure the completion, provided that under no circumstances shall the City be required to expend any monies for Project Facilities other than monies in the Project Fund. Nothing herein shall prohibit the payment by the City of costs of Project Facilities from other sources available to it.

(d) The City will take such action as is necessary to ensure that the proceeds from Series 2020 Bonds, other than amounts set aside in the Trust Agreement for payment of costs of issuance, funding of reserves or payment of interest, are applied solely for the payment of the costs of acquiring the Project Facilities.

(e) No portion of the capital improvements financed with the proceeds of the Series 2017 Bond will be used in the trade or business of a person who is not a "political subdivision" within the meaning of Section 103(c)(1) of the Code, without the written approval of Bond Counsel.

(f) The amounts, if any, spent by the City from its own funds to pay costs of the acquisition, construction, renovation and equipping of the capital improvements financed with the proceeds of the Series 2017 Bond were not expended more than 60 days prior to the enactment by the City Council of the Ordinance, except with respect to certain preliminary expenditures for architectural, engineering, surveying, soil testing and similar costs.

(g) There is no fact that is not disclosed in the Official Statement for the Series 2020 Bonds which will materially and adversely affect the properties, activities, operations, revenues, prospects or condition (financial or otherwise) of the City, its status as a political subdivision of the State within the meaning of Section 103(c)(1) of the Code, its ability to own and operate its property in the manner such property is currently operated or its ability to perform its obligations under this Facilities Agreement or the Base Lease.

(h) There are no proceedings pending or, to the knowledge of the City, threatened against or affecting the City, except as disclosed in the Official Statement for the Series 2020 Bonds, in any court or before any governmental authority or arbitration board or tribunal that, if adversely determined, would materially and adversely affect the properties, operations, prospects or condition (financial or otherwise) of the City, or the corporate existence or powers or ability of the City to enter into and perform its obligations under this Facilities Agreement or the Base Lease.

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authority, including Environmental Regulations, applicable to the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities, and all covenants, restrictions and conditions now or hereafter of record which may be applicable to the use, manner of use, occupancy, possession, operation, maintenance, alteration, repair or reconstruction of the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities, including building and zoning codes and ordinances (collectively, the "**Legal Requirements**"), provided that the City shall not be in default hereunder so long as the City promptly after receiving an actual written notice of any noncompliance, files a copy thereof with the Trustee and the City commences and uses its diligent efforts to cause compliance with such Legal Requirements, as long as the failure to comply does not subject the Real Property, the Municipal Parking Garage, the Existing Facilities or the Project Facilities to any material danger of being forfeited or lost as a result thereof. The City possesses or will possess, and the City hereby agrees to maintain and obtain in the future, all necessary licenses and permits, or rights thereto, to operate the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities as proposed to be operated, and all such licenses, permits or other approvals required in connection with the operation of the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities have been duly obtained and are in full force and effect except for any such licenses, permits or other approvals that are not yet required and that will be duly obtained not later than the time required or the failure to obtain which will not materially and adversely affect the operation of the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities. The City covenants and agrees to do all things necessary to preserve and keep in full force and effect its franchises, rights, powers and privileges as the same relate to the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities.

(m) The Existing Facilities and the portion of the Real Property on which the Existing Facilities are located have been owned and operated by the City for approximately 30 years, and the City has no knowledge of any Hazardous Substance contained thereon. The City has no knowledge of any Hazardous Substances located on that portion of the Real Property on which the Municipal Parking Garage will be located beyond the information contained in the Phase 1 report prepared by SCS Engineers dated January 24, 2020.

(n) The City has approved the issuance by the Corporation of the Series 2020 Bonds.

(o) The City has not as of the date hereof terminated any lease, lease-purchase agreement or installment purchase agreement to which it has been party by nonappropriation.

Section 1.5. Corporation Representations, Warranties and Covenants. The Corporation makes the following representations, warranties and covenants:

(a) The Corporation is a duly organized and existing non-profit corporation created under the laws of South Carolina, has the requisite power to carry on its present and proposed activities, and has full power, right and authority to enter into this Facilities Agreement, the Trust Agreement and the Base Lease and to perform each and all of the obligations of the Corporation provided therein.

(b) The Corporation has taken or caused to be taken all requisite corporate action to authorize the execution and delivery of, and the performance of its obligations under this Facilities Agreement, the Base Lease, the Trust Agreement and each of the Project Facilities Contracts to which it is or will be a party.

(c) By proper corporate action the officers of the Corporation have been duly authorized to execute and deliver this Facilities Agreement, the Base Lease, and the Trust Agreement.

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(i) The execution and delivery of this Facilities Agreement and the Base Lease (collectively, the "City Agreements"), and the consummation of the transactions provided for herein and therein, and compliance by the City with the provisions of the City Agreements:

(i) are within the governmental powers and have been duly and validly authorized by all necessary governmental and other action on the part of the City;

(ii) do not and will not conflict with or result in any material breach of any of the terms, conditions or provisions of, or constitute a default under, or result in the creation or imposition of any lien, charge or encumbrance upon any property or assets of the City pursuant to, any indenture, loan agreement or other agreement or instrument (other than this Facilities Agreement) or any governmental restriction to which the City is a party or by which the City, its properties or operations may be bound or with the giving of notice or the passage of time or both would constitute such a breach or default or result in the creation or imposition of any such lien, charge or encumbrance, which breach, default, lien, charge or encumbrance could materially and adversely affect the validity or the enforceability of the City Agreements or the City's ability to perform fully its obligations under the City Agreements; nor will such action result in any violation of any laws, ordinances, governmental rules or regulations or court or other governmental orders to which the City, its properties or operations are subject.

(j) No event has occurred and no condition exists that constitutes an Event of Default or which, upon the execution and delivery of this Facilities Agreement, and/or the passage of time or giving of notice or both, would constitute an Event of Default. The City is not in violation in any material respect, and has not received notice of any claimed material violation (except such violations as do not, and shall not, have any material adverse effect on the transactions herein contemplated and the compliance by the City with the terms hereof, or the Security Documents), of any terms of any court order, statute, regulation, ordinance, agreement, or other instrument to which it is a party or by which it, its properties or its operations may be bound.

(k) This Facilities Agreement is a legal, valid and binding obligation and agreement of the City, enforceable against the City in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity; anything herein to the contrary notwithstanding, this Facilities Agreement is subject in its entirety to the right of the City to terminate this Facilities Agreement and all the terms and provisions hereof by failing to budget and appropriate moneys specifically to pay Acquisition Payments, as provided in Sections 2.2, 4.6 and 4.7 hereof.

(l) The operation of the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities in the manner contemplated will not conflict in any material respect with any zoning, water or air pollution or other ordinance, order, law, rule, or regulation applicable to the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities including, without limitation, Environmental Regulations. The City has caused or will cause the Project Facilities to be designed in accordance with all applicable federal, state and local laws or ordinances (including rules and regulations) relating to zoning, planning, building, safety and environmental quality. The City will operate or will cause the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities to be operated in compliance with the requirements of all such laws, ordinances, rules and regulations, including, without limitation, Environmental Regulations. The City further covenants and agrees to comply in all material respects with and materially conform to, and to use its reasonable efforts to cause other persons whose obligations it is to so comply, by contract or pursuant to law, to comply in all material respects with and materially conform to, all present and future laws, statutes, codes, ordinances, orders, judgments, decrees, injunctions, rules, regulations and every applicable governmental

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(d) The execution and delivery by the Corporation of this Facilities Agreement, the Base Lease and the Trust Agreement and the consummation by the Corporation of the transactions contemplated hereby and thereby have not and will not conflict with or constitute a breach of or default under the Corporation's articles of incorporation or bylaws or any bond, debenture, note or other evidence of indebtedness of the Corporation, or any contract, agreement, or instrument to which the Corporation is a party or by which it is bound.

(e) Each of this Facilities Agreement, the Base Lease, the Trust Agreement and each Project Facilities Contract to which the Corporation is or will be a party has been or will be duly executed and delivered by the Corporation and constitutes or will constitute a legal and valid obligation of the Corporation, enforceable against the Corporation in accordance with its terms, except as enforcement may be limited by laws affecting creditors' rights generally and except as equitable remedies may be limited by judicial discretion.

(f) Other than as disclosed in writing by the Corporation, there is no litigation pending or threatened against the Corporation that challenges the Corporation's authority to execute, deliver or perform this Facilities Agreement or the Trust Agreement or to issue the Series 2020 Bonds, and the Corporation has disclosed any threatened litigation with respect to such matters of which the Corporation is aware.

(g) The Corporation is in material compliance with all applicable laws, regulations and ordinances, including but not limited to those applicable to the Corporation's activities in connection with this Facilities Agreement.

(h) The Corporation is a South Carolina nonprofit, public benefit corporation, no part of the net income of which inures to the benefit of any private individual or organization.

(i) In order to finance the Project Facilities and the purchase of land therefor, the Corporation will enter into the Trust Agreement pursuant to which it will issue the Series 2020 Bonds payable from and secured by the Acquisition Payments under this Facilities Agreement.

ARTICLE II ACQUISITION AND USE OF MUNICIPAL PARKING GARAGE AND THE EXISTING FACILITIES

Section 2.1. Acquisition and Use of Municipal Parking Garage and the Existing Facilities; Term. The Corporation hereby agrees to sell the Municipal Parking Garage and the Existing Facilities on an installment basis to the City in accordance with the provisions hereof. As of the date hereof, title to the Municipal Parking Garage and the Existing Facilities is in the name of the Corporation. Upon each payment of Base Payments from funds other than amounts constituting Bond Proceeds (including any amounts deposited from the sale of Series 2020 Bonds as provided in Section 5.1 of the Trust Agreement and income from the investment of such amounts), title to an undivided interest in the Municipal Parking Garage and the Existing Facilities equal to that percentage of the Acquisition Price represented by such payment will transfer from the Corporation to the City without further action by either party hereto.

In conjunction therewith, the Corporation hereby conveys and grants to the City an undivided interest in the Municipal Parking Garage and the Existing Facilities which undivided interest shall increase pro rata based on the percentage of the Acquisition Price represented by each Base Payment. At the request of the City, the Corporation agrees to execute such quitclaim or special warranty deed(s) to the City indicating the undivided interest so acquired by the City.

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Any prepayment of Base Payments will result in a recalculation of the Acquisition Price to take account of such prepayment and, upon the making of such prepayment, the City shall be credited with an undivided interest in the Municipal Parking Garage and the Existing Facilities equal to that percentage of the total Acquisition Price, as adjusted, represented by the total of all Base Payments made, including the prepayment on such date.

Subject to the provisions of Section 4.7 and Article VIII hereof, the City shall have the exclusive right to occupy and use the Real Property, the Municipal Parking Garage and the Existing Facilities until this Facilities Agreement is terminated.

The City may permit agencies of the State or any other political subdivision thereof to use portions of the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities subject to the following limitations: (i) the Municipal Parking Garage, the Existing Facilities or Real Property or Project Facilities shall not be used in any manner that interferes with the use of such property by the City for the purposes for which it was designed or is then being used; and (ii) except in the case of single event uses, the City shall have received an opinion from Bond Counsel stating that the proposed use will not adversely affect the Federal income tax treatment of interest on the Series 2020B Bonds. The City shall monitor all such use to ensure continued compliance with the provisions of the Tax Regulatory Agreement and Section 5.3 hereof.

Section 2.2. Termination. This Facilities Agreement shall terminate upon the earliest of any of the following events:

(a) The earlier of (i) the last day of the Fiscal Year during which there occurs an Event of Nonappropriation as provided in Section 4.7(a) hereof, or (ii) the July 31 following any July 1 on which the City shall fail to specifically budget and appropriate moneys sufficient to pay the Acquisition Payments due hereunder during the Fiscal Year beginning such July 1, pursuant to Article IV hereof (which Event of Nonappropriation is not thereafter duly waived);

(b) The purchase by the City of the Municipal Parking Garage and the Existing Facilities as provided in Article IX of this Facilities Agreement;

(c) The occurrence of an Event of Default under and termination of this Facilities Agreement by the Corporation or Trustee under Article VIII of this Facilities Agreement; or

(d) November 1, 2054, or such later date as all Acquisition Payments due hereunder shall be paid.

Termination of this Facilities Agreement shall terminate all obligations of the City under this Facilities Agreement, including its obligations to pay any future Acquisition Payments (except as specifically provided herein), and, subject to identification as provided in Section 2.4 hereof, shall terminate the City's rights of possession under this Facilities Agreement to the Corporation Facilities (except to the extent of any conveyance pursuant to Article IX of this Facilities Agreement); but all other provisions of this Facilities Agreement, including all obligations of the Corporation with respect to the Owners of the Series 2020 Bonds and the receipt and disbursement of funds and all rights and remedies of the Corporation specifically provided herein, shall be continuing until the Trust Agreement is discharged as provided therein. Notwithstanding the foregoing, termination of this Facilities Agreement shall not impair the City's rights as landlord or the Corporation's rights as tenant under the Base Lease, except as provided in the Base Lease.

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Proposal; Finality. The Consultant shall be required to make its proposal not later than 45 days after the Division Date. The City, the Corporation and the Trustee shall have 7 days from the receipt of the Consultant's proposal to object to the partition recommended therein, and if there is no objection, the report shall be final. If there is any objection, the Consultant shall issue a final partition report not later than 7 days after the last date on which objection could be made and such report shall be conclusively binding upon all parties.

Instruments of Conveyance. Not later than 10 days after the Consultant's report becomes final, the City and the Corporation shall exchange deeds, leases or other instruments conveying title to such of the Municipal Parking Garage and the Existing Facilities as is required to effect such partition; provided, however, that any conveyance deed or other instrument made by the Corporation shall be made in the manner and subject to the conditions set forth in Section 9.2 hereof. Immediately thereafter, upon demand made by the Corporation or by the Trustee, (a) the City shall deliver up or cause to be delivered up peaceable possession of the Corporation Facilities to the Corporation, together with the related portions of the Real Property upon which it is located, without delay, in good repair and operating condition, excepting reasonable wear and tear; and (b) the Corporation shall deliver up or cause to be delivered up peaceable possession of the Municipal Facilities to the City, together with the related portions of the Real Property upon which it is located, without delay, upon demand made by the Trustee, in good repair and operating condition, excepting reasonable wear and tear; provided, however, that in the event of a partial division, the terms relating to Partial Municipal Facilities described above shall control. Any Facilities Component delivered to the Corporation in connection with such partition shall remain, at all times, subject to the terms of the Base Lease.

ARTICLE III THE PROJECT FACILITIES; FINANCING

Section 3.1. Acquisition, Construction, Renovation and Equipping of the Project Facilities. The Corporation and the City acknowledge that the City will be responsible for any and all contracts necessary or appropriate for the acquisition, construction, renovation and equipping to be performed in connection with the completion of the Project Facilities and the City shall be the agent of the Corporation for all such purposes. The City and the Corporation agree and acknowledge that all contracts relating to the Project Facilities shall be entered into in compliance with the procurement procedures of the City. The City and the Corporation further agree and acknowledge that title to the Project Facilities, as acquired, constructed, renovated and equipped, shall be vested in the City, and the Corporation shall have no rights thereto or interest therein.

Section 3.2. Administration of Project Facilities Contracts. The City shall be responsible for preparing, administering, amending and enforcing the contracts to be entered into with respect to the Project Facilities and for litigating or settling all claims thereunder. The City and the Corporation, as their interests may appear, will be entitled to the benefit of all warranties, guaranties and indemnities provided under the Project Facilities Contracts and by law.

Section 3.3. Notices and Permits. The Corporation shall cooperate in any request made by the City in order to give or cause to be given all notices and shall comply or cause compliance with all laws, ordinances, municipal rules and regulations and requirements of public authorities applying to or affecting the conduct of any work relating to the Project Facilities. The City will defend and save the Corporation, the Trustee and their respective members, directors, officers, agents and employees harmless from all liabilities, damages or fines due to failure to comply therewith.

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Section 2.3. Post-Termination Payments. In the event the City fails to deliver possession of the Corporation Facilities or any part thereof at the time required under Section 2.4 hereof, the City shall be liable for the payment of Acquisition Payments, including Additional Payments, for successive six month periods commencing on the Bond Payment Date following the last due date of Base Payments hereunder until the City delivers possession of the Corporation Facilities to the Corporation.

Section 2.4. Surrender of Possession Upon Termination; Partition of Undivided Interests. Upon the occurrence of an Event of Default or an Event of Nonappropriation which results in termination hereof, the respective interests of the City and the Corporation in the Municipal Parking Garage, the Existing Facilities and the Real Property shall be partitioned, so that the parties' respective undivided interests in the Municipal Parking Garage, the Existing Facilities and the Real Property will be divided, to the extent feasible, into separate interests comprising the Facilities Components in accordance with the following provisions. The date upon which the Trustee gives notice of the occurrence of any such event under the provisions of Section 4.7(b) hereof or Section 7.2 of the Trust Agreement shall be the "**Division Date.**"

Appointment of Consultant; Report. Not later than 10 days after the Division Date, the Trustee shall at the expense of the City appoint an advisor (the "**Consultant**") experienced in public finance and in the valuation of municipal facilities to propose a division of the respective interests in the Municipal Parking Garage, the Existing Facilities and the Real Property. In preparing the proposed partition, the Consultant shall endeavor, as nearly as possible, to allocate Municipal Parking Garage and the Existing Facilities so that entire Facilities Components are assigned to the City and the Corporation, respectively, and that the Municipal Parking Garage, the Existing Facilities and Facilities Components assigned to the Corporation will be those which will protect the interests of the Owners.

Valuation of Facilities Components. In making the determinations of which portions of Municipal Parking Garage and the Existing Facilities are to be allocated to the Corporation to protect the interests of the Owners, the Consultant may take into account the market value of Facilities Components, any Permitted Encumbrances that may affect the uses that may be made of such property and the relative importance of such Facilities Components to the City, all to determine which Facilities Components will best protect the interests of the Owners.

Partial Divisions. In the event that the Consultant is unable to devise a partition that results in a division of the Municipal Parking Garage, the Existing Facilities and Real Property solely into separate Facilities Components for the City and the Corporation, then the Consultant shall endeavor to identify Facilities Components with the least residual interest in the Corporation, such being designated as the "**Partial Municipal Facilities.**" With respect to Partial Municipal Facilities, the City may (i) continue to occupy the Facilities Component which encompasses a Partial Municipal Facility if it agrees to make payments in an amount to be determined by the Consultant as the proper charge for use of the Corporation's interest in such Facilities Component; (ii) purchase the balance of the Corporation's interest in such Facilities Component by the payment of the amount determined by the Consultant; or (iii) cede occupancy rights to the Corporation for the duration of the term of the Base Lease. In determining the purchase price, if the City elects to purchase the balance of the Corporation's interest, the Consultant shall determine the prepayment amount that would be required under the second paragraph of Section 2.1 of this Facilities Agreement to result in the allocation of the Facilities Component to the City. In setting the payments to be made by the City if it chooses to continue to occupy the Facilities Component which includes a Partial Municipal Facility, the Consultant shall set a payment that is not less than the amount of total Base Payments allocable to such Facilities Component that would have been payable from and after the date of partition if this Facilities Agreement or the rights of the City hereunder had not been terminated.

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Section 3.4. Disbursements from the Project Fund.

(a) The balance of the Bond Proceeds (net of any Underwriter's discount) shall be deposited by the Trustee into the Project Fund. Thereafter, disbursements from the Project Fund shall be made for costs of the Project Facilities, for payment of Base Lease Rent to the City, and costs of issuance in accordance with the procedures set forth in Section 5.3 of the Trust Agreement.

(b) As provided in Section 5.3(c) of the Trust Agreement, the final requisition from the Project Fund shall contain, among other things, a Certificate of Completion of the City stating that the Project Facilities have been substantially completed in accordance with the applicable Project Facilities Contracts and other terms and conditions of the Facilities Agreement and that the Project Facilities comply in all material respects with all applicable governmental regulations. Upon receipt of such Certificate of Completion, the Trustee shall apply any balance then remaining in the Project Fund in the manner provided in Section 5.4 of the Trust Agreement. As used in this paragraph, "substantial completion" of the Project Facilities shall mean completion such that a certificate of occupancy could be issued notwithstanding the fact that certain minor items of work remain to be done.

(c) Any amounts remaining in the Project Fund following the delivery of such Certificate of Completion by the City to the Trustee shall be paid to the City or as otherwise provided in Section 5.4 of the Trust Agreement. Any amounts so disbursed to the City shall be expended only for the purpose of other capital expenditures. The City by notice to the Corporation may direct that any of the amounts available to it under this Section 3.4(c) be applied as provided in Section 5.4 of the Trust Agreement.

Section 3.5. No Merger of Municipal Parking Garage and the Existing Facilities. The Corporation and City confirm that the Municipal Parking Garage and the Existing Facilities shall be the property of the Corporation and title thereto shall remain vested in the Corporation and shall not merge into the respective leasehold estates of the Corporation in the Real Property and that title to the Municipal Parking Garage and the Existing Facilities shall revert to and be vested in the City upon termination of the Base Lease. Undivided interests in the Municipal Parking Garage and the Existing Facilities are automatically conveyed to the City from time to time as Acquisition Payments are made as contemplated hereby.

ARTICLE IV ACQUISITION PAYMENTS; ASSIGNMENT TO TRUSTEE

Section 4.1. Acquisition Payments.

(a) **Acquisition Payments to Constitute a Current Expense of City.** The Corporation and the City understand and intend that the obligation of the City to pay Acquisition Payments hereunder shall constitute a current expense of the City and shall not in any way be construed to be a debt of the City in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by the City, nor shall anything contained herein constitute a pledge of the general tax revenues, funds, moneys or credit of the City.

(b) **Payment of Base Payments.** Subject to an Event of Nonappropriation as described in Section 4.7 hereof, on or before the 15th day prior to each Bond Payment Date during the period this Facilities Agreement is in effect, the City shall pay to the Trustee, as assignee of the Corporation, Base Payments exclusively from moneys specifically budgeted and appropriated for such purpose as provided in Section 4.1(b)(ii) herein in lawful money of the United States of America, which payments shall be

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made to the Trustee as assignee of this Facilities Agreement, in the amounts and on the dates set forth on Exhibit C hereto.

(i) Each payment of Base Payments shall be in consideration for the conveyance of title to an undivided interest in the Municipal Parking Garage and the Existing Facilities as and to the extent provided in Section 2.1 hereof. As further consideration for the receipt of Base Payments, the City shall be entitled to the use and occupancy of all of the Real Property, the Municipal Parking Garage and the Existing Facilities during the applicable Fiscal Year in which such payments are made, subject to the provisions of Section 8.2 hereof.

(ii) Subject to the right of the City to terminate this Facilities Agreement pursuant to Section 4.7 herein, the City covenants that it will enact by June 30 of each year a budget providing for the appropriation of funds sufficient (or a debt service budget providing for the issuance of general obligation debt at such time and in a principal amount sufficient) to make Acquisition Payments coming due in the next succeeding fiscal year, and, subject to such Section 4.7, apply such funds and/or proceeds to the payment of Acquisition Payments coming due in the then current fiscal year.

(c) *Payment of Additional Payments.* Subject to the provisions of Section 4.7 hereof, the City agrees to pay the following amounts as Additional Payments together with such other sums as are provided for herein:

(i) The amounts provided for in Sections 4.2 and 4.4 hereof to the parties referred to therein;

(ii) All reasonable costs and expenses (including reasonable attorneys' fees, costs and expenses, if any) incurred or to be paid by the Corporation or the Trustee, as the case may be, under the terms of this Facilities Agreement or the Trust Agreement, including without limitation the amounts specified in Section 4.4 hereof; and

(iii) All reasonable costs and expenses incurred or to be paid by the Corporation from time to time in connection with its operation and existence as a nonprofit corporation, including its legal fees, costs of maintaining directors and officers insurance and payment of any taxes due, including the costs of preparation and filing of tax returns.

The Corporation may, but shall be under no obligation to, advance moneys (i) to pay taxes, assessments and other governmental charges with respect to the Real Property, the Municipal Parking Garage and the Existing Facilities, (ii) for the discharge of mechanic's and other liens relating to the Real Property, the Municipal Parking Garage and the Existing Facilities, (iii) to obtain and maintain insurance for the Real Property, the Municipal Parking Garage and the Existing Facilities and pay premiums therefor, and (iv) generally, to make payments and incur expenses in the event that the City fails to do so as required by this Facilities Agreement or the Base Lease. As provided in Section 6.11 of the Trust Agreement, the Trustee may, but shall be under no obligation to, take any such action. Any such advances shall continue to be due as Additional Payments hereunder.

(d) *Credits.* The City shall be entitled to a credit against payments of Base Payments in the amount of any deposits in the Bond Fund provided for in Section 5.6(e) of the Trust Agreement. In addition to the credit provided in the preceding sentence, the amount payable by the City as Base Payments will be reduced by the amount of money in the Acquisition Account to be credited against those payments and representing Base Payments, including without limitation accrued interest on the Series 2020 Bonds.

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(c) To the extent permitted by law, the City hereby agrees to indemnify, defend and hold the Corporation harmless from the payment of Additional Payments which may be deemed the obligation of the Corporation by such third parties.

Section 4.3. Prepayment of Acquisition Payments. The City may prepay Acquisition Payments in whole or in part as provided in, and under the conditions prescribed under, Sections 7.3 and 9.1 hereof, or at any time that the City so determines for the purpose of providing for the redemption of Series 2020 Bonds as provided in Section 4.1(a) of the Trust Agreement. The City shall notify the Trustee in writing of the dates on which the Series 2020 Bonds corresponding to any prepayment hereunder are to be redeemed and the amount to be redeemed on each such date, all in accordance with the provisions of the Trust Agreement. The Trustee may request such reasonable information and reports as may be necessary to establish the sufficiency of the payments to be made at the time of such prepayment.

Section 4.4. Administrative Expenses. Subject to the provisions of Section 4.7 hereof, the City shall pay as Additional Payments (i) the periodic fees and reasonable expenses from time to time of the Trustee and any paying agent or registrar incurred in administering the Trust Agreement and the Series 2020 Bonds, and (ii) any reasonable expenses (including reasonable attorneys' fees, costs and expenses) incurred by the Corporation or the Trustee to compel full and punctual performance of this Facilities Agreement in accordance with the terms hereof.

Section 4.5. Assignment of Facilities Agreement; Manner of Payment. As security for and the source of payment of the Series 2020 Bonds, pursuant to the Trust Agreement, the Corporation has assigned to the Trustee all of its right, title and interest in and to this Facilities Agreement, except for the right of the Corporation to receive indemnity against claims and payment of its fees and expenses pursuant to Sections 4.2, 4.4 and 5.5 hereof. The City consents and agrees to the assignment of this Facilities Agreement as provided herein. The City covenants to fully perform, in timely fashion, all of its covenants, agreements and obligations under this Facilities Agreement, and to make all payments required by the City under this Facilities Agreement (other than payment for indemnity and fees and expenses of the Corporation) directly to the Trustee, all without set-off, defense or counterclaim by reason of any dispute which the City may have with the Corporation or the Trustee.

Section 4.6. Limited and Special Obligation of City. UPON THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION, THE CITY MAY TERMINATE THIS FACILITIES AGREEMENT AT THE END OF THE LAST FISCAL YEAR WHICH IS NOT AFFECTED BY SUCH EVENT OF NONAPPROPRIATION, AND THE CITY SHALL NOT BE OBLIGATED TO MAKE PAYMENT OF THE ACQUISITION PAYMENTS PROVIDED FOR IN THIS FACILITIES AGREEMENT BEYOND THE END OF SUCH FISCAL YEAR. The City agrees to deliver written notice to the Corporation and the Trustee of any such termination prior to July 1 of the Fiscal Year first affected by an Event of Nonappropriation. If this Facilities Agreement is terminated under this Section 4.6 or as provided in Section 4.7 or Section 2.2, the City agrees to peaceful delivery of that portion of the Municipal Parking Garage and the Existing Facilities to be retained by the Corporation or its assigns as provided in Section 2.4 hereof.

The obligations of the City to make Acquisition Payments required under this Article IV and other sections hereof, and to perform and observe the covenants and agreements contained herein, shall be absolute and unconditional in all events, except as expressly provided under this Facilities Agreement. Notwithstanding any dispute involving the City and any of the Corporation, any contractor, subcontractor, or supplier of materials or labor, or any other person, the City shall make all Acquisition Payments when due and shall not withhold any Acquisition Payments pending final resolution of such dispute, nor shall the City assert any defense or right of set-off, recoupment, or counterclaim against its obligation to make

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(e) *Payments Deposited In Verified Escrow.* The deposit of cash and Defeasance Obligations by the City with the Trustee in an irrevocable escrow shall constitute satisfaction of the first sentence of Section 4.1(b) to the extent that such cash and Defeasance Obligations have been verified by a Verification Agent to be sufficient, without reinvestment, to yield the amount required to be paid on such Bond Payment Date, taking into account the credits described in Section 4.1(d) herein. In such case, amounts to be paid from escrow shall be available to the Trustee no later than the applicable Bond Payment Date.

(f) *Acquisition Payments by City.* The City has no reason to believe, as of the date hereof, that it will not continue making Acquisition Payments through the entire duration of this Facilities Agreement, and reasonably believes that it will pay the Acquisition Payments due or coming due hereunder in order to continue to use the Municipal Parking Garage and the Existing Facilities.

Section 4.2. Acquisition Payments Not Subject to Reduction, Offset or Other Credits.

(a) The City and the Corporation intend that this Facilities Agreement shall yield on a net basis the Base Payments specified in Section 4.1 hereof during the duration of this Facilities Agreement, and that all costs, expenses, liabilities and obligations of any kind and nature whatsoever including, without limitation, any ad valorem taxes or other taxes levied against owners of real or personal property, insurance premiums, utility charges, fees and expenses of the Consultant, and assessments and all operation, maintenance, repair and upkeep expenses relating to the Municipal Parking Garage, the Existing Facilities and Real Property and the use of the Municipal Parking Garage, the Existing Facilities and Real Property which do not constitute Base Payments, or other obligations relating to the Municipal Parking Garage, the Existing Facilities and Real Property which may arise or become due during this Facilities Agreement and which the Corporation except for this Facilities Agreement or the provisions of the Base Lease would ordinarily be required to pay as owner of the Municipal Parking Garage, the Existing Facilities and Real Property (regardless of whether the City as owner would be so required to pay) shall either be paid under the provisions of the Base Lease or be included in the Acquisition Payments and paid by the City as Additional Payments. The City acknowledges that, under the provisions of the Base Lease, it has retained sole responsibility for the payment of taxes and insurance on the Real Property, the Municipal Parking Garage and the Existing Facilities and the property associated therewith and the obligations of the City under the Base Lease are not subject to the limitations of Section 4.6 hereof, except as provided in Section 4.1(b) of the Base Lease.

(b) All payments of Additional Payments referred to in Section 4.2(a) above shall be made by the City in immediately available funds on a timely basis directly to the person or entity to which such payments are owed; provided, however, subject to the terms of the Security Documents, that the City shall not be required to pay, discharge or remove any tax, lien, or assessment or any mechanic's, laborer's or materialman's lien or encumbrance, or any other imposition or charge against the Real Property, the Municipal Parking Garage or the Existing Facilities or any part thereof, or comply with any law, ordinance, order, rule, regulation or requirement, as long as the City shall, after written notice to the Corporation and the Trustee, at the City's expense, contest the same or the validity thereof in good faith, by action or inaction which shall operate to prevent the collection of the tax, lien, assessment, encumbrance, imposition or charge so contested, or the enforcement of such law, ordinance, order, rule, regulation or requirement, as the case may be, and the sale of the Real Property, the Municipal Parking Garage or the Existing Facilities or any part thereof to satisfy the same or to enforce such compliance; provided further, that the City shall have given reasonable security as may be demanded by the Corporation, the Trustee, or both, to insure such payment and prevent any sale or forfeiture of the Real Property, the Municipal Parking Garage or the Existing Facilities or any part thereof by reason of such nonpayment or noncompliance.

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such payments required under this Facilities Agreement. The City's obligation to make Acquisition Payments during the duration of this Facilities Agreement shall not be abated through accident or unforeseen circumstances. The City agrees not to suspend, reduce, abrogate, diminish, postpone, modify, discontinue, withhold, or abate any portion of the payments required pursuant to this Facilities Agreement by reason of failure of consideration, the invalidity of any provision of this Facilities Agreement, any acts or circumstances that may constitute an eviction or constructive eviction, destruction of or damage to the Real Property, the Municipal Parking Garage or the Existing Facilities, the taking by eminent domain of title to or the use of all or any part of the Real Property, the Municipal Parking Garage or the Existing Facilities, failure of the City's title to the Real Property or any part thereof, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or in the rules or regulations of any governmental authority, or any failure of the Corporation to perform and observe any agreement, whether express or implied, or any duty, liability, or obligation arising out of or connected with this Facilities Agreement. Nothing contained in this paragraph shall be construed to release the Corporation from the performance of any of the agreements on its part herein contained. In the event the Corporation should fail to perform any such agreement on its part, the City may institute such action against the Corporation as the City may deem necessary to compel performance so long as such action does not abrogate the City's obligations under this Facilities Agreement. The City may, however, at its own cost and expense and in its own name or in the name of the Corporation, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect its right of possession, occupancy, and use under this Facilities Agreement, and in such event the Corporation hereby agrees to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Corporation in any such action or proceeding if the City shall so request. It is the intention of the parties that the payments required by this Facilities Agreement will be paid in full when due without any delay or diminution whatsoever, SUBJECT ONLY TO THE SPECIAL AND LIMITED NATURE OF THE CITY'S OBLIGATION TO PAY ACQUISITION PAYMENTS HEREUNDER AS SET FORTH ABOVE.

THE OBLIGATIONS OF THE CITY UNDER THIS FACILITIES AGREEMENT SHALL NOT CONSTITUTE A PLEDGE OF THE FULL FAITH, CREDIT OR TAXING POWER OF THE CITY WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL OR STATUTORY PROVISION.

Section 4.7. Event of Nonappropriation. In the event the City Council shall not, on or before July 1 of each year, specifically budget and appropriate from the proceeds of general obligation bonds or from other moneys which may be lawfully used to pay Acquisition Payments funds sufficient to pay all Acquisition Payments due hereunder in the Fiscal Year commencing on such July 1, an Event of Nonappropriation shall be deemed to have occurred; subject, however, to each of the following provisions:

(a) The Trustee shall declare an Event of Nonappropriation on any earlier date on which the Trustee receives official, specific written notice from the City that this Facilities Agreement will be terminated.

(b) As soon as practicable after receiving such specific written notice from the City or after an Event of Nonappropriation is deemed to have occurred as contemplated above, the Trustee shall give written notice to the City and the Corporation of an Event of Nonappropriation; but any failure of the Trustee to give such written notice shall not prevent the Trustee from declaring an Event of Nonappropriation or from taking any remedial action which would otherwise be available to the Trustee.

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(c) The Trustee may waive any Event of Nonappropriation which is cured by the City within a reasonable time if the Waiver Period has not expired, and in the Trustee's sole discretion such waiver is in the best interest of the Owners of the Series 2020 Bonds.

(d) The Trustee shall waive any Event of Nonappropriation which is cured prior to the expiration of the Waiver Period by the City's specifically budgeting and appropriating from the proceeds of general obligation bonds or other moneys which may be lawfully used to pay Acquisition Payments funds sufficient to pay all Acquisition Payments due hereunder in such Fiscal Year to which the Event of Nonappropriation applies.

If an Event of Nonappropriation occurs and is not waived, the City shall not be deemed to be in default under this Facilities Agreement and shall not be obligated to make payment of any future Acquisition Payments due hereunder or any other payments provided for herein which accrue after the beginning of the Fiscal Year with respect to which there has occurred an Event of Nonappropriation; provided, however, that, subject to the limitations of Section 4.6 hereof and this Section 4.7, the City shall continue to be liable for Acquisition Payments (a) accrued prior to the beginning of such Fiscal Year, and due hereunder, and (b) allocable to any period during which the City shall continue to occupy the Corporation Facilities.

The enactment by City Council of an ordinance authorizing the issuance of general obligation bonds or bond anticipation notes of the City at such time and in such amount as will provide sufficient funds for the City to make all Base Payments due in the Fiscal Year in question or the inclusion in the City's budget of sufficient millage to pay debt service on general obligation bonds or bond anticipation notes issued to fund Base Payments due in such Fiscal Year shall be deemed a specific budgeting and appropriating of such funds for purposes of this Section 4.7.

The City, in all events, shall cooperate with the Corporation and the Trustee in making the partition required under Section 2.4 hereof and shall vacate and deliver over to the Trustee the Corporation Facilities by the expiration of the Fiscal Year during which an Event of Nonappropriation occurs if such occurs by notice, or not later than the July 31 following the July 1 on which the City shall fail to specifically budget and appropriate sufficient moneys to pay the Acquisition Payments hereunder.

The Trustee shall, upon the occurrence of an Event of Nonappropriation, be entitled to all moneys then on hand and being held in all funds created under the Trust Agreement for the benefit of the Owners of the Series 2020 Bonds. After the expiration of the Fiscal Year during which an Event of Nonappropriation occurs, if such occurs by notice, or the July 31 following the July 1 on which the City fails to specifically budget and appropriate sufficient moneys to pay the Acquisition Payments hereunder, the Trustee may or shall, as the case may be, proceed to exercise its remedies, liquidate its interest in this Facilities Agreement or to lease the Municipal Parking Garage and the Existing Facilities as provided in Section 8.2 of this Facilities Agreement, provided, however, that the Municipal Parking Garage and the Existing Facilities shall always be operated for a civic or a public purpose as provided in Section 4.1 of the Base Lease to the extent such requirement continues to be applicable under State law. All property, funds and rights acquired by the Trustee by reason of an Event of Nonappropriation as provided herein, less any moneys due and owing to the Trustee for services performed as Trustee, shall be held by the Trustee for the benefit of the Owners of the Series 2020 Bonds as set forth in the Trust Agreement.

Notwithstanding anything in this Facilities Agreement to the contrary, in the event that the Trustee shall receive a payment for the transfer of its interest in this Facilities Agreement, or total rental payments for leasing that are, after the payment of the Corporation's expenses in connection therewith, including attorneys' and other fees and expenses of the Trustee, in excess of the principal amount of the Outstanding Bonds at the time of the Event of Nonappropriation and the interest due and to become due

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available by the City after the date of the Base Lease and this Facilities Agreement. Upon the lease of such Real Property or Additional Real Property by the City to the Corporation pursuant to the Base Lease, Exhibit A hereto shall be amended to include such Real Property or Additional Real Property.

Section 5.2. Liens on Municipal Parking Garage and the Existing Facilities. The City shall not create, incur or suffer to exist any lien, charge or encumbrance on the Real Property, the Municipal Parking Garage or the Existing Facilities or its rights under this Facilities Agreement other than any Permitted Encumbrance.

Section 5.3. Representations and Covenants Regarding Tax Exempt Status of Series 2020B Bonds.

(a) The City shall not take any action or permit any action to be taken on its behalf, or cause or permit any circumstance within its control to arise or continue, if such action or circumstance, or its expectation on the date of this Facilities Agreement would cause the interest paid on the Series 2020B Bonds to be includable in the gross income of the recipients thereof for federal income tax purposes.

(b) The City covenants to the Corporation, the Trustee and the Owners of the Series 2020B Bonds that, notwithstanding any other provision of this Facilities Agreement or any other instrument, it will neither make nor cause to be made any investment or other use of the proceeds of the Series 2020B Bonds or amounts on deposit in any of the funds or accounts held under the Trust Agreement or under any other document related to the Series 2020B Bonds which would cause the Series 2020B Bonds to be "arbitrage bonds" under Section 148 of the Code and the regulations thereunder or to be "Federally guaranteed" under Section 149(b) of the Code and the regulations thereunder, and that it will comply with the requirements of such Sections and regulations throughout the term of the Series 2020B Bonds.

(c) The City shall take all actions necessary on its part to enable compliance with the rebate provisions of Section 148(f) of the Code in order to preserve the federal income tax status of payments of interest with respect to the Series 2020B Bonds. The City shall ensure that the Corporation retains a consultant experienced in the calculation and determination of rebate payments and liability under Section 148(f) of the Code to provide the reports required under the Tax Regulatory Agreement.

(d) The City will accept title to the Municipal Parking Garage and the Existing Facilities upon the discharge of the Series 2020B Bonds.

Section 5.4. Reports and Opinions; Inspections.

(a) The City shall deliver to the Trustee and the Corporation, within 90 days after the end of each Fiscal Year, a certificate stating that no Event of Default under this Facilities Agreement has occurred and is continuing and that the Municipal Parking Garage and the Existing Facilities are being used in accordance with the terms of this Facilities Agreement.

(b) On a date not later than four years and six months after the issuance of the Series 2020 Bonds, and on each fifth anniversary of such date, the City shall deliver to the Trustee a legal opinion advising the Trustee of each action necessary to continue for the following five-year period the perfection of the security interests granted pursuant to the Trust Agreement together with any UCC continuation statements or other documents that are identified in such opinion.

(c) The City shall permit the Corporation and the Trustee to examine, visit and inspect, at any reasonable time, the Municipal Parking Garage, the Existing Facilities and the Project Facilities, and any accounts, books and records, including its receipts, disbursements, contracts, investments and any

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thereon (with amounts so received to be credited first to such interest and then to principal), then such excess shall be paid to the City by the Trustee, its assigns or its lessee.

ARTICLE V COVENANTS OF THE CITY

Section 5.1. Maintenance and Operation of Real Property, Municipal Parking Garage and the Existing Facilities.

(a) Subject to Sections 4.6 and 4.7 herein, the City covenants and represents it will, at its own cost or expense, operate the Real Property, the Municipal Parking Garage and the Existing Facilities in a sound and economical manner, in compliance with all present and future laws and governmental regulations applicable thereto, further that it will maintain, preserve and keep the Real Property, the Municipal Parking Garage and the Existing Facilities in good repair, working order and condition, and that it shall from time to time make or cause to be made all necessary and proper repairs and renewals so that at all times the operation of the Real Property, the Municipal Parking Garage and the Existing Facilities may be properly and advantageously conducted. This covenant shall not prevent the City from discontinuing operation of the Real Property, the Municipal Parking Garage and the Existing Facilities at any time.

(b) Except as otherwise provided in this Section 5.1, prior to payment of the Series 2020 Bonds in full, the City shall not sell, transfer, lease, sublease or otherwise dispose of all or any substantial portion of the Real Property, the Municipal Parking Garage or the Existing Facilities, or its interests under this Facilities Agreement, except to another municipality or political subdivision of the State which assumes in writing all obligations of the City under this Facilities Agreement, and shall enter into no such transaction without the written consent of the Trustee.

(c) Notwithstanding any other provision hereof to the contrary, the City may provide for the exchange of any asset comprising Real Property, Municipal Parking Garage and the Existing Facilities (the "Released Facility") for another building and the real estate on which such facility (the "Exchange Facility") is located if: (i) the City provides the Trustee an appraisal in form and content satisfactory to the Trustee from an appraiser that is reasonably satisfactory to the Trustee showing that the proposed Exchange Facility has a value equal to or greater than the proposed Released Facility; (ii) the City certifies to the Trustee that the Exchange Facility is necessary to the operations of the City and that the remaining useful life of the Exchange Facility is not less than the remaining useful life of the Released Facility; (iii) the City certifies to the Trustee that the exchange is necessary to facilitate either the sale or other disposition of the Released Facility or the conversion of its use to another purpose; and (iv) the Trustee receives an opinion of Bond Counsel to the effect that the proposed exchange will not adversely affect the Federal income tax treatment of interest paid to the Holders of the Series 2020B Bonds.

(d) Tracts of Real Property or portions thereof may be released or substituted from time to time pursuant to the provisions of Section 3.6 of the Base Lease. Upon the release or substitution of any tract of Real Property or portion thereof from the Base Lease, such Real Property shall also be released from or substituted under the provisions of this Facilities Agreement, and Exhibit A hereto shall be amended to reflect such release or substitution. The requirements of Section 5.1(c) shall not apply to the release or substitution of any tract of Real Property pursuant to the provisions of Section 3.6 of the Base Lease.

(e) The Base Lease may be amended from time to time as provided therein to provide for the lease by the City to the Corporation of Real Property and Additional Real Property acquired or made

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other matters relating thereto and to its financial standing, and to supply such reports and information as the Trustee may reasonably require.

Section 5.5. Immunity and Indemnification of Corporation and Trustee. In the exercise of the powers of the Corporation and the Trustee and their members, directors, officers, employees and agents under the Trust Agreement, the Base Lease or this Facilities Agreement including (without limiting the foregoing) the application of moneys and the investment of funds, neither the Corporation nor the Trustee shall be accountable to the City for any action taken or omitted with respect to the Real Property, the Project Facilities, the Municipal Parking Garage, the Existing Facilities or this Facilities Agreement by either of them or their members, directors, officers, employees and agents in good faith and believed by it or them to be authorized or within the discretion or rights or powers conferred under this Facilities Agreement. The Corporation and the Trustee and their members, officers, employees and agents shall be protected in its or their acting upon any paper or documents believed by it or them to be genuine, and it or they may conclusively rely upon the advice of Counsel and may (but need not) require further evidence of any fact or matter before taking any action. No recourse shall be had by the City for any claims based on the Trust Agreement or this Facilities Agreement against any member, director, officer, employee or agent of the Corporation or the Trustee alleging personal liability on the part of such person. To the extent permitted by law, the City agrees to indemnify the Corporation and the Trustee and any of their respective members, directors, officers, employees or agents for any liabilities and costs resulting from the Corporation's actions under the Base Lease, the Facilities Agreement or the Trust Agreement. To the extent permitted by law, the City shall indemnify and defend the Corporation and the Trustee and any of their members, directors, officers, employees or agents and save them harmless against any liability, including legal or other fees, costs or expenses, intended to be precluded by this Section 5.5 resulting from acts or omissions of the City or from acts or omissions of the Corporation or any of their members, directors, officers, employees or agents in connection with any acts taken pursuant to this Facilities Agreement, except for fraud, deceit, or acts taken in bad faith or which are negligent or, with respect to the Trustee, grossly negligent. The indemnifications provided herein shall survive the termination of this Facilities Agreement and/or the Trust Agreement, the payment in full of the Series 2020 Bonds or the sooner resignation or removal of the Trustee and shall inure to the benefit of the Trustee's successors and assigns.

Section 5.6. Compliance with Laws. With respect to the Real Property, the Municipal Parking Garage, the Existing Facilities and the Project Facilities and any additions, alterations, or improvements thereto, the City will at all times comply with all applicable requirements of federal and state laws and with all applicable lawful requirements of any agency, board, or commission created under the laws of the State or of any other duly constituted public authority; provided, however, that the City shall be deemed in compliance with this Section 5.6 so long as it is contesting in good faith any such requirement by appropriate legal proceedings.

Section 5.7. Insurance and Condemnation Proceeds. The City shall not make any disposition nor direct the disposition of insurance or condemnation payments with respect to the Municipal Parking Garage and the Existing Facilities in excess of \$250,000 without the written consent of the Trustee except as may be required by the terms of the Security Documents or of any Permitted Encumbrances existing on the date hereof.

Section 5.8. Filing of Budget with Trustee. For the duration of this Facilities Agreement, the City shall file with the Trustee, prior to the end of each Fiscal Year, a copy of the annual budget. The Trustee shall have no duty to review or analyze such annual budget and ordinance or verify the accuracy thereof and shall hold such annual budget and ordinance solely as a repository for the benefit of the Owners of the Series 2020 Bonds, nor shall the Trustee be deemed to have notice of any information contained therein or event of default which may be disclosed therein in any manner.

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Section 5.9. Alterations of the Real Property, the Municipal Parking Garage and the Existing Facilities; Removals. The City, in its discretion and at its expense, may remodel or make such additions, modifications and improvements to the Real Property, Municipal Parking Garage and the Existing Facilities as it may deem to be desirable; provided that no such additions, modifications or improvements shall adversely affect the structural integrity or strength of, or materially interfere with the use and operations of, the Real Property, Municipal Parking Garage and the Existing Facilities. Subject to the right of the City to install its own machinery, equipment and other tangible personal property as provided in Section 3.1 hereof, any such changes shall become and be deemed to constitute part of the Real Property, the Municipal Parking Garage or the Existing Facilities, as the case may be.

In this connection, the City may remove any items of personal property constituting a part of the Municipal Parking Garage and the Existing Facilities, provided that such removal of the personal property shall not materially diminish the value of the Municipal Parking Garage and the Existing Facilities or the related Real Property.

In the case of any removal as provided above or any removal of City property not constituting Municipal Parking Garage and the Existing Facilities, the City shall repair any damage resulting from such removal.

Section 5.10. Continuing Disclosure. The City covenants to provide the information required by Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("15c2-12"), as an Obligated Person (as defined in 15c2-12) and to comply with the provisions of the Disclosure Dissemination Agent Agreement (the "**Disclosure Agreement**") attached hereto as Exhibit D. In the event of a failure by the City to comply with any provisions of the Disclosure Agreement, the rights of the Owners of the Series 2020 Bonds to enforce the provisions of the Disclosure Agreement shall be limited solely to a right, by action in mandamus or specific performance, to compel performance of the parties' obligations under the Disclosure Agreement. Any failure by a party to perform in accordance with the Disclosure Agreement shall not constitute a default on the Series 2020 Bonds or under any other document relating to the Series 2020 Bonds, and all rights and remedies shall be limited to those expressly stated in the Disclosure Agreement.

ARTICLE VI INSURANCE

Section 6.1. Types of Insurance and Coverage Requirements.

(a) The City shall maintain all-risk fire, extended coverage, vandalism, and malicious mischief insurance on the Municipal Parking Garage and the Existing Facilities, with such deductible provisions as are acceptable to the Corporation. Such insurance shall name the Corporation and the Trustee as loss payees as their interests may appear, be maintained for the duration of this Facilities Agreement and each policy shall be in an amount equal to the replacement value of the Municipal Parking Garage and the Existing Facilities; provided that the City shall periodically review with the South Carolina Insurance Reserve Fund the maximum full insurable value of the Municipal Parking Garage and the Existing Facilities and shall deliver certification of the same to the Corporation and the Trustee.

(b) The City shall, to the extent required by law or good business practice, maintain for the duration of this Facilities Agreement, general liability insurance, worker's compensation insurance, disability insurance, and any other form of insurance, covering loss resulting from injury, sickness,

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Facilities the Real Property or any portion thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, or (iii) a material defect in the Municipal Parking Garage, the Existing Facilities the Real Property or any portion thereof shall become apparent, or (iv) title to or the use of all or any portion of the Municipal Parking Garage, the Existing Facilities Real Property or any portion thereof shall be lost by reason of a defect in title thereto, then the City shall be obligated, subject to the option provided in Section 7.3 hereof and the provisions of Sections 4.6 and 4.7 hereof, to continue to pay the amounts specified as Acquisition Payments under this Facilities Agreement.

Section 7.2. Obligation to Repair or Replace the Real Property, Municipal Parking Garage and the Existing Facilities. Subject to the provisions of Section 7.3 hereof, the City, the Corporation and the Trustee shall cause the Net Proceeds of any insurance policies, performance bonds or condemnation awards, made available by reason of any occurrence described in Section 7.1 hereof, to be deposited in a separate trust fund designated as the "Net Proceeds Fund" which the Trustee is hereby directed to establish in such event. Except as set forth in Section 7.3 hereof, all Net Proceeds so deposited shall be applied to the prompt repair, restoration, modification, improvement or replacement of the Real Property, Municipal Parking Garage or the Existing Facilities, as are appropriate, by the City upon receipt of requisitions acceptable to the Trustee signed by a City Representative stating with respect to each payment to be made: (i) the requisition number; (ii) the name and address of the person, firm or corporation to whom payment is due; (iii) the amount to be paid; and (iv) that each obligation mentioned therein has been properly incurred, is properly payable from the Net Proceeds held in the separate trust fund and has not been the basis of any previous withdrawal and specifying in reasonable detail the nature of the obligation, accompanied by a bill or a statement of account for such obligation. The Trustee shall cooperate with the City in the administration of such fund and shall not unreasonably withhold its approval of requisitions required by this Section 7.2. The balance of any such Net Proceeds remaining after such repair, restoration, modification, improvement or replacement has been completed shall be applied to any lawful and authorized purpose of the City as directed in writing by the City. Any repair, restoration, modification, improvement or replacement paid for in whole or in part out of such Net Proceeds shall be included as part of the Real Property, Municipal Parking Garage or the Existing Facilities, as appropriate, under this Facilities Agreement and the Trust Agreement.

If the Net Proceeds (plus any amounts withheld from such Net Proceeds by reason of any deductible clause) shall be insufficient to pay in full the cost of any repair, restoration, modification, improvement or replacement of the Real Property, Municipal Parking Garage or the Existing Facilities referred to above, the City shall be responsible, subject to the option contained in Section 7.3 hereof, for the completion of the work and the payment of any cost in excess of the amount of the Net Proceeds. The City agrees that, if by reason of any such insufficiency of the Net Proceeds, the City shall make any payments pursuant to the provisions of this paragraph, the City shall not be entitled to any reimbursement therefor from the Trustee or the Owners of the Series 2020 Bonds, nor shall the City be entitled to any diminution of any Acquisition Payments payable under this Facilities Agreement.

Section 7.3. Discharge of Obligation to Repair or Replace the Real Property, Municipal Parking Garage and the Existing Facilities. If, as a result of the occurrence of an event described in Section 7.1 hereof, (a) any part of the Municipal Parking Garage, the Existing Facilities or Real Property is totally destroyed or is damaged to such an extent that the rebuilding or repairing of such part of the Municipal Parking Garage, the Existing Facilities or Real Property would be impracticable, (b) there is discovered a material defect in the Municipal Parking Garage or the Existing Facilities, or any portion thereof that renders the Municipal Parking Garage or the Existing Facilities or such portion unusable by the City for its intended purposes, (c) all or substantially all of the Municipal Parking Garage, the Existing Facilities or Real Property relating to a particular building is taken by eminent domain or (d) the City is deprived of the use of any part of the Municipal Parking Garage, the Existing Facilities or Real Property by reason of

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disability or death of employees in amounts at least equal to those carried by institutions of similar size and nature.

(c) The City shall maintain, for the duration of this Facilities Agreement, general liability insurance against loss or losses from liabilities imposed by law or assumed in any written contract and arising from the death or bodily injury of persons or damage to the property of others caused by accident or occurrence (including contractual liability endorsement), with limits of not less than \$300,000 for a loss arising from a single occurrence and not less than \$600,000 in the aggregate per occurrence regardless of the number of claims made, and \$300,000 for property damage per occurrence, excluding liability imposed upon the City by any applicable worker's compensation law. Such insurance shall name the Corporation and the Trustee as loss payees as their interests may appear.

(d) All policies of insurance required hereunder shall be written by the South Carolina Insurance Reserve Fund, companies rated not lower than A by A. M. Best Company or in one of the two highest rating categories by Standard and Poor's Credit Markets Services and Moody's Investors Service or by companies acceptable to the Corporation, in each case qualified to do business in the State and each policy shall provide at least 30 days prior written notice to the Corporation and the Trustee before such policy is canceled. The City may provide any part or all of the insurance required hereby under the terms of a policy insuring other facilities or risks or any "blanket" policy. The City covenants that it will take all action, or cause the same to be taken, which may be necessary to enable recovery under the aforesaid insurance policies.

(e) All policies of insurance required hereby shall be open to inspection by the Corporation and the Trustee at all reasonable times. Certificates of insurance describing such policies shall be furnished by the City or the City shall cause the same to be furnished to the Corporation and the Trustee at or prior to the execution and delivery of this Facilities Agreement, and each renewal thereof immediately upon receipt of the same from the South Carolina Insurance Fund. If any change shall be made in such insurance as to either amount or type of coverage, a description and notice of such change shall be furnished immediately to the Corporation and the Trustee by the City or it shall cause the same to be so furnished. In the event that the City fails to maintain any insurance as provided in this Section, the Trustee may, following written notice to the City, procure and maintain such insurance at the expense of the City (reimbursable as provided hereinbefore), but the Trustee shall not be under an obligation to do so.

(f) The City agrees that it shall certify in writing to the Trustee that, as of December 31 of each year, it is in compliance with this Section 6.1. Such certification shall be provided by not later than the immediately following January 31.

Section 6.2. Self-Insurance Approval. If, at the time of execution of this Facilities Agreement, the City self-insures or at any time hereafter desires to self-insure to the extent permitted by law, the entry into such self-insurance program shall require the written approval of the Corporation.

ARTICLE VII DAMAGE, DESTRUCTION AND CONDEMNATION; USE OF NET PROCEEDS

Section 7.1. Damage, Destruction and Condemnation. If, during the duration of this Facilities Agreement, (i) the Municipal Parking Garage and the Existing Facilities or any portion thereof shall be destroyed (in whole or in part), or damaged by fire or other casualty, or (ii) title to, or the temporary or permanent use of, the Municipal Parking Garage, the Existing Facilities the Real Property or any portion thereof or the estate of the City or the Corporation in the Municipal Parking Garage, the Existing

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a defect in title thereto, the City may elect to apply the Net Proceeds of applicable insurance policies, performance bonds or condemnation awards as a prepayment of Acquisition Payments and the discharge of its obligations with respect to Sections 7.1 and 7.2 hereof. Such an election may be made by written notice to the Corporation and the Trustee within 90 days of the occurrence of an event described in (a) through (d) above. Upon any such prepayment, the amount thereof shall be applied to redeem Series 2020 Bonds at the earliest practicable date, the Acquisition Price shall be recalculated to take account of such prepayment, title to the affected part of the Municipal Parking Garage or the Existing Facilities shall be deemed transferred to the City and in the event of any future partition under Section 2.4 hereof, such affected part of the Municipal Parking Garage, the Existing Facilities or Real Property shall be automatically assigned to the City. If at any time the amount to be applied as a prepayment hereunder shall exceed the redemption price of all Series 2020 Bonds, all Series 2020 Bonds shall be redeemed, title to all the Municipal Parking Garage, the Existing Facilities and Real Property or portion thereof shall be transferred to the City and any amounts not required for the redemption of the Series 2020 Bonds and payment of other expenses under the Trust Agreement shall be paid to the City.

Section 7.4. Cooperation of the Parties. The Corporation, the City and the Trustee shall cooperate fully with each other in filing any proof of loss with respect to any insurance policy or performance bond covering the events described in Section 7.1 of this Facilities Agreement, in making the Net Proceeds available in accordance with Section 7.2 or 7.3 hereof and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Municipal Parking Garage and the Existing Facilities or any portion thereof and in the enforcement of all warranties relating to the Municipal Parking Garage and the Existing Facilities. The Corporation hereby designates the City as its agent for the purpose of making collections under such policies. In no event shall the Corporation voluntarily settle, or consent to the settlement of, any proceeding arising out of any insurance claim, performance or payment bond claim, prospective or pending condemnation proceeding with respect to the Municipal Parking Garage and the Existing Facilities or any portion thereof without the written consent of the City and the Trustee.

ARTICLE VIII DEFAULTS AND REMEDIES

Section 8.1. Events of Default. Each of the following events is hereby defined as, and declared to be and shall constitute, an "**Event of Default**":

(a) failure by the City to make any payment required to be made pursuant to Section 4.1(b) hereof by the first day of the calendar month after the same is due (provided, however, that an Event of Nonappropriation shall not result in an Event of Default under this provision); or

(b) failure by the City to timely comply with the provisions of Section 2.4 hereof relating to partition and vacating of the Municipal Parking Garage and the Existing Facilities at the times required; or

(c) failure by the City to make any payment required to be made pursuant to Section 4.1(c), 4.2 or 4.4 hereof or under the provisions of the Base Lease within 10 days after the same is due; or

(d) failure by the City to observe and perform any other covenant, condition or agreement on its part to be observed or performed under this Facilities Agreement for a period of 30 days after written notice specifying such failure and requesting that it be remedied is given to the City by the Trustee; or

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(e) if any of the representations and warranties of the City hereunder shall prove to be false or misleading in any material respect; or

(f) the failure by the City promptly to stay or lift any execution, garnishment or attachment of such consequence as will, in the reasonable judgment of the Trustee, materially impair its ability to carry out its obligations under this Facilities Agreement (provided that the City shall not be in default so long as it is diligently prosecuting a bona fide appeal from any such execution, garnishment or attachment); or

(g) if the City shall (i) apply for or consent to the appointment of a receiver, trustee, or the like of the City or of property of the City, or (ii) admit in writing the inability of the City to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated a bankrupt or insolvent, or (v) commence a voluntary case under the United States Bankruptcy Code or file a voluntary petition seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the United States Bankruptcy Code.

The foregoing provisions of this Section 8.1 are subject to the following provision: If, by reason of Force Majeure, the City shall be unable in whole or in part to carry out any agreement on its part herein contained, other than the obligations on the part of the City contained in Articles IV and VI of this Facilities Agreement, the City shall not be deemed in default during the continuance of such inability. The City agrees, however, to remedy, as promptly as legally and reasonably possible, the cause or causes preventing the City from carrying out its agreement, provided that the settlement of strikes, lockouts and other industrial disturbances shall be entirely within the discretion of the City.

Section 8.2. Remedies. Subject at all times to the rights of the City under Section 2.1 hereof as to portions of the Municipal Parking Garage and the Existing Facilities it has so acquired, whenever any Event of Default referred to in Section 8.1 of this Facilities Agreement shall have happened and be continuing, or if an Event of Nonappropriation shall have happened, the Corporation and the Trustee may terminate this Facilities Agreement and shall give notice to the City to vacate the Corporation Facilities within 31 days from the date of such notice; provided that if an Event of Nonappropriation shall occur by reason of the failure of the City to specifically budget and appropriate for Acquisition Payments on or before July 1 of any year, the City shall vacate or deliver possession of the Corporation Facilities not later than the immediately following January 31 or such later date as may be determined under Section 2.4 hereof.

Subject at all times to the rights of the City under Section 2.1 hereof as to portions of the Municipal Parking Garage and the Existing Facilities it has so acquired, the Trustee, in its discretion, may also (i) take whatever action at law or in equity which may appear necessary or desirable to enforce its rights in and to the Municipal Parking Garage and the Existing Facilities under this Facilities Agreement, the Security Documents and the Trust Agreement, subject, however, to the limitations set forth herein, and (ii) exercise all applicable rights and remedies of a secured party under Title 36, Chapter 9, Code of Laws of South Carolina, 1976, as amended.

In addition, the Trustee may, at the written direction of the Owners of the majority in aggregate principal amount of the Outstanding Bonds shall, without any further demand or notice, and subject to the terms of the Base Lease, including without limitation, the provisions in Section 4.1 of the Base Lease which provide that the Corporation Facilities shall always be operated for a civic or public purpose to the extent applicable under State law, take one or both of the following additional remedial steps:

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have been fully discharged and the Trust Agreement terminated. The City shall notify the Corporation and the Trustee in writing of its intention to exercise this option, on or before the 45th day preceding the date of such purchase or such later date as may be acceptable to the Trustee, but in no event later than the 30th day preceding the date of such purchase, and the City shall provide funds for such prepayment or such other assurance thereof as may be acceptable to the Trustee. Upon the payment of the Purchase Option Price, the Corporation shall transfer and convey all its remaining interest in the Municipal Parking Garage and the Existing Facilities to the City in the manner provided in Section 9.2 hereof.

(b) *Partial Prepayment of Acquisition Payments and Purchase.* From and after November 1, 2031, the City is also granted the option to prepay Acquisition Payments on the due date of any Base Payments hereunder for the purpose of having such prepayments credited towards the purchase price of the Municipal Parking Garage and the Existing Facilities. The City shall notify the Corporation and the Trustee of its intention to exercise this option, on or before the 45th day preceding the date of such prepayment or such later date as may be acceptable to the Trustee, but in no event later than the 30th day preceding the date of such prepayment, and shall provide funds for such prepayment or such other assurance thereof as may be acceptable to the Trustee.

Section 9.2. Manner of Conveyance.

(a) *Complete Conveyance.* At the closing of any purchase or other conveyance of all of the Municipal Parking Garage, the Existing Facilities and the Real Property pursuant to Section 9.1(a) of this Facilities Agreement, or at the termination hereof by the payment of all amounts due hereunder, the Corporation and the Trustee by an instrument terminating the Base Lease and this Facilities Agreement and by quit claim or special warranty deed, as the case may be, in the form as mutually agreed to by the Trustee, the Corporation and the City shall execute and deliver to the City all necessary documents assigning, transferring, conveying and relinquishing all interest to the Municipal Parking Garage, the Existing Facilities and Real Property, subject to the following:

(i) Permitted Encumbrances, other than this Facilities Agreement and the Trust Agreement;

(ii) all liens, encumbrances and restrictions created or suffered to exist by the City, the Corporation and the Trustee as required or permitted by this Facilities Agreement or the Trust Agreement or arising as a result of any action taken or permitted to be taken by the City, the Corporation or the Trustee as required or permitted by this Facilities Agreement or the Trust Agreement; and

(iii) any lien or encumbrance created by action of the City.

(b) *Partial Conveyance Resulting from Partition.* Upon any conveyance under Section 2.4 hereof to the City, the Corporation and the Trustee shall execute and deliver to the City all necessary documents assigning, transferring and conveying all interest in the Municipal Facilities by an instrument terminating the Base Lease and this Facilities Agreement with respect to the Municipal Facilities and quit claim or special warranty deed, as the case may be, in the form as mutually agreed to by the Trustee, the Corporation and the City, subject to the following:

(i) Permitted Encumbrances, other than this Facilities Agreement and the Trust Agreement;

(ii) all liens, encumbrances and restrictions created or suffered to exist by the City, the Corporation and the Trustee as required or permitted by this Facilities Agreement or the Trust

(i) The Trustee may liquidate its interest in this Facilities Agreement or sell or assign its interest in the Base Lease upon five days prior written notice to the City; or

(ii) In the event that the Trustee deems a delay in the liquidation of its interest in this Facilities Agreement to be in the best interest of the Owners of the Series 2020 Bonds, the Trustee may temporarily assign its rights to the Corporation Facilities for the benefit of the Owners of the Series 2020 Bonds.

Notwithstanding anything in this Facilities Agreement to the contrary, in the event of a termination of the City's interest in any portion of the Municipal Parking Garage and the Existing Facilities and subsequent thereto the Trustee shall receive a payment for the transfer of its interest in this Facilities Agreement or total rental payments for leasing that are, after the payment of the Corporation's expenses in connection therewith, including fees and expenses of the Trustee, in excess of the principal amount of the Outstanding Bonds at the time of the Event of Default or Event of Nonappropriation and the interest due and to become due thereon (with amounts so received to be credited first to such interest and then to principal), then the Trustee shall pay such excess to the City.

Section 8.3. Limitations on Remedies. A judgment requiring a payment of money may be entered against the City by reason of an Event of Default or Event of Nonappropriation only as to the City's liabilities described in Section 10.1 of this Facilities Agreement.

Section 8.4. Cumulative Rights. No remedy conferred upon or reserved to the Corporation or the Trustee by this Facilities Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Facilities Agreement or now or hereafter existing at law or in equity or by statute. No waiver by the Corporation or the Trustee of any breach by the City of any of its obligations, agreements or covenants hereunder shall be deemed a waiver of any subsequent breach, or a waiver of any other obligation, agreement or covenant, and no delay or failure by the Corporation or the Trustee to exercise any right or power shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised by the Corporation or the Trustee from time to time and as often as may be deemed expedient.

Section 8.5. Discontinuance of Proceedings. In case the Corporation or the Trustee shall have proceeded to enforce any right under this Facilities Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Corporation or the Trustee, then and in every such case the City, the Corporation and the Trustee shall be restored respectively to their several positions and rights hereunder and all rights, remedies and powers of the City, the Corporation and the Trustee shall continue as though no such proceeding had been taken.

ARTICLE IX CONVEYANCE OF THE MUNICIPAL PARKING GARAGE AND THE EXISTING FACILITIES

Section 9.1. Optional Purchase of the Municipal Parking Garage and the Existing Facilities

(a) *Purchase in Full.* The City is hereby granted the option to terminate this Facilities Agreement and to purchase the Corporation's interest in the Municipal Parking Garage and the Existing Facilities not theretofore acquired by the City at any time upon payment by the City of the then applicable Purchase Option Price; provided, however, that no such termination shall relieve the City from its obligation to pay Administrative Expenses as provided in Section 4.4 hereof until the Series 2020 Bonds

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Agreement or arising as a result of any action taken or permitted to be taken by the City, the Corporation or the Trustee as required or permitted by this Facilities Agreement or the Trust Agreement; and

(iii) any lien or encumbrance created by action of the City.

Neither the Trustee nor the Corporation shall be responsible for the recordation of any deed or other instrument for such purposes and the City shall be responsible for the recordation of any such deed or other instrument for such purposes.

Upon any conveyance under Section 2.4 hereof to the Corporation, the City shall execute and deliver to the Corporation and the Trustee all necessary documents assigning, transferring and conveying all interest in the Corporation Facilities by an instrument terminating this Facilities Agreement with respect to the Corporation Facilities and quit claim or special warranty deed, as the case may be, in the form as mutually agreed to by the Trustee, the Corporation and the City, subject to the following:

(i) Permitted Encumbrances, other than this Facilities Agreement and the Trust Agreement;

(ii) all liens, encumbrances and restrictions created or suffered to exist by the City, the Corporation and the Trustee as required or permitted by this Facilities Agreement or the Trust Agreement or arising as a result of any action taken or permitted to be taken by the City, the Corporation or the Trustee as required or permitted by this Facilities Agreement or the Trust Agreement;

(iii) any lien or encumbrance created by action of the City; and

(iv) the Base Lease.

The City shall not be responsible for the recordation of any deed or other instrument to the Trustee or the Corporation for such purposes and the Corporation shall be responsible for the recordation of any such deed or other instrument for such purposes.

(c) *Partial Conveyance Resulting from Prepayment.* Any conveyance resulting from a partial prepayment under Section 9.1(b) hereof shall be made in the manner as all other conveyances with respect to payments on each Bond Payment Date.

ARTICLE X MISCELLANEOUS

Section 10.1. Limitation of Liability of the Corporation and the City. Notwithstanding any other provision of this Facilities Agreement, in the event of any default by either the Corporation or the City hereunder or under the Trust Agreement, any liability of the Corporation or the City shall be enforceable only out of their respective interests in the Base Lease and under this Facilities Agreement and the moneys to be paid by the City through the later of the end of the Fiscal Year as to which Base Payments have been appropriated for or any Base Payments due as provided in Section 2.3 hereof, and there shall be no recourse for any claim based on this Facilities Agreement, the Trust Agreement or the Series 2020 Bonds, against any other property of the Corporation or the City or against any officer or employee, past, present or future, of the Corporation or the City or any successor body as such, either directly or through the Corporation or the City or any such successor body, under any constitutional provision, statute or rule

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of law or by the enforcement of any assessment or penalty or otherwise, and the liability of the Corporation and the City shall be limited to its interests in the Base Lease and interests under this Facilities Agreement and the moneys to be paid by the City hereunder through the later of the end of the Fiscal Year as to which Base Payments have been appropriated therefor or any Base Payments due as provided in Section 2.3 hereof, and the lien of any judgment shall be restricted thereto, and there shall be no other recourse by the City against the Corporation or the Corporation against the City or any of the property now or hereafter owned by it or either of them. The provisions hereof shall not be deemed to limit the rights of either the City or the Corporation or any assignee thereof as to any contracts with other parties with respect to the Project Facilities.

Section 10.2. Surrender of Possession Upon Termination. Upon termination hereof or upon termination of all rights of the City hereunder, either by reason of an Event of Default or an Event of Nonappropriation, the City covenants that it will deliver up or cause to be delivered up peaceable possession of such of the Municipal Parking Garage and the Existing Facilities as are determined under Section 2.4 hereof to be Corporation Facilities together with the related Real Property without delay, upon demand made by the Corporation or the Trustee, in good repair and operating condition, excepting reasonable wear and tear and damage, injury or destruction by fire or other casualty which, under the terms hereof, shall not have been repaired, reconstructed or replaced.

Section 10.3. Notices. Notices hereunder shall be given to the addresses shown below or to such other address as shall be filed in writing with the parties hereto:

The Corporation	City of Florence Public Facilities Corporation Attention: President 324 W. Evans Street Florence, SC 29501
The City	City of Florence Attention: Assistant City Manager 324 W. Evans Street Florence, SC 29501
The Trustee	The Bank of New York Mellon Trust Company, N.A. 4655 Salisbury Road, Suite 300 Jacksonville, FL 32256 Attn: Corporate Trust

Section 10.4. Assignments. Except as contemplated in the Trust Agreement, this Facilities Agreement may not be assigned by either of the parties hereto without the written consent of the other party hereto and the written consent of the Trustee.

Section 10.5. Severability. In case any provision of this Facilities Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof and this Facilities Agreement shall be construed as if such provision had never been contained herein.

Section 10.6. Amendments. The City and the Corporation may, with the prior written consent of the Trustee, as provided in the Trust Agreement, but without the consent of the Owner of any Bond, enter into any amendments hereto at any time for any of the following purposes:

- (a) To cure any ambiguity, defect or omission herein or in any amendment hereto; or
- (b) To grant to or confer upon the Corporation any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon it; or
- (c) To add to the covenants and agreements of the City herein contained, or to surrender any right or power herein reserved to or conferred upon the City; or
- (d) To increase the Base Payments hereunder to enable the City to proceed to acquire and install Additional Project Facilities; or
- (e) To reflect a change in applicable law; or
- (f) To make any amendments required by Moody's Investors Service or Standard and Poor's Credit Markets Services as a condition to maintaining or upgrading the rating for the Series 2020 Bonds.

The City and the Corporation may, with notice to but without the prior consent of the Trustee, and without the consent of the Owner of any Bond, enter into any amendments hereto at any time and from time to time to (i) add additional parcels of Real Property and Additional Real Property to the description in Exhibit A hereto as provided in Section 5.1(e) hereof, (ii) under the conditions specified in Section 5.1(c) hereof, to delete Real Property in connection with a substitution of other Real Property, or (iii) under the conditions specified in Section 5.1(d) hereof, to release or substitute Real Property as provided in Section 3.6 of the Base Lease.

All other amendments must be approved by the Trustee, as provided in the Trust Agreement, and, if and to the extent required by the Trust Agreement, the consent of the Holders of the Series 2020 Bonds.

Section 10.7. Successors and Assigns. All covenants, promises and agreements contained in this Facilities Agreement by or on behalf of or for the benefit of the City or the Corporation, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 10.8. Applicable Law. This Facilities Agreement shall be governed by, and interpreted under, the laws of the State of South Carolina without regard to conflict of law principles.

Section 10.9. Recordation. At the option of the Corporation this Facilities Agreement or a short form and summary hereof may be recorded in appropriate official records.

WITNESS the due execution of this Facilities Agreement as of the day and year first mentioned above.

WITNESS: CITY OF FLORENCE PUBLIC FACILITIES CORPORATION

By: _____
President

Attest: _____
Secretary

WITNESS: CITY OF FLORENCE, SOUTH CAROLINA

By: _____
Mayor

Attest: _____
Municipal Clerk

STATE OF SOUTH CAROLINA)
)
COUNTY OF FLORENCE)

I, the undersigned, Notary Public for the State of South Carolina, do hereby certify that the President and Secretary of the City of Florence Public Facilities Corporation, South Carolina, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this ____ day of September, 2020.

Notary Public, State of South Carolina
Notary Name Printed: _____
My Commission Expires: _____

STATE OF SOUTH CAROLINA)
)
COUNTY OF FLORENCE)

EXHIBIT A

LEGAL DESCRIPTION OF THE REAL PROPERTY

I, the undersigned, Notary Public for the State of South Carolina, do hereby certify that the Mayor and Municipal Clerk of the City of Florence, South Carolina, personally appeared before me this day and acknowledged the due execution of the foregoing instrument.

Witness my hand and official seal this ____ day of September, 2020.

Notary Public, State of South Carolina
Notary Name Printed: _____
My Commission Expires: _____

All those pieces, parcels or lots of land together with all improvements located or to be located thereon and being more particularly described as follows:

All that certain piece, parcel or tract of land, together with improvements thereon, situate, lying and being in the County of Florence, State of South Carolina, being shown and designated as Sixty (60) acres, more or less, as shown on a plat prepared for the City of Florence Recreation Complex by Engineering Consultants, Inc. dated January 27, 1986 and recorded in Plat Book 24 at page 884 in the office of the Clerk of Court for Florence County. **LESS AND EXCEPTING:** All those certain pieces, parcels, or lots of land shown as Parcels C1, containing 416.08 Square Feet, and C2, containing 7,559.51 Square Feet, as shown on a plat surveyed for Betsy S. Moore and recorded in Plat Book 83 at page 417, said lots having been conveyed to Betsy S. Moore by deed recorded on May 5, 2004 in Book A838 at page 1093. Reference is had to the above referenced plats for a more complete and accurate description of said property.

LEGAL DESCRIPTION FOR MUNICIPAL PARKING GARAGE TO BE PROVIDED.

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EXHIBIT B

PERMITTED ENCUMBRANCES

EXHIBIT C

ACQUISITION PAYMENTS SCHEDULE

Calendar Year	Payment Due 15 th Day Prior to May 1	Payment Due 15 th Day Prior to November 1	Annual Amount Due
2021	\$695,105.13	\$1,779,305.72	\$2,474,410.85
2022	519,297.92	1,799,297.92	2,318,595.84
2023	498,126.32	1,828,126.32	2,326,252.64
2024	475,291.27	2,530,291.27	3,005,582.54
2025	446,130.07	2,566,130.07	3,012,260.14
2026	418,865.37	2,583,865.37	3,002,730.74
2027	389,587.88	2,624,587.88	3,014,175.76
2028	358,648.38	2,658,648.38	3,017,296.76
2029	325,984.51	2,670,984.51	2,996,969.02
2030	301,949.43	2,716,949.43	3,018,898.86
2031	266,159.13	2,751,159.13	3,017,318.26
2032	228,535.79	2,793,535.79	3,022,071.58
2033	188,889.71	1,663,889.71	1,852,779.42
2034	170,548.09	1,680,548.09	1,851,096.18
2035	151,016.23	1,706,016.23	1,857,032.46
2036	130,124.80	845,124.80	975,249.60
2037	119,092.35	854,092.35	973,184.70
2038	107,751.30	867,751.30	975,502.60
2039	96,024.50	881,024.50	977,049.00
2040	83,911.95	893,911.95	977,823.90
2041	71,413.65	906,413.65	977,827.30
2042	58,028.60	918,028.60	976,057.20
2043	44,242.80	934,242.80	978,485.60
2044	29,976.10	949,976.10	979,952.20
2045	15,228.50	965,228.50	980,457.00

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EXHIBIT D

DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of September 9, 2020, is executed and delivered by the City of Florence, South Carolina (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to assist the Issuer in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer's behalf regarding the 'issuance of municipal securities' or any 'municipal financial product' as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a 'Municipal Advisor' as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report containing Annual Financial Information described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the annual financial statements of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i)(B) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the obligations as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany

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"Official Statement" means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Exhibit A.

"Trustee" means the institution, if any, identified as such in the document under which the Bonds were issued.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(10) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports and Other Disclosures.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than seven months after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2020. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 10:00 a.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B, without reference to the anticipated filing date for the Annual Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide at such time an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

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each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Disclosure Representative" means the Assistant City Manager of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Issuer's failure to file an Annual Report on or before the Annual Filing Date.

"Financial Obligation" as used in this Disclosure Agreement is defined in the Rule as (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (i) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (ii) treated as the owner of any Bonds for federal income tax purposes.

"Information" means, collectively, the Annual Reports, the Audited Financial Statements, the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"MSRB" means the Municipal Securities Rulemaking Board or any successor thereto established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown in Exhibit A.

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The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"
2. "Non-Payment related defaults, if material;"
3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. "Substitution of credit or liquidity providers, or their failure to perform;"
6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. "Modifications to rights of securities holders, if material;"
8. "Bond calls, if material, and tender offers;"
9. "Defeasances;"
10. "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. "Rating changes;"
12. "Bankruptcy, insolvency, receivership or similar event of the Obligated Person;"
13. "Merger, consolidation, or acquisition of the Obligated Person, if material;"
14. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
15. "Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material;" and
16. "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties."

- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

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1. "amendment to continuing disclosure undertaking;"
2. "change in obligated person;"
3. "notice to investors pursuant to bond documents;"
4. "certain communications from the Internal Revenue Service" other than those communications included in the Rule;
5. "secondary market purchases;"
6. "bid for auction rate or other securities;"
7. "capital or other financing plan;"
8. "litigation/enforcement action;"
9. "change of tender agent, remarketing agent, or other on-going party;" and
10. "other event-based disclosures."

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"
2. "timing of annual disclosure (120 days);"
3. "change in fiscal year/timing of annual disclosure;"
4. "change in accounting standard;"
5. "interim/additional financial information/operating data;"
6. "budget;"
7. "investment/debt/financial policy;"
8. "information provided to rating agency, credit/liquidity provider or other third party;"
9. "consultant reports;" and
10. "other financial/operating data."

(viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Anything in this Disclosure Agreement to the contrary notwithstanding, any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports. (a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in Appendix B to the Official Statement under the headings:

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11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligated Person, any of which reflect financial difficulties.

The Issuer shall, in a timely manner not later than nine business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the

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- (a) Assessed Value/Taxable Property;
- (b) Tax Rates;
- (c) Tax Collections for Last Five Years; and
- (d) Ten largest taxpayers for City.

(b) Audited Financial Statements as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, then unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, will be included in the Annual Report. In such event, Audited Financial Statements will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an Obligated Person (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

If the Annual Financial Information contains modified operating data or financial information different from the Annual Financial Information agreed to in this Disclosure Agreement, the Issuer is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

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occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. The Issuer will provide the Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been

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instructed by the Issuer as prescribed in this Section 7(b) hereof to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(c)(vii) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable to the Disclosure Dissemination Agent until payment in full, for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

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SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, if any, for the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

CITY OF FLORENCE, SOUTH CAROLINA

By: _____
Assistant City Manager

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SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

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EXHIBIT A NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: City of Florence, South Carolina
Obligated Person(s): City of Florence, South Carolina
Name of Issue: \$37,335,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Series 2020
Date of Issuance: September 9, 2020
Date of Official Statement: August 26, 2020
CUSIP Numbers:

\$26,365,000 Taxable Series 2020A Bonds

	Principal			Principal	
<u>November 1</u>	<u>Amount</u>	<u>CUSIP</u>	<u>November 1</u>	<u>Amount</u>	<u>CUSIP</u>
2021	\$ 530,000	340325AN9	2030	\$1,380,000	340325AX7
2022	535,000	340325AP4	2031	1,410,000	340325AY5
2023	545,000	340325AQ2	2032	1,445,000	340325AZ2
2024	1,230,000	340325AR0	2033	1,475,000	340325BA6
2025	1,255,000	340325AS8	2034	1,510,000	340325BB4
2026	1,265,000	340325AT6	2035	1,555,000	340325BC2
2027	1,300,000	340325AU3	2040	3,805,000	340325BD0
2028	1,325,000	340325AV1	2045	4,455,000	340325BE8
2029	1,345,000	340325AW9			

\$10,970,000 Series 2020B Bonds

November 1	Principal Amount	CUSIP	November 1	Principal Amount	CUSIP
2021	\$710,000	340325AA7	2027	\$ 935,000	340325AG4
2022	745,000	340325AB5	2028	975,000	340325AH2
2023	785,000	340325AC3	2029	1,000,000	340325AJ8
2024	825,000	340325AD1	2030	1,035,000	340325AK5
2025	865,000	340325AE9	2031	1,075,000	340325AL3
2026	900,000	340325AF6	2032	1,120,000	340325AM1

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EXHIBIT B
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Florence, South Carolina
Obligated Person(s): City of Florence, South Carolina (the "Issuer")
Name of Issue: \$37,335,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Series 2020
Date of Issuance: September 9, 2020
CUSIP Numbers:

\$26,365,000 Taxable Series 2020A Bonds

<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>	<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>
2021	\$ 530,000	340325AN9	2030	\$1,380,000	340325AX7
2022	535,000	340325AP4	2031	1,410,000	340325AY5
2023	545,000	340325AQ2	2032	1,445,000	340325AZ2
2024	1,230,000	340325AR0	2033	1,475,000	340325BA6
2025	1,255,000	340325AS8	2034	1,510,000	340325BB4
2026	1,265,000	340325AT6	2035	1,555,000	340325BC2
2027	1,300,000	340325AU3	2040	3,805,000	340325BD0
2028	1,325,000	340325AV1	2045	4,455,000	340325BE8
2029	1,345,000	340325AW9			

\$10,970,000 Series 2020B Bonds

<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>	<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>
2021	\$710,000	340325AA7	2027	\$ 935,000	340325AG4
2022	745,000	340325AB5	2028	975,000	340325AH2
2023	785,000	340325AC3	2029	1,000,000	340325AJ8
2024	825,000	340325AD1	2030	1,035,000	340325AK5
2025	865,000	340325AE9	2031	1,075,000	340325AL3
2026	900,000	340325AF6	2032	1,120,000	340325AM1

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EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" may be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. ____ "Principal and interest payment delinquencies;"
2. ____ "Non-Payment related defaults, if material;"
3. ____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. ____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. ____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. ____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. ____ "Modifications to rights of securities holders, if material;"
8. ____ "Bond calls, if material;"
9. ____ "Defeasances;"
10. ____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. ____ "Rating changes;"
12. ____ "Tender offers;"
13. ____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. ____ "Merger, consolidation, or acquisition of the obligated person, if material;"
15. ____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16. ____ "Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;" and
17. ____ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties."

____ Failure to provide annual financial information as required.

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NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Dissemination Agent Agreement, dated as of September 9, 2020, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as
Disclosure Dissemination Agent, on behalf of the
City of Florence, South Carolina

cc: Issuer
Obligated Persons

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I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street, Suite 300
Orlando, FL 32801
407-515-1100

Date: _____

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**EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary event disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of September 9, 2020, between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name: _____

Issuer's Six-Digit CUSIP Number: _____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates: _____

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party; and"
10. _____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date: _____

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**EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET**

This cover sheet and accompanying "voluntary financial disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of September 9, 2020 between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name: _____

Issuer's Six-Digit CUSIP Number: _____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates: _____

Number of pages attached: _____

____ Description of Voluntary Financial Disclosure (Check One):

1. _____ "quarterly/monthly financial information;"
2. _____ "change in fiscal year/timing of annual disclosure;"
3. _____ "change in accounting standard;"
4. _____ "interim/additional financial information/operating data;"
5. _____ "budget;"
6. _____ "investment/debt/financial policy;"
7. _____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. _____ "consultant reports;" and
9. _____ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature: _____

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date: _____

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INDEX

(This Index is not a part of the Trust Agreement but rather is for convenience of reference only)

TRUST AGREEMENT

between

CITY OF FLORENCE PUBLIC FACILITIES CORPORATION

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee

DATED AS OF SEPTEMBER 1, 2020

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TRUST AGREEMENT

This TRUST AGREEMENT dated as of September 1, 2020 (the "**Trust Agreement**") is made by and between CITY OF FLORENCE PUBLIC FACILITIES CORPORATION (the "**Corporation**"), a nonprofit corporation organized and existing under the laws of the State of South Carolina, and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), a national banking association duly organized and validly existing under the laws of the United States of America.

WITNESSETH:

WHEREAS, the City of Florence (the "**City**") is simultaneously herewith entering into a Base Lease and Conveyance Agreement dated as of September 1, 2020 (the "**Base Lease**") pursuant to which it is leasing certain real property to the Corporation (the "**Real Property**") as more particularly described in Exhibit A attached to the Base Lease, upon one parcel of which is located the Freedom Florence Recreation Complex and upon the second parcel of which will be constructed a municipal parking garage (the "**Municipal Parking Garage**"), so that the Corporation may provide for the acquisition, construction, renovation and equipping of the Municipal Parking Garage as well as a downtown theater, an athletic complex consisting of multiple baseball fields, a full-sized 400 meter track and a 1,500-seat baseball stadium, and the 2019 Project (defined below), (the "**Capital Improvements**"), none of which will be situated on the Real Property nor be subject to the Base Lease or the Facilities Agreement (as hereinafter defined); and

WHEREAS, further pursuant to the Base Lease, the City has conveyed to the Corporation fee simple title to the Municipal Parking Garage as well as the improvements which constitute the Freedom Florence Recreation Complex, a multi-use facility of approximately 100 acres and containing, among other things, nine lighted baseball/softball fields, three lighted football fields, a recreational/competitive gymnastics center and walking, jogging and biking trails (the "**Existing Facilities**"); and

WHEREAS, the City currently owns, or will hereafter acquire, additional real property upon which the Capital Improvements and the Municipal Parking Garage (collectively, the "**Project Facilities**") will be located; and

WHEREAS, the Corporation issued a \$15,000,000 Installment Purchase Revenue Bond (City of Florence Project), Series 2017, dated November 15, 2017 (the "**Series 2017 Bond**"); and

WHEREAS, the Corporation has determined that it is in the best interest to refund the Series 2017 Bond; and

WHEREAS, the Corporation is simultaneously herewith entering into a Municipal Facilities Purchase and Occupancy Agreement dated as of September 1, 2020 (the "**Facilities Agreement**") with the City, pursuant to which the Corporation has agreed to undertake such Project Facilities and sell the Municipal Parking Garage and the Existing Facilities to the City; and

WHEREAS, the City will purchase under the provisions of the Facilities Agreement the Municipal Parking Garage and the Existing Facilities during which time the City will be entitled to occupy and use the Real Property, the Municipal Parking Garage and the Existing Facilities pending completion of the payment of the Series 2020 Bonds; and

WHEREAS, the City sold a \$3,025,000 General Obligation Bond Anticipation Note, Taxable Series 2019A and a \$4,340,000 General Obligation Bond Anticipation Note, Tax-Exempt Series 2019B,

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Agreement) and other amounts receivable by or on behalf of the Corporation under the Facilities Agreement; subject to certain reserved rights described in Sections 4.2, 4.4, 4.5 and 5.5 of the Facilities Agreement.

Granting Clause Second

All of the Corporation's right, title, and interest in and to the Real Property, the Municipal Parking Garage, the Existing Facilities, the Facilities Agreement, the Base Lease and the property rights evidenced thereby in the Real Property, the Municipal Parking Garage and the Existing Facilities, including all the right, title, and interest of the Corporation in and to (a) all of the rents, issues, profits, revenues, income, receipts, moneys, royalties, rights, and benefits of and from the Real Property described in Exhibit A to the Base Lease and from and in connection with the Corporation's ownership of the Municipal Parking Garage and the Existing Facilities, including, without limiting the generality of the foregoing, rents and revenues under any and all leases of the Real Property, the Municipal Parking Garage or the Existing Facilities or any agreement for the operation or management of the Real Property, the Municipal Parking Garage or the Existing Facilities, and (b) all leases of all or part of the Municipal Parking Garage and the Existing Facilities hereafter made, executed, or delivered, whether oral or written, together with any and all renewals, extensions, and modifications thereof and any guarantees of the lessees' obligations under any thereof and any and all tenant contracts, rental agreements, franchise agreements, management contracts, construction contracts, and other contracts, licenses, and permits now or hereafter affecting the Real Property, the Municipal Parking Garage or the Existing Facilities or any part thereof.

Granting Clause Third

All of the Corporation's rights with respect to any contracts for the construction or acquisition of the Project Facilities, including without limitation the Project Facilities Contracts (as defined in the Facilities Agreement); any insurance or condemnation proceeds with respect to the Municipal Parking Garage and the Existing Facilities or any portion thereof and the proceeds of any other collateral granted hereunder or assigned hereby as security for the Series 2020 Bonds.

Granting Clause Fourth

All moneys and investments in the funds created pursuant to this Trust Agreement (except the Rebate Fund referred to in Section 5.10 hereof), and all income thereon.

TO HAVE AND TO HOLD unto the Trustee and its successors in that trust and its and their assigns forever;

BUT IN TRUST, NEVERTHELESS, and subject to the provisions hereof, and subject to the Series 2020 Bonds provided for herein and the Facilities Agreement, except as provided otherwise herein, for the equal benefit, security and protection of all present and future Owners of the Series 2020 Bonds executed and delivered under and secured by this Trust Agreement; for the enforcement of the payment of Base Payments by the City when payable, according to the true intent and meaning thereof and of this Trust Agreement; and to secure the performance and observance of and compliance with the covenants, agreements, obligations, terms and conditions of this Trust Agreement, in each case, without preference, priority or distinction, as to lien or otherwise, of any one Bond over any other Bond by reason of designation, number, date of the Bond or of authorization, sale, execution, delivery or maturity thereof, or otherwise, so that the Series 2020 Bonds shall have the same right, lien and privilege under this Trust Agreement as all other Bonds and shall be secured equally and ratably hereby, it being intended that the lien and security of this Trust Agreement shall take effect from the date hereof, without regard to the date

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dated November 26, 2019 (collectively the "**2019 Notes**"), to defray the cost of certain economic and development efforts in the City's downtown area including, but not limited to, property, acquisition, parking, building demolition and streetscape additions and improvements (the "**2019 Project**"); and

WHEREAS, in order to raise funds to refund the Series 2017 Bond, to pay the 2019 Notes and to pay the costs of financing the Project Facilities, the Corporation proposes to issue \$37,335,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Series 2020, dated the date of their delivery (the "**Series 2020 Bonds**") pursuant to the terms of this Trust Agreement; and

WHEREAS, the Series 2020 Bonds are issued as two series consisting of \$26,365,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Taxable Series 2020A (the "**Series 2020A Bonds**") and \$10,970,000 City of Florence Public Facilities Corporation Installment Purchase Refunding Revenue Bonds (City of Florence Project) Series 2020B (the "**Series 2020B Bonds**"); and

WHEREAS, the Corporation desires to enter into this Trust Agreement in order to prescribe the terms and conditions of the Series 2020 Bonds and the security therefor and to provide for the issuance of one or more series of Additional Bonds (the "**Additional Bonds**") and, together with the Series 2020 Bonds, the "**Bonds**") to be secured under the terms hereof on a parity with the Series 2020 Bonds, and the Corporation and the Trustee are each authorized to execute and deliver this Trust Agreement and to do or cause to be done all acts provided or required herein to be performed on their respective parts; and

WHEREAS, the Series 2020 Bonds are and will be secured by this Trust Agreement, and the Corporation and the Trustee are each authorized to execute and deliver this Trust Agreement and to do or cause to be done all acts provided or required herein to be performed on their respective parts; and

WHEREAS, as the source of payment and security for the Series 2020 Bonds and any Additional Bonds issued hereafter the rights (except for certain reserved rights described herein) of the Corporation under the Facilities Agreement and certain of the payments to be made by the City under the Facilities Agreement are being assigned to the Trustee hereunder, all to provide funds for the payment of the costs of the Project Facilities and the payment of the costs and expenses of issuing the Series 2020 Bonds; and

WHEREAS, the Trustee has accepted the trusts created by this Trust Agreement, and in evidence thereof has joined in the execution hereof;

NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH, that to secure the payment of the Series 2020 Bonds, to secure the performance and observance of all of the covenants, agreements, obligations and conditions contained therein and herein, and to declare the terms and conditions upon and subject to which the Series 2020 Bonds are and are intended to be executed, delivered, held, secured and enforced, and in consideration of the premises and the acceptance by the Trustee of the trusts created herein and of the purchase and acceptance of the Series 2020 Bonds by the Owners, and for other good and valuable consideration, the receipt of which is acknowledged, the Corporation has executed and delivered this Trust Agreement and absolutely assigns hereby to the Trustee, and to its successors in trust, and its and their assigns all of the following described collateral, whether presently owned or subsequently acquired by the Corporation:

Granting Clause First

All right, title and interest of the Corporation in and to the Revenues (as defined in Article I of this Trust Agreement), including, without limitation, all Acquisition Payments (as defined in the Facilities

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of the actual execution, delivery, sale or disposition of the Series 2020 Bonds as though upon that date all of the Series 2020 Bonds were actually executed, sold and delivered to purchasers for value; *provided, however*, that if the principal of the Series 2020 Bonds and the interest due or to become due with respect thereto shall be well and truly paid, at the times and in the manner to which reference is made in the Series 2020 Bonds, according to the true intent and meaning thereof, or the Outstanding Bonds of a particular Series shall have been paid and discharged in accordance with Article IX hereof, and if all of the covenants, agreements, obligations, terms and conditions of the Corporation under this Trust Agreement shall have been kept, performed and observed and there shall have been paid to the Trustee, all sums of money due or to become due to it in accordance with the terms and provisions hereof, then this Trust Agreement and the rights assigned hereby shall cease, determine and be void with respect to the Series 2020 Bonds, except as provided in Section 9.2 hereof with respect to the survival of certain provisions hereof; otherwise, this Trust Agreement shall be and remain in full force and effect.

It is declared that all Bonds executed and delivered hereunder and secured hereby are to be executed and delivered, and that all property assigned hereby is to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, obligations, trusts, uses and purposes provided in this Trust Agreement. The Corporation and the Trustee have each agreed and covenanted, and agree and covenant with each other and with each and all Owners, as follows:

ARTICLE I DEFINITIONS

Section 1.1. Definitions. Terms used herein without other definition shall have the meanings provided therefor in the Facilities Agreement unless the context or use clearly indicates another meaning or intent. In addition, the following words and terms shall have the meanings set forth below unless the context or use clearly indicates another meaning or intent:

"Acquisition Payments" means the amounts required to be paid to the Corporation by the City pursuant to Article IV of the Facilities Agreement.

"Additional Bonds" means any Bonds issued after the issuance of the Series 2020 Bonds and secured on a parity with the Series 2020 Bonds under the terms of this Trust Agreement as supplemented by a Supplemental Trust Agreement.

"Additional Payments" has the meaning set forth in Section 1.1 of the Facilities Agreement.

"Assistant City Manager" means the Assistant City Manager of the City or his designee, as evidenced by a written certificate furnished to the Corporation and the Trustee annually containing the specimen signature of such person or persons and signed on behalf of the City by the Mayor of the City.

"Base Lease" means the Base Lease and Conveyance Agreement dated as of September 1, 2020, between the City and the Corporation, as it may be amended and modified.

"Base Payments" has the meaning set forth in Section 1.1 of the Facilities Agreement.

"Bond" or "Bonds" means the Series 2020 Bonds and any Additional Bonds issued and secured under the terms hereof.

"Bond Counsel" means a firm of nationally recognized bond counsel experienced in matters of tax-exempt finance as shall be acceptable to the City.

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"Bond Fund" means the Bond Fund established pursuant to Section 5.5 hereof.

"Bond Payment Date" means May 1 and November 1 of each year, beginning May 1, 2021.

"Business Day" means any day other than a Saturday, a Sunday, a legal holiday or a day on which banking institutions are closed in the state where the designated corporate trust office of the Trustee is located or any day on which the payment system of the United States Federal Reserve is not operational.

"Certificate of Completion" means a certificate executed by a City Representative, to the effect that all amounts available to the City pursuant to Section 5.3(c) which the City intends to apply to defray the costs of the Project Facilities have been disbursed to it from the Project Fund.

"City" means City of Florence, South Carolina.

"City Council" means the City Council of the City of Florence, the governing body of the City, and any successor body.

"City Representative" means the person or persons at the time designated to act on behalf of the City in matters relating to the Base Lease, the Facilities Agreement or this Trust Agreement as evidenced by a written certificate furnished to the Corporation and the Trustee annually containing the specimen signature of such person or persons and signed on behalf of the City by the Mayor of the City. Such certificate may designate an alternate or alternates each of whom shall be entitled to perform all duties of the City Representative. The Assistant City Manager may also be a City Representative.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or any successor internal revenue laws of the United States enacted by the Congress of the United States in replacement thereof. References to the Code and sections of the Code include relevant applicable regulations, temporary regulations and proposed regulations thereunder and any successor provisions to those sections, regulations, temporary regulations or proposed regulations.

"Corporation" means City of Florence Public Facilities Corporation, a non-profit corporation formed under the laws of the State of South Carolina, and its successors and assigns.

"Corporation Representative" means the person or persons at the time designated to act on behalf of the Corporation in matters relating to the Base Lease, the Facilities Agreement and this Trust Agreement as evidenced by a written certificate furnished to the City and the Trustee annually containing the specimen signature of such person or persons and signed on behalf of the Corporation by its President or any Vice President. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Corporation Representative.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and, without limitation, may include legal counsel for either the City or the Corporation.

"Defeasance Obligations" means (a) cash; or (b) Eligible Investments that are United States Treasury Obligations State and Local Government Series; United States Treasury bills, notes, bonds, or zero coupon treasury bonds all as traded on the open market; Direct obligations of the U.S. Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities; pre-refunded municipal obligations; obligations of the following agencies which are backed by the full faith and credit of the United States: (i) U.S. Export-Import Bank-direct obligations or fully guaranteed certificates of beneficial ownership, (ii) Farmers Home Administration: Certificates of beneficial ownership;

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(vi) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date),

(vii) Financing Corporation (FICO) Debt obligations, and

(viii) Resolution Funding Corporation (REFCORP) Debt obligations;

(d) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P, including the Trustee or its affiliates;

(e) Deposits, the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million, including the Trustee or its affiliates;

(f) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's;

(g) Money market funds rated "AAm" or "AAm-G" by S&P, or better, including those offered by the Trustee or its affiliates;

(h) "State Obligations", which means:

(i) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated,

(ii) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (i) above and rated "A-1+" by S&P and "MIG-1" by Moody's, and

(iii) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (i) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

(i) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(i) the municipal obligations are (A) not subject to redemption prior to maturity or (B) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions,

(ii) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations,

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(iii) Federal Financing Bank; (iv) General Services Administration: Participation certificates; (v) U.S. Maritime Administration: Guaranteed Title XI financing; (vi) U.S. Department of Housing and Urban Development: Project Notes; Local Authority Bonds; New Communities Debenture-U.S. government guaranteed debentures; (vii) U.S. Public Housing notes and bonds-U.S. government guaranteed public housing bonds; or any legally permissible combination of any of the foregoing. Defeasance Obligations may be redeemable, but only solely at the option of the holder thereof.

"Eligible Investments" means any one or more of the investments now or hereafter permitted by applicable State law and:

(a) obligations which are also:

(i) direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America ("United States Treasury Obligations"),

(ii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America,

(iii) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or

(iv) evidences of ownership of proportionate interests in future interest and principal payments on obligations described in (i), (ii) or (iii) above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated;

(b) Federal Housing Administration debentures;

(c) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

(i) Federal Home Loan Mortgage Corporation (FHLMC) obligations,

(ii) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations,

(iii) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and note,

(iv) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations,

(v) Federal National Mortgage Association (FNMA) Senior debt obligations and Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts),

(vi) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification"),

(iv) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligation,

(v) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification, and

(vi) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent;

(j) Repurchase agreements with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's, provided that:

(i) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

(ii) The Trustee or a third party acting solely as agent therefor or for the Corporation (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(iii) The repurchase agreement shall state and an opinion of Counsel shall be rendered to the Holder of the Collateral at the time such collateral is delivered that, to the extent permitted by law in effect in the State, including the Uniform Commercial Code, the Holder of the Collateral has a perfected security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(iv) All other requirements of S&P in respect of repurchase agreements shall be met; and

(v) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the written direction of the City, the Corporation or the Trustee (if so directed in accordance with Section 5.6 of this Trust Agreement), within ten days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Corporation or Trustee.

(iv) All other requirements of S&P in respect of repurchase agreements shall be met; and

(v) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the written direction of the City, the Corporation or the Trustee (if so directed in accordance with Section 5.6 of this Trust Agreement), within ten days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Corporation or Trustee.

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Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (i) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively;

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

- (i) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Project Fund, construction draws) on the Series 2020 Bonds;
- (ii) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice; and the Corporation and the Trustee agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;
- (iii) the investment agreement shall state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of Counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;
- (iv) the Corporation and the Trustee receive the opinion of domestic counsel that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Corporation;
- (v) the investment agreement shall provide that if during its term
 - (A) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall, at its option, within ten days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable State and federal laws (other than by means of entries on the provider's books) to the Corporation, the Trustee or the Holder of the Collateral, collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest on the investment, and
 - (B) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3," respectively, the provider must, at the written direction of the City, the Corporation or the Trustee (if so directed in accordance with Section 5.6 of this Trust Agreement) within ten days of

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deemed to refer to any other nationally recognized securities rating agency designated by the City by notice to the Trustee.

"Ordinary Services" and "Ordinary Expenses" mean those services normally rendered, and those expenses normally incurred, by a trustee, registrar or paying agent under instruments similar to this Trust Agreement (including attorneys' fees, costs and expenses).

"Outstanding" means, as of the applicable date, all the Bonds which have been executed and delivered, or which are being delivered by the Trustee under this Trust Agreement, except:

- (a) Bonds canceled upon surrender, exchange or transfer, or canceled because of payment or redemption on or prior to that date;
- (b) Bonds, or the portions thereof, for the payment, redemption or purchase for cancellation of which sufficient money has been deposited and credited with the Trustee on or prior to that date for that purpose (whether upon or prior to the maturity date of those Bonds);
- (c) Bonds or the portion thereof, which are deemed to have been paid and discharged or caused to have been paid and discharged pursuant to the provisions of this Trust Agreement; and
- (d) Bonds in lieu of which others have been executed and delivered under Section 3.12 of this Trust Agreement.

"Owner" or "Beneficial Owner" means a Person claiming a beneficial ownership interest in a Bond.

"Participant" means U.S. and non-U.S. securities, brokers and dealers, banks, trust companies, clearing corporations, and other organizations which provide asset servicing for Bonds deposited with DTC.

"Person" or words importing "persons" mean firms, associations, partnerships (including without limitation, general and limited partnerships), joint ventures, societies, estates, trusts, limited liability companies, corporations, public or governmental bodies, other legal entities and natural persons.

"Project Fund" means the Project Fund established pursuant to Section 5.2 hereof.

"Purchase Option Price" has the meaning set forth in Section 1.1 of the Facilities Agreement.

"Record Date" means either a Regular Record Date or a Special Record Date as the case may be.

"Register" means the books kept and maintained by the Trustee for registration and transfer of Bonds pursuant to Section 3.13 hereof.

"Regular Record Date" means, with respect to any Bond, the fifteenth day of the calendar month next preceding a Bond Payment Date applicable to the Bond.

"Revenues" means, with respect to the Series 2020 Bonds, (i) the Acquisition Payments under the Facilities Agreement, (ii) all other moneys received or to be received by the Trustee under the Facilities Agreement from the lease, sale or other disposition of the Real Property, Municipal Parking Garage or the Existing Facilities, (iii) any monies and investments in the Bond Fund, and (iv) all income and profit from the investment of the foregoing moneys.

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receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Corporation or Trustee,

- (vi) the investment agreement shall state and an opinion of Counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that, to the extent permitted by law in effect in the State, including the Uniform Commercial Code, the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);
- (vii) the investment agreement must provide that if during its term

- (A) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the written direction of the City, the Corporation or the Trustee (if so directed in accordance with Section 5.6 of this Trust Agreement), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate, and
- (B) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Corporation or Trustee, as appropriate.

"Event of Default" means an Event of Default under Section 7.1 hereof.

"Event of Nonappropriation" shall have the meaning set forth for such term in the Facilities Agreement.

"Extraordinary Services" and "Extraordinary Expenses" means all services rendered and all reasonable expenses properly incurred by the Trustee under this Trust Agreement (including attorneys' fees, costs and expenses), other than Ordinary Services and Ordinary Expenses.

"Facilities Agreement" means the Municipal Facilities Purchase and Occupancy Agreement dated as of September 1, 2020, between the Corporation, as seller, and the City, as buyer, as the same may be amended or supplemented from time to time.

"Fiscal Year" means the Fiscal Year of the City as defined in the Facilities Agreement.

"Holder" or "Holder of a Bond" or "Bondholder" means the Person in whose name a Bond is registered on the Register and as long as the Bonds are held under a Book-Entry format, shall mean the Securities Depository Nominee. If the Bonds are not being held in a Book-Entry format, then "Holder" shall also mean the "Owner" of the Bonds.

"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 be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, "Moody's" shall be

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"Securities Depository" shall mean a recognized securities depository (or its successor or substitute) selected by the Corporation or the City to act as the securities depository maintaining a book-entry transfer system for the Bonds.

"Securities Depository Nominee" shall mean, with respect to any Securities Depository, such Securities Depository or the nominee of such Securities Depository in whose name the Bonds shall be registered on the Register during the time Bonds are held under a book-entry system through such Securities Depository.

"Series 2020 Bond" or "Series 2020 Bonds" means any or all of the \$37,335,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Series 2020, authorized by and secured under this Trust Agreement.

"Series 2020A Bond" or "Series 2020A Bonds" means any or all of the \$26,365,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Taxable Series 2020A, authorized by and secured under this Trust Agreement.

"Series 2020B Bond" or "Series 2020B Bonds" means any or all of the \$10,970,000 City of Florence Public Facilities Corporation Installment Purchase Refunding Revenue Bonds (City of Florence Project) Series 2020B, authorized by and secured under this Trust Agreement.

"Special Record Date" means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest on that Bond pursuant to Section 3.5 hereof.

"S&P" means S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and their assigns and, if such corporation shall be dissolved or liquidated or 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 by written notice to the Trustee.

"State" means the State of South Carolina.

"Supplemental Trust Agreement" means any agreement supplemental to this Trust Agreement entered into between the Corporation and the Trustee in accordance with Article VIII hereof.

"Tax Agreement" means the Arbitrage and Tax Agreement, dated as of the date of the initial delivery of the Series 2020B Bonds, among the City, the Trustee and the Corporation.

"Treasury Regulations" means the regulations promulgated from time to time by the United States Treasury or the Internal Revenue Service implementing the tax law in the Code, together with precedential interpretation thereof.

"Trust Agreement" means this Trust Agreement dated as of September 1, 2020, by and between the Corporation and the Trustee, as the same may be supplemented or amended by any Supplemental Trust Agreement.

"Trust Estate" means the Trust Estate described in the Granting Clauses hereto.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., or any successor Trustee that may become the Trustee pursuant to the applicable provisions of this Trust Agreement.

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Section 1.2. Interpretation. Any reference to a section or provision of the Constitution of the State, or to a section, provision or chapter of the Code of Laws of South Carolina, or to any statute of the United States of America, includes that section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this paragraph, if it constitutes in any way an impairment of the rights or obligations of the City, the Corporation, the Owners, or the Trustee under this Trust Agreement, the Bonds, the Base Lease, the Facilities Agreement or any other instrument or document entered into in connection with any of the foregoing, including without limitation, any alteration of the obligation to pay principal, premium, if any, or interest on the Bonds in the amount and manner, at the times, and from the sources provided in this Trust Agreement, except as permitted herein.

Unless the context indicates otherwise, words implying the singular number include the plural number, and vice versa. The terms "hereof," "hereby," "herein," "hereto," "hereunder," "hereinafter" and similar terms refer to this Trust Agreement; and the term "hereafter" means after, and the term "heretofore" means before the date of this Trust Agreement. Words of any gender include the correlative words of the other gender, unless the sense indicates otherwise.

References to sections, articles or exhibits, unless otherwise indicated, are to sections and articles of or exhibits to this Trust Agreement.

Section 1.3. Captions and Headings. The captions and headings in this Trust Agreement are solely for convenience of reference and in no way define, limit or describe the scope or intent of any Articles, Sections, subsections, paragraphs, subparagraphs or clauses hereof.

ARTICLE II RECITALS AND REPRESENTATIONS

Section 2.1. Base Lease and Facilities Agreement. The Corporation has entered into with the City (i) the Base Lease under which the City has conveyed a leasehold interest in the Real Property and fee simple title to the Municipal Parking Garage and the Existing Facilities to the Corporation, and (ii) the Facilities Agreement under the terms of which the City has arranged with the Corporation for the acquisition, construction, renovation and equipping of the Project Facilities for use and occupancy by the City and the sale of the Municipal Parking Garage and the Existing Facilities by the Corporation to the City.

Section 2.2. Acquisition Payments. Under the Facilities Agreement, the City is obligated to pay to the Corporation or its assigns during the term thereof Acquisition Payments for the purchase of the Municipal Parking Garage and the Existing Facilities, subject to the occurrence of an Event of Nonappropriation as set forth in Section 4.7 of the Facilities Agreement, and subject to the City's right to exercise its purchase option as set forth in Section 9.1 of the Facilities Agreement.

Section 2.3. Assignment and Conveyance.

(a) For the purpose of securing the payment of the Series 2020 Bonds, the Corporation has provided the Trustee with certain liens, assignments, security interests and other claims under the granting clauses hereto. The Corporation hereby represents and confirms that it has full legal power and authority to make the grants enumerated in the granting clauses and that no assignment has been made, except to

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Lease, the Facilities Agreement and any related instruments or documents to be recorded and filed in the manner and in the places which may be required by law in order to preserve and protect fully the security of the Owners and the rights of the Trustee hereunder. The Corporation shall execute or cause to be executed any and all further instruments necessary for such protection of the interests of the Owners of the Series 2020 Bonds and necessary to perfect and preserve the Trust Estate created by this Trust Agreement or any part thereof until the principal of and interest of the Series 2020 Bonds issued hereunder shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as may be requested by the Corporation to perfect and to preserve the Trust Estate created by this Trust Agreement or any part thereof until the Series 2020 Bonds shall have been paid or discharged in the manner hereinafter provided.

Section 2.6. Purpose of Corporation; Certain Covenants. The Corporation hereby represents that its principal purpose is to carry out the public purpose of owning, leasing, constructing, acquiring and operating public facilities and other lawful purpose not inconsistent with the Corporation's non-profit status. In order to provide assurances to Owners that nothing will be done that would jeopardize the Corporation's interest in the Real Property, the Municipal Parking Garage or the Existing Facilities or that might adversely affect the will or desire of the City to continue to occupy the Real Property, the Municipal Parking Garage or the Existing Facilities, the Corporation hereby covenants that so long as any of the Series 2020 Bonds are Outstanding it will not do any of the following without the written consent of the City and prior written notice to the Trustee: (i) undertake any projects for any entity other than the City without the written consent of the City; (ii) amend its Articles of Incorporation to change its principal purpose or to engage in activities that are not in support of its principal purpose; or (iii) incur any obligation for borrowed money or incur any other indebtedness not associated with the Bonds or this Trust Agreement. Prior to taking any such action, the Corporation shall file with the Trustee the written consent of the City and an opinion of Bond Counsel to the effect that such proposed action will not adversely affect the tax status of interest on the Series 2020B Bonds.

ARTICLE III AUTHORIZATION AND TERMS OF BONDS

Section 3.1. Principal Amount of Bonds; Designation of Bonds; Conditions to Delivery.

(a) Pursuant to the provisions of this Trust Agreement, there are hereby authorized to be issued one or more series of revenue bonds of the Corporation. Upon the execution and delivery hereof, there are hereby authorized two initial series of Bonds in the aggregate principal amount of \$37,335,000 to be designated "City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Series 2020." Any subsequent Bonds issued on a parity with the Series 2020 Bonds shall be designated City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) with such further and other designation as may be necessary to identify such Bonds.

(b) Upon the execution and delivery of this Trust Agreement, and satisfaction of the conditions for delivery of the Series 2020 Bonds established by this Trust Agreement, the Trustee shall execute and deliver the Series 2020 Bonds to, or to the order of, the purchaser thereof.

(c) Before the Trustee authenticates any of the Series 2020 Bonds, the Trustee shall have received a request and authorization from the City and the Corporation, signed on their behalf by a City Representative and a Corporation Representative, respectively, to authenticate the Series 2020 Bonds upon payment to the Trustee of the amount specified therein (including without limitation, any accrued

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the Trustee, of any of its right, title and interest in and to the Real Property, the Municipal Parking Garage, the Existing Facilities the Facilities Agreement, the Base Lease, or the Revenues.

(b) The Corporation and the Trustee intend for this Trust Agreement to be a security agreement within the meaning of the Uniform Commercial Code as adopted by the State (the "UCC"). The intent of the Corporation is to provide to the Trustee, to the fullest extent that the Trust Estate now or hereafter may be subject to a security interest under the UCC, the security interest in the Trust Estate including all presently-owned, or after-acquired property constituting all or a portion of the Trust Estate. The Corporation hereby covenants that it will prepare, execute and file all initial financing statements necessary to perfect this security interest or other statutory liens held by the Trustee. Notwithstanding anything to the contrary contained herein, the Trustee shall not be responsible for any initial filings of any financing statements or the information contained therein (including the exhibits thereto), the perfection of any such security interests, or the accuracy or sufficiency of any description of collateral in such initial filings or for filing any modifications or amendments to the initial filings required by any amendments to Article 9 of the applicable Uniform Commercial Code. In addition, unless the Trustee shall have been notified in writing by the City or the Corporation that any such initial filing or description of collateral was or has become defective, the Trustee shall be fully protected in (i) conclusively relying on such initial filing and descriptions in filing any financing or continuation statements or modifications thereto pursuant to this Section 2.3 and (ii) filing any continuation statements in the same filing offices as the initial filings were made. The Trustee shall cause to be filed a continuation statement with respect to each Uniform Commercial Code financing statement relating to the Series 2020 Bonds which was filed at the time of the issuance thereof, in such manner and in such places as the initial filings were made, provided that a copy of the filed original financing statement is timely delivered to the Trustee. The Corporation shall be responsible for the reasonable costs (including attorneys' fees, costs and expenses, if any) incurred by the Trustee in the preparation and filing of all continuation statements hereunder. With respect to any of the Trust Estate in which a security interest is not perfected by the filing of a financing statement, the Corporation consents and agrees to undertake, and the Trustee agrees to cooperate fully with the Corporation, to take actions necessary to perfect the security interest or otherwise protect the rights granted to the Trustee in the Trust Estate. During the term of the Facilities Agreement, the Trustee may exclusively rely on the City to operate the Municipal Parking Garage, the Existing Facilities and the Real Property in accordance with all laws, ordinances, rules and regulations, including without limitation, Environmental Regulations.

(c) The Corporation and the Trustee intend for this Trust Agreement to be a collateral assignment of all rents, leases, issues and profits created by, or arising out of any right, title or interest of the Corporation in the Trust Estate, including without limitation, all leases, rents, issues, and profits arising out of the Base Lease, the Facilities Agreement, and any future lease or leases now or hereinafter entered into by the Corporation, all as more particularly authorized by Section 29-3-100 of the Code of Laws of South Carolina 1976, as amended.

Section 2.4. Powers and Trusts Granted. All acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and entering into of this Trust Agreement have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly empowered to execute and enter into this Trust Agreement.

Section 2.5. Other Security Documents. The Corporation shall cause this Trust Agreement and any financing statements relating hereto, to be filed, in such manner and at such places as may be required by law to fully protect the security of the Owners of the Series 2020 Bonds and the right, title and interest of the Trustee in and to the Real Property, the Municipal Parking Garage, the Existing Facilities and the Trust Estate created by this Trust Agreement or any part thereof. The Corporation will cause the Base

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interest), which amount shall be deposited as provided in Section 5.1 hereof. Executed copies of the following shall be submitted with the request:

- (i) this Trust Agreement,
- (ii) the Base Lease,
- (iii) the Facilities Agreement; and
- (iv) the Tax Agreement.

(d) The Series 2020 Bonds do not and shall not constitute a debt or pledge of the faith and credit of the City but shall constitute a limited obligation of the Corporation and shall be payable solely from the Revenues.

Section 3.2. Purposes. The Series 2020 Bonds are authorized for the principal purposes of refunding the Series 2017 Bond, paying the 2019 Notes, defraying a portion of the cost of acquisition, construction, renovation and equipping of the Project Facilities and any land necessary therefor, and paying certain costs and expenses relating to the issuance of the Series 2020 Bonds. The funds being used to pay costs of acquisition, construction, renovation and equipping of the Project Facilities and purchase of land are to be made available through the Project Fund to the Corporation and City under the Facilities Agreement and Section 5.3 herein.

Section 3.3. Maturity Schedule; Date; Interest Rates. The Series 2020 Bonds shall mature on November 1 in the years and principal amounts set forth below and shall bear interest payable on each Bond Payment Date, beginning on May 1, 2021, at the rates set forth below.

Series 2020A Bonds Maturity Schedule

Due November 1	Principal Amount	Interest Rate	Due November 1	Principal Amount	Interest Rate
2021	\$ 530,000	0.852%	2030	\$1,380,000	2.187%
2022	535,000	0.952	2031	1,410,000	2.287
2023	545,000	1.178	2032	1,445,000	2.387
2024	1,230,000	1.388	2033	1,475,000	2.487
2025	1,255,000	1.588	2034	1,510,000	2.587
2026	1,265,000	1.783	2035	1,555,000	2.687
2027	1,300,000	1.883	2040	3,805,000	3.086
2028	1,325,000	1.987	2045	4,455,000	3.206
2029	1,345,000	2.087			

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Series 2020B Bonds Maturity Schedule

Due November 1	Principal Amount	Interest Rate	Due November 1	Principal Amount	Interest Rate
2021	\$710,000	5.000%	2027	\$ 935,000	4.000%
2022	745,000	5.000	2028	975,000	4.000
2023	785,000	5.000	2029	1,000,000	2.000
2024	825,000	5.000	2030	1,035,000	4.000
2025	865,000	4.000	2031	1,075,000	4.000
2026	900,000	4.000	2032	1,120,000	4.000

Section 3.4. Provisions Relating to Additional Bonds; Conditions for Issuance.

(a) Authorization for Additional Bonds. Additional Bonds may be issued hereunder and secured on a parity with the Series 2020 Bonds under the conditions set forth herein.

(b) Purposes for Additional Bonds. Additional Bonds may be issued for the purposes of providing funds (i) to refund any of the Series 2020 Bonds or any Additional Bonds theretofore issued, (ii) for the purpose of paying the cost of completing the Project Facilities and (iii) for the purpose of paying the cost of Additional Project Facilities.

(c) Conditions to the Issuance of All Additional Bonds. No Additional Bonds may be issued hereunder if at the time there is an Event of Default or an Event of Nonappropriation unless upon the issuance of such Additional Bonds, no other Bonds will be Outstanding hereunder. Prior to issuing any Additional Bonds, there shall have been executed and delivered (i) a Supplemental Trust Agreement authorizing such Additional Bonds and prescribing the terms and details thereof and the purposes for the issuance of such Additional Bonds; (ii) a supplement to the Facilities Agreement providing for Acquisition Payments thereunder sufficient to provide for the payment of the Additional Bonds, and extending the term of the Facilities Agreement, if needed, to the final maturity of such Additional Bonds and making any changes required if there are any Additional Project Facilities being acquired, constructed, renovated or expanded; and (iii) a supplement to the Base Lease extending the term thereof by the same amount of time as any extension to the term of the Facilities Agreement and making any changes required if there is Additional Real Property being leased by the City to the Corporation or being acquired in connection therewith. There shall also be provided to the Trustee certified copies of a resolution adopted by the Corporation and an ordinance adopted by the City authorizing the issuance of the Additional Bonds and the execution and delivery of the documents to which each is a party. No Additional Bonds shall be issued hereunder unless the Trustee receives an opinion of Bond Counsel to the effect that the issuance of such Additional Bonds, the modifications to the Trust Agreement, the Facilities Agreement and the Base Lease and the application of the proceeds of the Additional Bonds as envisioned thereby are authorized and permitted under this Trust Agreement and shall not adversely affect the Federal income tax treatment of interest payments received or to be received by the Owners of the Series 2020B Bonds.

(d) Other Provisions Relating to Additional Bonds. The details of any Additional Bonds, including any reserve requirement relating thereto and the payment provisions thereof shall be specified in the supplement hereto providing for the issuance thereof. Such supplement shall include provisions for the separation of the Bond Fund and the accounts therein into separate accounts and subaccounts for the Series 2020 Bonds and each series of Additional Bonds.

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Notices and demands to or upon the Trustee and the Corporation in respect of the Series 2020 Bonds may be served, at the designated corporate trust office of the Trustee or the designated office of the Corporation, as applicable. The Series 2020 Bonds shall be presented for registration of transfers and exchanges in accordance with the provisions of this Trust Agreement at the principal corporate trust office of the Trustee.

Section 3.8. Form of Bonds. The Series 2020 Bonds, together with the certificate of authentication and assignment to appear thereon, shall be in substantially the forms attached hereto as Exhibit A with necessary and appropriate variations, omissions and insertions as permitted or required by this Trust Agreement. Additional Bonds shall be in such form as is provided in the supplement hereto pursuant to which such Additional Bonds are issued.

Section 3.9. Execution of Bonds. The Series 2020 Bonds shall be executed by the President or the Vice President of the Corporation in the name of and on behalf of Corporation and the same shall be attested by any other officer of the Corporation. Such officers may employ facsimiles of their signatures.

In case any officer whose signature or facsimile signature shall appear on the Series 2020 Bonds shall cease to be such officer before the delivery of any Bond such signatures or such facsimiles shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office.

Section 3.10. Authentication. Only such Bonds as shall have endorsed thereon a certificate of authentication duly executed by the Trustee shall be entitled to any right or benefit under this Trust Agreement. No Bond shall be valid or obligatory for any purpose unless and until such certificate of authentication shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Trust Agreement. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed either manually or electronically by any authorized signatory of the Trustee.

Section 3.11. Medium of Payment. The Series 2020 Bonds shall be payable with respect to principal, interest and premium, if any, in lawful money of the United States of America.

Section 3.12. Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Corporation may execute and the Trustee may authenticate a new Bond of like series, date, maturity and denomination as that mutilated, lost, stolen or destroyed; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Corporation and to the Trustee evidence of such loss, theft or destruction satisfactory to the Corporation and the Trustee together with indemnity satisfactory to them. In the event any such Bond shall have matured, instead of issuing a duplicate Bond, the Corporation may pay the same. The Corporation and the Trustee may charge the Holder of such Bond with their reasonable fees and expenses (including attorneys' fees, costs and expenses) in this connection.

Section 3.13. Transfer and Registry; Persons Treated as Holders.

(a) As long as there shall be any Outstanding Bond, the Corporation shall cause books for the registration and for the transfer of Bonds to be kept which books constitute the Register. The Register shall be kept by the Trustee at its principal corporate trust office. The transfer of each Bond may be registered only upon the Register kept by the Trustee for that purpose by the Holder thereof in person or by his duly authorized attorney upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee, duly executed by the Holder or his duly authorized attorney. Upon the

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Section 3.5. Payment of Principal and Interest.

(a) Each of the Series 2020 Bonds shall be authenticated, as provided in Section 3.10 hereof, on such date as it shall be delivered and shall bear interest from the later of the date of delivery of said Series 2020 Bond, or the date to which interest has been paid immediately preceding the authentication date thereof, unless the authentication date thereof is a Bond Payment Date, in which event, each such Series 2020 Bond shall bear interest from the earlier of such authentication date or the date to which interest has been paid or, in the event no interest has been paid, from the date of delivery of such Series 2020 Bond. Additional Bonds shall be authenticated and bear interest as provided in the supplement prescribing the terms and conditions thereof.

(b) Subject to the provisions of Section 3.18 hereof, the principal of and premium, if any, on the Series 2020 Bonds shall be paid in immediately available funds by check or draft drawn upon the Trustee to the Holders thereof upon presentation and surrender thereof when due at the designated corporate trust office of the Trustee; provided, that in the event that the Series 2020 Bonds are not held under a book-entry system, any Holder in an aggregate principal amount of not less than \$1,000,000 may, by prior written instructions filed by the Trustee prior to the close of business on the applicable Record Date (which instructions shall remain in effect until revoked by subsequent written instructions) request that principal and premium payments be made by wire transfer or other means acceptable to the Trustee to an address in the continental United States. Subject to the provisions of Section 3.18 hereof, the interest on the Series 2020 Bonds shall be paid by check or draft drawn upon the Trustee and mailed to the Holders in whose names the Series 2020 Bonds are registered on the Record Date; provided, that in the event that the Series 2020 Bonds are not held under a book-entry system, any Holder in an aggregate principal amount of not less than \$1,000,000 may, by prior written instructions filed with the Trustee prior to the close of business on the applicable Record Date (which instructions shall remain in effect until revoked by subsequent written instructions) request that interest payments for any period be made by wire transfer or other means acceptable to the Trustee to an address in the continental United States.

(c) Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Bond Payment Date (herein called "**Defaulted Interest**") shall forthwith cease to be payable to the Holder of such Bond on the relevant Regular Record Date by virtue of having been such Holder. The Trustee may elect to make payment of any Defaulted Interest to the persons in whose names the Series 2020 Bonds (or their respective predecessor Bonds) are registered at the close of business on a Special Record Date (as defined below) for the payment of such Defaulted Interest, which shall be fixed in the following manner. The Trustee shall determine the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, shall fix a date (a "**Special Record Date**") which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment, and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed first class, postage prepaid, to each Holder at his address as it appears on the Register not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Series 2020 Bonds (or their respective predecessor Bonds) are registered on such Special Record Date.

Section 3.6. Denomination; Numbering. The Series 2020A Bonds and the Series 2020B Bonds shall be issued in denominations of \$5,000 or any integral multiple thereof and shall each be numbered by the Trustee consecutively from 1 upward, preceded by the letter "R". Additional Bonds shall be in such denominations and be numbered in the manner provided in the supplement hereto providing therefor.

Section 3.7. Paying Agent and Registrar. As long as there is any Outstanding Bond under this Trust Agreement, the Corporation shall cause the Trustee to serve as paying agent and registrar therefor.

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registration of transfer of any Bond, the Trustee will authenticate and deliver, subject to the provisions of Section 3.15 hereof, in the name of the transferee, a new Bond or Bonds of the same series and aggregate principal amount as the surrendered Bond.

(b) The Corporation and the Trustee may deem and treat the person in whose name any Bond shall be registered upon the Register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of, premium, if any, or interest on such Bond and for all other purposes, and all such payments so made to any such Holder or, upon his order, shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Corporation nor the Trustee shall be affected by any notice to the contrary.

Section 3.14. Interchangeability of Bonds. Bonds, upon surrender thereof at the designated principal corporate trust office of the Trustee with a written instrument of transfer satisfactory to the Trustee, duly executed by the Holder or his duly authorized attorney, may, at the option of the Holder and upon payment by such Holder of any charges made pursuant to Section 3.15 hereof, be exchanged for an equal aggregate principal amount of Bonds of any other authorized denominations of the same series and maturity.

Section 3.15. Regulations With Respect to Exchanges and Transfer. In all cases in which the privilege of exchanging or transferring Bonds is exercised, the Corporation shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Trust Agreement. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled and destroyed and shall not be reissued, and a counterpart of the certificate of destruction evidencing such destruction shall be furnished by the Trustee to the Corporation. All Bonds so destroyed shall thereafter no longer be considered Outstanding Bonds for any purposes of this Trust Agreement. There shall be no charge to the Holder for such exchange or transfer of Bonds except that the Trustee may make a charge sufficient to reimburse itself for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Corporation nor the Trustee shall be required to issue, exchange or transfer (i) any Bond during the 15 days immediately preceding any Bond Payment Date, (ii) any Bond during a period beginning at the opening of business 15 days immediately preceding any selection of Bonds to be redeemed and ending at the close of business on the date of the mailing of notice of such redemption or (iii) any Bonds called for redemption in whole or in part. Prior to any transfer of Bonds outside of the Book-Entry Only system (including, but not limited to, the initial transfer outside the Book-Entry Only system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 3.16. Cancellation and Destruction of Mutilated, Paid or Surrendered Bonds. Upon the surrender of mutilated Bonds pursuant to Section 3.12 hereof or Bonds paid or surrendered, the same shall be cancelled and destroyed and shall not be reissued, and a counterpart of the certificate evidencing such destruction shall be furnished by the Trustee to the Corporation. All Bonds so destroyed shall thereafter no longer be considered Outstanding Bonds for any purposes of this Trust Agreement.

Section 3.17. Payments Due on Days Other Than a Business Day. In any case where the Bond Payment Date or the date fixed for redemption of any Bonds shall not be a Business Day, then payment of principal of, premium, if any, or interest on the Series 2020 Bonds need not be made on such date but may be made on the next succeeding Business Day, with the same force and effect as if made on the Bond Payment Date or the date fixed for redemption, and no interest shall accrue for the period after such date.

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Section 3.18. Book-Entry System. Notwithstanding anything to the contrary herein, so long as any series of the Bonds are being held under a book-entry system pursuant to this Section 3.18, transfers of beneficial ownership of such Bonds will be effected pursuant to rules and procedures established by the Securities Depository. The Series 2020 Bonds shall be initially issued under a book-entry system and shall be held thereunder except as provided in this Section 3.18. The Series 2020 Bonds shall be initially issued in the form of a separate, authenticated, fully registered Series 2020 Bond for each maturity in a principal amount equal to the amount of such maturity, and shall be registered on the Register in the name of the Securities Depository Nominee. So long as the book-entry system is in effect, the Securities Depository Nominee will be recognized as the Holder of the Series 2020 Bonds for the purposes of (i) paying the principal of, premium, if any, or interest on the Series 2020 Bonds, (ii) selecting the Series 2020 Bonds or portions thereof to be redeemed, (iii) giving any notice permitted or required to be given to Holders under this Trust Agreement, (iv) registering the transfer of Series 2020 Bonds, and (v) requesting any consent or other action to be taken by the Owners, and for all other purposes whatsoever, and neither the Trustee nor the Corporation shall be affected by any notice to the contrary. Neither the Trustee nor the Corporation shall have any responsibility or obligation to any Participant, any Beneficial Owner of Series 2020 Bonds or any other Person claiming a beneficial ownership interest in the Series 2020 Bonds under or through the Securities Depository or any Participant, or any other person which is not shown on the Register as being a Holder of Series 2020 Bonds with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant, (ii) the payment to the Securities Depository, any Participant or any Beneficial Owner of Series 2020 Bonds of any amount in respect of the principal of, premium, if any, or interest on the Series 2020 Bonds, (iii) any notice which is permitted or required to be given to Holders under this Trust Agreement, (iv) the selection by the Securities Depository or any Participant or any other person to receive payment in the event of a partial redemption of the Series 2020 Bonds or (v) any other action taken by the Securities Depository as Holder of the Series 2020 Bonds. The Trustee shall pay all principal of and premium, if any, and interest on the Series 2020 Bonds only to the Securities Depository or the Securities Depository Nominee, as the case may be, and all such payments shall be valid and effectual to fully satisfy and discharge the obligations with respect to the principal of and premium, if any, and interest on the Series 2020 Bonds to the extent of the sum or sums so paid.

The Securities Depository may determine to discontinue providing its services as such with respect to the Series 2020 Bonds at any time by giving notice to the Corporation and the Trustee and discharging its responsibilities with respect thereto under applicable laws. In such event, the Corporation shall either (i) engage the services of another Securities Depository or (ii) deliver physical Series 2020 Bonds in the manner described below. In the event the book-entry system is discontinued or terminated with respect to the Series 2020 Bonds, and no other Securities Depository is named, then the Corporation shall notify the Trustee of such event and the Securities Depository shall immediately notify the Participants of the availability, through the Securities Depository, of physical Series 2020 Bonds. In such event, the Corporation shall execute and the Trustee shall authenticate, register and deliver physical Series 2020 Bonds as requested by the Securities Depository or any Participant or beneficial owner of Series 2020 Bonds in appropriate authorized denominations in exchange for the Series 2020 Bonds registered in the name of Securities Depository Nominee.

Notwithstanding any other provision of this Trust Agreement to the contrary, so long as the Series 2020 Bonds are registered in the name of Cede & Co., as Securities Depository Nominee, all payments with respect to the principal of, premium, if any, and interest on the Series 2020 Bonds and all notices with respect to the Series 2020 Bonds shall be made and given, respectively, to The Depository Trust Company, New York, New York, as provided in the representation letter.

In connection with any notice or other communication to be provided to the Holders by the Corporation or the Trustee with respect to any consent or other action to be taken by the Holders, the

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(e) In the event of any division of the Municipal Parking Garage, the Existing Facilities and the Real Property pursuant to Section 2.4 of the Facilities Agreement, the Corporation agrees that, unless (i) it obtains an opinion of Bond Counsel to the effect that such action is unnecessary to preserve the exclusion from gross income of interest on any Series 2020B Bonds, or (ii) the Corporation or the Trustee is directed by the owners of a majority of the beneficial ownership interests of the Series 2020 Bonds, it will timely undertake to satisfy the requirements of the Code and the Treasury Regulations relating to a change in use of the Real Property, the Municipal Parking Garage or the Existing Facilities. Regulations governing such remedial action are now contained in Section 1.141-12 of the Treasury Regulations.

ARTICLE IV REDEMPTION OF BONDS

Section 4.1. Redemption of Bonds.

(a) *Optional Redemption of Series 2020 Bonds.* In the event the City exercises its option pursuant to Section 9.1 of the Facilities Agreement to purchase the Corporation's interest in the Municipal Parking Garage and the Existing Facilities and pay the amount required to defease and redeem the Series 2020 Bonds or to prepay Base Payments or in the event the City makes a voluntary prepayment under Section 4.3 of the Facilities Agreement, the Series 2020 Bonds maturing on and after November 1, 2031, shall be redeemed in whole or in part at any time on and after November 1, 2030, by the Corporation at a redemption price equal to the principal amount of the Series 2020 Bonds to be redeemed plus accrued interest to the redemption date.

The Series 2020 Bonds shall be redeemed in accordance with this paragraph (a) only by written notice from the City or the Corporation to the Trustee in accordance with Section 4.2 hereof. Such notice shall specify the redemption date on which the Series 2020 Bonds are to be redeemed, and shall be given at least 45 days prior to the redemption date or such shorter period as shall be acceptable to the Trustee. Prior to the giving of notice by the Trustee to the Holders as provided in Section 4.2 hereof, there shall be deposited with the Trustee funds which, in addition to any other moneys available therefor and held by the Trustee, will be sufficient to redeem at the redemption price thereof all of the redeemable Series 2020 Bonds for which notice of redemption has been given; provided that the Trustee may accept such other assurance from the City or the Corporation as it deems appropriate as to the availability of such funds or may condition any such notice on the receipt of funds at or prior to the date set for redemption.

(b) *Partial Redemption of Series 2020 Bonds.* If less than all of the Series 2020 Bonds are called for redemption, the Series 2020 Bonds to be redeemed will be selected in the manner that the Corporation shall determine as set forth in a Certificate of the Corporation filed with the Trustee. If less than all Series 2020 Bonds of any one maturity are called for redemption, the Trustee shall select the Series 2020 Bonds to be redeemed by lot, each \$5,000 portion of the principal being counted as one Series 2020 Bond for this purpose; provided, however, that so long as the only registered owner of the Series 2020 Bond is Cede & Co., such selection shall be made by DTC.

(c) *Redemption of Additional Bonds.* Provisions relating to the circumstances upon which Bonds other than Series 2020 Bonds may be redeemed shall be as set forth in the Supplemental Trust Agreement providing for the issuance thereof.

Section 4.2. Notice of Redemption. Notice of any such redemption shall be given by the Corporation, or by the Trustee in the name of the Corporation, which notice shall specify the number of the Series 2020 Bonds called for redemption, the title, series, maturities, letters or other distinguishing marks of the Series 2020 Bonds to be redeemed, the redemption date and the place or places where the

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Corporation or the Trustee, as the case may be, shall establish a record date for such consent or other action and give the Securities Depository notice of such record date not less than 15 days in advance of such record date to the extent possible.

Section 3.19. Tax Covenants of Corporation. The Corporation will not take or permit, or omit to take or cause to be taken, any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest evidenced by or paid on the Series 2020B Bonds and, if it should take or permit, or omit to take or cause to be taken, any such action, the Corporation will take or cause to be taken all lawful actions within its power necessary to rescind or correct such actions or omissions promptly on having knowledge thereof. The Corporation acknowledges that the continued exclusion of interest evidenced by or paid on the Series 2020B Bonds from an Owner's gross income for federal income tax purposes depends, in part, on compliance with the arbitrage limitations imposed by Section 148 of the Code. To that end, the Corporation covenants that it will comply with the Tax Agreement.

The Corporation acknowledges that, for federal income tax purposes, the Series 2020B Bonds are being issued by the Corporation on behalf of the City as set forth in Revenue Ruling 63-20 (as supplemented by Revenue Procedure 82-26) and covenants to comply with all provisions of such Revenue Ruling as so supplemented. The Corporation, therefore, represents, warrants and covenants as follows:

(a) The City may, at any time, request and receive a conveyance of title to and exclusive possession of the Municipal Parking Garage and the Existing Facilities by (i) establishing an irrevocable deposit that will be sufficient to defease the Series 2020 Bonds, and (ii) paying the reasonable costs incident to such defeasance. The Trustee and the Corporation agree in such event to immediately cancel all encumbrances on the Municipal Parking Garage, the Existing Facilities and Real Property to which they are a party, including any management contract or lease of the Municipal Parking Garage, the Existing Facilities and Real Property.

(b) If the Corporation defaults in its payments of principal and interest due on the Series 2020 Bonds and the Trustee declares the principal of the Series 2020 Bonds to be due and payable, the City is granted the exclusive option to purchase the Municipal Parking Garage and the Existing Facilities including any improvements, for a price equal to the amount of the Series 2020 Bonds which are Outstanding, plus accrued interest to the date of such default and, upon such purchase, to terminate the Base Lease. These provisions are not intended and shall not be interpreted so as to limit the rights of the Holders of the Series 2020 Bonds to pursue their remedies under this Trust Agreement and the Facilities Agreement.

(c) The City shall obtain fully unencumbered title to the Real Property, Municipal Parking Garage and the Existing Facilities when the Series 2020 Bonds are discharged and paid in full. The Corporation will convey to the City such title and exclusive possession and use of the Real Property, Municipal Parking Garage and the Existing Facilities, including any additions thereto, without demand or further action on its part.

(d) The proceeds of fire or other casualty insurance policies received in connection with the damage or destruction to the Municipal Parking Garage and the Existing Facilities will be used to rebuild the Municipal Parking Garage and the Existing Facilities or to redeem the Series 2020 Bonds or, if all of the Series 2020 Bonds have been paid or defeased under this Trust Agreement, will be remitted to the City.

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amount due upon such redemption will be payable, and, in the case of any Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that upon the date fixed for redemption there shall become due and payable upon each Bond to be redeemed the principal amount thereof plus the premium, if any, due thereon upon such redemption date, together with interest accrued to the redemption date, and that from and after the redemption date interest thereon, or on the portion of any Bond to be redeemed in part (unless the Corporation shall default in the payment of the redemption price of such Bond, or of the portion of any Bond so to be redeemed in part) shall cease to accrue and become payable. Such notice shall be mailed not less than 30 days nor more than 60 days prior to the redemption date, by first-class mail, to the registered owner of each such Bond at his address as it appears on the registration books; but failure to give such notice to the owner of any Bond being redeemed, or any defect in any notice given, shall not affect the validity of the proceedings for the redemption of any Bond for which notice was properly given. The Corporation shall give written notice to the Trustee of any optional redemption of the Series 2020 Bonds at least 45 days prior to the redemption date, or such shorter period as shall be acceptable to the Trustee. Whenever notice of redemption has been duly given as herein provided, the Trustee shall, not later than the date fixed for redemption in such notice, transfer to the Paying Agent or Paying Agents for the Series 2020 Bonds so to be redeemed amounts which, in addition to other moneys, if any, held by such Paying Agent or Paying Agents for such purpose, will be sufficient to redeem on the redemption date all the Series 2020 Bonds so to be redeemed.

Any notice of optional redemption given pursuant to this Section may state that it is conditional upon receipt by the Trustee of moneys sufficient to pay the redemption price of such Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Trustee to affected owners of the Series 2020 Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Section 4.3. Payment of Redeemed Bonds. Notice having been mailed, the Series 2020 Bonds called for redemption shall become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice, shall be paid at the redemption price plus interest accrued to the redemption date.

If money for the redemption of all of the Series 2020 Bonds to be redeemed is held by the Trustee on the redemption date so as to be available therefor on that date, and if notice of redemption has been mailed as aforesaid, then from and after the redemption date those Bonds called for redemption shall no longer be entitled to payment of any sum other than the redemption price.

In the event Bonds which have been called for redemption are not presented to the Trustee for redemption on or prior to the 30th day following the redemption date, the Trustee shall notify the Holder thereof by certified or registered mail, return receipt requested, that such Bonds have been called and that the Trustee is holding funds for the payment of the redemption price thereof pending presentation by such Holder.

All moneys deposited in the Bond Fund and held by the Trustee for the redemption of particular Bonds shall be held in trust for the account of the Holders thereof and shall be paid to them, respectively, upon presentation and surrender of those Bonds.

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**ARTICLE V
PROVISIONS AS TO FUNDS AND PAYMENTS**

Section 5.1. Deposit of Money. In order to assure that the costs of the Project Facilities will be paid without delay and that the Project Facilities will be available for use and occupancy by the City without delay, there shall be deposited with the Trustee \$18,873,525.96 of the proceeds received from the sale of the Series 2020A Bonds and a portion of the proceeds of the Series 2020B Bonds. Such proceeds shall be deposited into the Project Fund and applied to pay the costs of the acquisition, construction, renovation and equipping of the Project Facilities and the costs of issuance of the Series 2020A Bonds and the Series 2020B Bonds, as appropriate.

Section 5.2. Creation of Project Fund. There is hereby created as a separate account in the custody of the Trustee a trust fund designated the "**Project Fund**." Pending disbursement pursuant to this Trust Agreement, the proceeds of the sale of the Series 2020A Bonds and a portion of the proceeds of the Series 2020B Bonds deposited in the Project Fund pursuant to Section 5.1 hereof, together with any other moneys and Eligible Investments held to the credit of the Project Fund, shall be held as security for the payment of the Series 2020A Bonds and the Series 2020B Bonds.

Section 5.3. Disbursements from and Records of Project Fund.

(a) Moneys in the Project Fund shall be disbursed for the costs of the Project Facilities in accordance with the provisions of this Section. The Trustee shall cause to be kept and maintained adequate records pertaining to the Project Fund and all investments and disbursements of moneys in the Project Fund. After the Project Facilities have been completed and a Certificate of Completion with respect thereto is filed as referred to in Section 5.3(c) hereof, the Trustee shall retain copies of the records pertaining to the Project Fund and disbursements therefrom for inspection upon written request of the Corporation or the City.

(b) All disbursements from the Project Fund, except those pertaining to the payment of issuance costs of the Series 2020A Bonds and the Series 2020B Bonds, shall be made by the Trustee upon the receipt of a requisition in substantially the form set forth in Exhibit B hereto signed by a City Representative. Funds may not be disbursed from the Project Fund for working capital expenditures. The Trustee shall be entitled to rely conclusively on each requisition as conclusive evidence of the City's compliance with the procedure described herein.

Disbursements from the Project Fund pertaining to payment of costs of issuance of the Series 2020A Bonds and the Series 2020B Bonds shall be made by the Trustee upon receipt of a requisition signed by the Corporation Representative, substantially in the form set forth in Exhibit C hereto, which has been approved by the City Representative. The Trustee shall be entitled to rely conclusively on each such requisition for costs of issuance.

(c) Upon the substantial completion of the Project Facilities, the City shall submit to the Trustee a final requisition request in the total amount remaining owing for costs of the Project Facilities, including all applicable retainages. Such requisition request shall be made in the same manner as provided in subparagraph (b) above except that such requisition request shall be in substantially the form of the final disbursement request form attached hereto as Exhibit D and shall contain (i) a certification by the City Representative to the effect that the Project Facilities are free and clear of all liens and encumbrances for labor or materials furnished by all contractors, subcontractors and materialmen retained by the City and all contractors, subcontractors and materialmen performing work on the Project Facilities have been, or upon receipt by the City of the payment of the final requisition request will be, paid in full, except for those the City is contesting in good faith and with due diligence as permitted under the Facilities

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(b) At the written direction from the City Financial Officer with respect thereto, from time to time, the Trustee shall sell investments and reinvest the proceeds therefrom in Eligible Investments maturing or redeemable or available as required hereunder. The Trustee may enter into transactions for the purchase or sale of Eligible Investments with itself or any bank, trust company or savings and loan association affiliated with the Trustee and may charge its ordinary and customary fees for such trades. The Trustee shall sell or redeem Eligible Investments credited to the Bond Fund, without direction from the City, at the times required for the purpose of paying amounts due with respect to the Series 2020 Bonds payable therefrom when due as aforesaid, and shall do so without necessity for any order. An investment made from moneys credited to the Project Fund or to any Account in the Bond Fund shall constitute part of that Account and Fund, and each Account and Fund shall be credited with all proceeds of sale and income from investment of moneys credited thereto.

(c) Investment income from investment of amounts on deposit in the Project Fund shall be retained therein and applied as other moneys in the Project Fund.

(d) Investment income from investment of the Bond Fund shall be retained in the Bond Fund and credited against the amount of the Base Payments to be paid by the City on the next succeeding Bond Payment Date.

(e) The Trustee shall report to the City at least five days prior to each date on which a Base Payment is due and payable the amount of investment income credited or transferred to the Bond Fund and available to make payments due on the next Bond Payment Date, and the amount of the Base Payment by the City on that date shall be reduced by such amount.

(f) The Trustee shall not be liable for any loss resulting from the making or disposition of any investment pursuant to the provisions of this Section, and any such losses shall be charged to the Fund and Account with respect to which such investment is made. The Trustee may conclusively rely upon the City's written instructions as to both the suitability and legality of all investments directed hereunder. Ratings of investments shall be determined at the time of purchase of such investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of investments after the initial purchase of such investments. In the absence of written investment instructions from the City, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested. The Corporation and the City each acknowledge that it will not receive broker confirmations or notices of investments for each month in which a monthly statement is rendered or otherwise made available to it.

(g) The value of the obligations in which money in a Fund or Account has been invested shall be computed at market value or the amortized cost thereof, whichever is lower.

Section 5.7. Moneys to be Held in Trust. Except for moneys held by the Trustee pursuant to Section 5.8 hereof, all moneys required or permitted to be deposited with or paid to the Trustee under any provisions of this Trust Agreement or the Facilities Agreement, and any investments thereof, shall be held by the Trustee in trust and shall be subject to the lien of this Trust Agreement while so held.

Section 5.8. Nonpresentation of Bonds. If any Bond is not presented for payment when its principal becomes due in whole or in part, or a check or draft for interest is uncashed, if moneys sufficient to pay the principal then due on that Bond or such check or draft shall have been made available to the Trustee for the benefit of Persons claiming a beneficial ownership interest in such Bond, all liability of the Corporation or the City to that Person for the payment of the principal then due or of the check or draft thereupon shall cease and be discharged completely. Thereupon, it shall be the duty of the Trustee to hold those moneys, without liability for interest thereon, for the exclusive benefit of such Person, who shall be

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Agreement; and (ii) a Certificate of Completion stating that the Project Facilities have been substantially completed in accordance with the applicable Project Facilities Contract and other terms and conditions of the Facilities Agreement, and the Project Facilities comply in all material respects with all applicable governmental regulations. Upon the receipt of the final requisition request, the Trustee shall promptly disburse the amounts requested therein. As used in this paragraph, "substantial completion" of the Project Facilities shall mean completion such that a certificate of occupancy has been, or could be, issued notwithstanding the fact that certain minor items of work remain to be done.

Section 5.4. Completion of Project Facilities. As soon as practicable after the filing with the Trustee of the Certificate of Completion, the Trustee shall transfer any balance then remaining in the Project Fund (other than the amounts required to be retained by the Trustee as described herein and in the said certificate) to the Bond Fund to be credited against the payment of the next due installment or installments of principal of the Series 2020 Bonds, subject to Section 4.1(b) of the Facilities Agreement. Notwithstanding the foregoing, if prior to the transfer by the Trustee of any such balance in the Project Fund, the Trustee shall have received from the City in the Certificate of Completion a statement of the aggregate amount of any lien or claim against the Project Facilities then being contested in good faith by the City, any such amount then in contest shall be held in reserve in the Project Fund until such contest is resolved. The Project Fund shall be closed upon final resolution of claims, with any amounts not required to satisfy such claims distributed as otherwise provided in this Section 5.4.

Section 5.5. Creation of Bond Fund. (a) There is hereby created as a separate account in the custody of the Trustee a trust fund to be designated the "**Bond Fund**." There shall be deposited in the Bond Fund (and credited, as required by this Trust Agreement, to appropriate Accounts therein), the Base Payments to be made by the City to the Trustee (as the assignee of the Corporation) under the terms of the Facilities Agreement.

(b) The Bond Fund (and the Accounts therein) and the moneys and Eligible Investments therein shall be used solely and exclusively for the payment of principal of, redemption premium, if any, and interest on the Series 2020 Bonds as the same become due, except as otherwise provided in this Trust Agreement.

(c) The Trustee shall set aside from moneys in the Bond Fund amounts sufficient to make timely payments of the principal of, redemption premium, if any, and interest on the Series 2020 Bonds.

(d) Amounts due with respect to the Series 2020 Bonds shall be payable as they become due in the following order, (i) first, from amounts in the Bond Fund; (ii) second, from other Revenues to the extent available; and (iii) third, from any other source lawfully available to the Trustee, including without limitation, proceeds from the leasing of the Real Property, Municipal Parking Garage and the Existing Facilities in accordance with the terms of the Facilities Agreement and the Base Lease.

Section 5.6. Investments.

(a) Moneys in the Project Fund and the Bond Fund shall be invested and reinvested by the Trustee in Eligible Investments at the written direction of the City Financial Officer. Any investments of moneys held to the credit of the Project Fund or the Bond Fund shall mature, be redeemable at the option of the owner or holder, or, in the case of repurchase agreement or similar contract, be available thereunder, not later than the respective dates when the money held to the credit of those Funds and Accounts will be required for the purpose intended. All investments shall be acquired at "fair market value" as described in the Tax Agreement.

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restricted thereafter exclusively to those moneys for any claim of whatever nature on its part under this Trust Agreement or on, or with respect to, that principal then due or of such check or draft.

Any such moneys which shall be so held by the Trustee, and which remain unclaimed by the Person claiming a beneficial ownership interest in a Bond not presented for payment, or check or draft is not cashed for a period of five (5) years after the due date thereof, shall be paid to the City free of any trust or lien. Thereafter, the Person claiming a beneficial ownership interest in such Bond shall look only to the City for payment and then only to the amounts so received by the City without any interest thereon, and the Trustee shall not have any responsibility with respect to those moneys.

Section 5.9. Repayment to City from Bond Fund. Except as provided in Section 5.8 hereof, any amounts remaining in the Bond Fund in excess of the amounts necessary to effect the payment and discharge of the Series 2020 Bonds (i) after all of the Outstanding Bonds shall be deemed paid and discharged under the provisions of this Trust Agreement, and (ii) after payment of all fees, charges and expenses of the Trustee and of all other amounts required to be paid under this Trust Agreement and the Facilities Agreement, shall be paid to the City.

Section 5.10. Rebate Fund. With respect to the Series 2020B Bonds, there is required to be established under the Tax Agreement under the circumstances specified therein a Rebate Fund to be held by the Trustee. The Rebate Fund shall be held by the Trustee and administered in accordance with the terms hereof and of the Tax Agreement. Deposits into and transfers or withdrawals from the Rebate Fund shall be made in accordance with the Tax Agreement with notice thereof in writing to the Trustee, such notice signed by a City Financial Officer. The Trustee shall be deemed conclusively to have complied with the provisions of the Tax Agreement if it follows the written directions of the City or the Corporation including supplying all necessary information in the manner provided in the Tax Agreement and shall have no liability or responsibility to enforce compliance by the City or the Corporation with the terms of the Tax Agreement or any other tax covenants contained herein. The Trustee shall not be responsible for calculating rebate amounts or for the adequacy or correctness of any rebate report or rebate calculations. The Trustee shall have no independent duty to review such calculations or enforce the compliance by the City or the Corporation with such rebate requirements. The Trustee shall have no duty or obligation to determine the applicability of the Code and shall only be obligated to act in accordance with written instructions provided by the City or the Corporation.

**ARTICLE VI
TRUSTEE**

Section 6.1. Trustee's Acceptance and Responsibilities.

(a) The Trustee accepts the trusts imposed upon it by this Trust Agreement, and agrees to observe and perform those trusts, but only upon and subject to the terms and conditions set forth in this Article, to all of which the parties hereto, the City and the Owners agree.

(b) It is expressly understood and agreed that this Trust Agreement is being executed by the Trustee not in its corporate and individual capacity but solely as trustee hereunder in the exercise of the power and authority conferred and vested in it as such Trustee. It is further understood and agreed that neither the Trustee nor any director, officer, employee, agent, controlling person or nominee of the Trustee shall be personally liable for any breach of any representation or warranty of the trust incorporated herein or in any other agreement or obligation contemplated hereby and nothing herein or therein contained shall be construed as creating any liability of the Trustee in its corporate and individual capacity or as creating any liability of any director, officer, employee, agent, controlling person or

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nominee of the Trustee to make any payment or to perform any agreement or undertaking contained herein or therein.

(c) Prior to the occurrence of an Event of Default of which the Trustee has been notified as provided in paragraph (f) of Section 6.2 hereof, and after the cure or waiver of all defaults or Events of Default which may have occurred,

- (i) the Trustee undertakes to perform only those duties and obligations which are set forth specifically in this Trust Agreement, and no duties or obligations shall be implied to the Trustee;
- (ii) in the absence of bad faith on its part, the Trustee may rely conclusively, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the procedural requirements of this Trust Agreement; but in the case of any such certificates or opinions which by any provision hereof are required specifically to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not they conform to the procedural requirements of this Trust Agreement.

(d) After the occurrence of an Event of Default of which the Trustee has actual knowledge, the Trustee shall exercise those rights and powers vested in it by this Trust Agreement and shall use the same degree of care as a prudent person would exercise or use in the circumstances in the conduct of such prudent person's own affairs.

(e) No provision of this Trust Agreement shall be construed to relieve the Trustee from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct, except that:

- (i) this subsection shall not be construed to affect the limitation of the Trustee's duties and obligations provided in subsection (c)(i) of this Section or diminish the Trustee's right to rely on the truth of statements and the correctness of opinions as provided in subsection (c)(ii) of this Section;
- (ii) the Trustee shall not be liable for any error of judgment made in good faith in ascertaining the pertinent facts;
- (iii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Trust Agreement;
- (iv) no provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; and
- (v) the Trustee may act upon the opinion or advice of any Counsel. The Trustee shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in good faith in reliance upon that opinion or advice.

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The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, agreements or obligations on the part of the Corporation or the City under the Facilities Agreement except as set forth hereinafter; but the Trustee may require of the Corporation or the City full information and advice as to the observance or performance of those covenants, agreements and obligations.

(c) The Trustee shall not be accountable for the application by the City or any other Person of the proceeds of the Series 2020 Bonds.

(d) The Trustee shall conclusively rely upon, be fully protected and shall incur no liability, in the absence of bad faith on its part, in acting or proceeding, or in not acting or not proceeding upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed by it to be genuine and correct and to have been signed or sent by the proper Person or Persons. The Trustee is under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instruments. Any action taken by the Trustee pursuant to this Trust Agreement upon the request or authority or consent of any Person who is the Owner of any Bond at the time of making, the request or giving the authority or consent, shall be conclusive and binding upon all future Owners of the same Bond and of Bonds executed and delivered in exchange therefor or in place thereof.

(e) As to the existence or nonexistence of any fact for which the Corporation or the City may be responsible or as to the sufficiency or validity of any instrument, document, report, paper or proceeding, the Trustee, in the absence of bad faith on its part, shall be entitled to conclusively rely upon a certificate signed on behalf of the Corporation by a Corporation Representative or the City by a City Representative as sufficient evidence of the facts recited therein. Prior to the occurrence of a default or Event of Default of which the Trustee has been notified as provided in paragraph (f) of this Section, the Trustee may accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient; provided, that the Trustee in its discretion may require and obtain any further evidence which it deems to be necessary or advisable; and, provided further, that the Trustee shall not be bound to secure any further evidence.

(f) The Trustee shall not be required to take notice of any default or Event of Default with respect to the Series 2020 Bonds, except Events of Default described in Section 7.1(a) hereof, unless the Trustee shall be notified specifically of the default or Event of Default in a written instrument or document delivered to it by the City or the Owners of at least 10% of the aggregate principal amount of Outstanding Series 2020 Bonds. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no default or Event of Default, except as noted above.

(g) At any reasonable time, the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives may inspect and copy fully all books, papers and records of the City and the Corporation pertaining to the Real Property, the Municipal Parking Garage or the Existing Facilities, and may make any memoranda from and in regard thereto as the Trustee may desire.

(h) The Trustee shall not be required to give any bond or surety with respect to execution of these trusts and powers or otherwise in respect of the premises.

(i) Notwithstanding anything contained elsewhere in this Trust Agreement, the Trustee may demand any showings, certificates, reports, opinions, appraisals and other information, and corporate action and evidence thereof, in addition to those required by the terms hereof, as a condition to the execution and delivery of any Bonds or the taking of any action whatsoever within the purview of this Trust Agreement, if the Trustee deems it to be desirable for the purpose of establishing the right of any

(f) Every provision of this Trust Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section 6.1. Whenever the Trustee acts in its capacity as Trustee with respect to any document or agreement relating to the Series 2020 Bonds, the provisions of this Section 6.1 shall apply to all such actions.

Section 6.2. Certain Rights and Obligations of the Trustee. Except as otherwise provided in Section 6.1 hereof:

(a) The Trustee (i) may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees, (ii) shall be entitled to the advice of Counsel concerning all matters of trusts or powers hereof and duties hereunder, and (iii) may pay reasonable compensation in all cases to all of those attorneys, agents, receivers and employees reasonably employed by it in connection with the trusts hereof.

(b) Except as may be required of it in its capacity as assignee of the Corporation under the Facilities Agreement or as specifically provided for elsewhere herein, the Trustee shall not be responsible for:

- (i) any recital in this Trust Agreement or the Series 2020 Bonds,
- (ii) the validity, priority, perfection, recording, rerecording, filing or refiling of this Trust Agreement or any Supplemental Trust Agreement, the Facilities Agreement or any financing statement with respect to the Trust Estate; provided, however, that upon the receipt of any opinion under Section 5.4(b) of the Facilities Agreement, the Trustee agrees to cooperate with the City and the Corporation and to take such action as is required to be taken in accordance with such opinion,
- (iii) any instrument or document of further assurance or collateral assignment,
- (iv) any financing statements, amendments thereto or continuation statements,
- (v) insurance of any of the Real Property, Municipal Parking Garage, the Existing Facilities Project Facilities or collection of insurance moneys,
- (vi) the validity of the execution by the Corporation of this Trust Agreement, any Supplemental Trust Agreement or instruments or documents of further assurance,
- (vii) the sufficiency of the security for the Series 2020 Bonds executed and delivered hereunder or intended to be secured hereby,
- (viii) the value of or title to the Real Property, Municipal Parking Garage, the Existing Facilities or Project Facilities or
- (ix) the maintenance of the security hereof, except that, in the event that the Trustee enters into possession of a part or all of the Real Property, Municipal Parking Garage or the Existing Facilities pursuant to any provision of the Facilities Agreement or any other instrument or document collateral thereto, the Trustee shall use reasonable efforts in preserving that property.

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Person to the taking of any other action by the Trustee; provided, that the Trustee shall not be required to make that demand.

(j) Before taking action hereunder pursuant to Section 6.4, 6.12(b) or Article VII hereof (with the exception of any action required to be taken under Section 7.2 hereof), the Trustee may require that a satisfactory indemnity bond be furnished to it by the Owners for the reimbursement of all expenses (including attorneys' fees, costs and expenses) which it may incur and to protect it against all liability by reason of any action so taken, including, but not limited to, any liability arising directly or indirectly under any Environmental Regulations, except liability which is adjudicated to have resulted from its gross negligence or willful default. The Trustee may take action without such indemnity, and in that case, all of the Trustee's expenses pursuant to Section 6.3 hereof with respect to the Series 2020 Bonds will be reimbursable as provided in the Facilities Agreement.

(k) Unless otherwise provided herein, all moneys received by the Trustee under this Trust Agreement shall be held in trust for the purposes for which those moneys were received, until those moneys are used, applied or invested as provided herein; provided, that those moneys need not be segregated from other moneys, except to the extent required by this Trust Agreement or by law. The Trustee shall not have any liability for interest on any moneys received hereunder, except to the extent expressly provided herein or agreed with the Corporation.

(l) Any opinions, certificates and other instruments and documents for which provision is made in this Trust Agreement, may be accepted by the Trustee, in the absence of bad faith on its part, as conclusive evidence of the facts and conclusions stated therein and shall be full warrant, protection and authority to the Trustee for its action taken hereunder.

(m) The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

(n) Notwithstanding the effective date of this Trust Agreement or anything to the contrary in this Trust Agreement, the Trustee shall have no liability or responsibility for any act or event relating to this Trust Agreement which occurs prior to the date the Trustee formally executes this Trust Agreement and commences acting as Trustee hereunder.

(o) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(p) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligations under this Trust Agreement arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(q) The Trustee shall have the right to accept and act upon directions or instructions given pursuant to this Trust Agreement, the Base Lease, the Facilities Agreement or any other document reasonably relating to the Bonds and delivered using Electronic Means (defined below); provided,

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however, that the City or the Corporation, as the case may be, shall provide to the Trustee an incumbency certificate listing Authorized Officers with the authority to provide such directions or instructions (each an "Authorized Officer") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the City or the Corporation elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustees' understanding of such directions or instructions shall be deemed controlling. The City and the Corporation each understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City and the Corporation, as the case may be, shall each be responsible for ensuring that only Authorized Officers transmit such directions or instructions to the Trustee and that all Authorized Officers treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. Each of the City and the Corporation agree: (i) to assume all risks arising out of the use of Electronic Means to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

Section 6.3. Fees, Charges and Expenses of Trustee. The Trustee acknowledges receipt of payment in full from the proceeds of the Series 2020 Bonds for its fees for its Ordinary Services rendered hereunder and for all advances, Counsel fees and other Ordinary Expenses reasonably and necessarily paid or incurred, or to be paid or incurred, by it in connection with the provision of Ordinary Services to the date hereof. The Trustee shall be entitled to the payment of its annual charges upon invoice to the Corporation (which pursuant to the Facilities Agreement shall be payable by the City). In the event that it should become necessary to perform Extraordinary Services including any such Extraordinary Services relating to a default or post-default situation, with respect to the Series 2020 Bonds, the Trustee shall be entitled to reasonable extra compensation therefor, determined in accordance with the Trustee's then-current fee schedule, and to reimbursement for reasonable and necessary Extraordinary Expenses incurred in connection therewith.

The Trustee, in that or its other capacities, shall not be entitled to compensation or reimbursement for Extraordinary Services or Extraordinary Expenses occasioned by its gross negligence or willful misconduct.

Any amounts payable under this Section 6.3 are payable upon demand and shall bear interest from the date of demand therefor at the prime rate quoted from time to time by the banking association serving as Trustee or its affiliated bank.

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(c) At the request of the City, so long as no default exists under the Facilities Agreement and no Event of Nonappropriation has occurred, the Corporation may appoint a successor Trustee as provided in Section 6.8 hereof.

Section 6.8. Appointment of Successor Trustee.

(a) If (i) the Trustee shall resign, shall be removed, shall be dissolved, or shall become otherwise incapable of acting hereunder, (ii) the Trustee shall be taken under the control of any public officer or officers, or (iii) a receiver shall be appointed for the Trustee by a court, then a successor Trustee shall be appointed by the Corporation (with the agreement of the City if there is no Event of Default and no Event of Nonappropriation under the Facilities Agreement); provided, that if a successor Trustee is not so appointed within ten days after (a) a notice of resignation or any instrument or document of removal is received by the Corporation as provided in Sections 6.6 and 6.7 hereof, respectively, or (b) the Trustee is dissolved, taken under control, becomes otherwise incapable of acting or a receiver is appointed, in each case, as provided above, then, so long as the Corporation shall not have appointed a successor Trustee, the Owners of a majority in aggregate principal amount of the Outstanding Bonds not paid or provided for may designate a successor Trustee by an instrument or document or concurrent instruments or documents in writing signed by or on behalf of those Owners. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within 60 days of the occurrence of any event listed in Section 6.8(a)(i)-(iii), the Owner of any Outstanding Bond hereunder or the retiring Trustee may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(b) Every successor Trustee appointed pursuant to this Section shall (i) be a trust company or bank having the powers of a trust company, (ii) be in good standing within the State or the United States, (iii) be duly authorized to exercise trust powers within the State or the United States, (iv) have an unimpaired reported capital and surplus of not less than \$75,000,000, and (v) be willing to accept the trusteeship under the terms and conditions of this Trust Agreement.

(c) Every successor Trustee appointed hereunder shall execute and acknowledge, and shall deliver to its predecessor and to the Corporation and the City an instrument or document in writing accepting the appointment. Thereupon, without any further act, the successor shall become vested with all of the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens of its predecessor. Upon the reasonable written request of its successor, the Corporation or the City, the predecessor Trustee (i) shall execute and deliver any instrument or document transferring to its successor all of the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests, and liens of the predecessor Trustee hereunder, and (ii) shall take any other action necessary to duly assign, transfer and deliver to its successor all property (including without limitation, all securities and moneys) held by it as Trustee. Should any instrument or document in writing from the Corporation be requested by any successor Trustee for vesting and the conveying more fully and certainly in and to that successor the trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens vested or conveyed hereby in or to the predecessor Trustee, the Corporation shall execute, acknowledge and deliver that instrument or document.

(d) In the event of a change in the Trustee, the predecessor Trustee shall cease to be custodian of any moneys which it may hold pursuant to this Trust Agreement and shall cease to act as registrar and paying agent for the Series 2020 Bonds. The successor Trustee shall become custodian, registrar and paying agent.

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Section 6.4. Intervention by Trustee. The Trustee may and shall, at the written direction of the Owners of at least 25% of the aggregate principal amount of the Outstanding Bonds, intervene in any judicial proceeding to which the Corporation or the City is a party and which may affect the interests of Owners of the Series 2020 Bonds. The rights and obligations of the Trustee under this Section are subject to the approval of that intervention by a court of competent jurisdiction. The Trustee may require that a satisfactory indemnity bond be provided to it by the Holders in accordance with Sections 6.1 and 6.2 hereof before it takes action hereunder.

Section 6.5. Successor Trustee. Anything herein to the contrary notwithstanding:

(a) Any corporation or association (i) into which the Trustee may be converted or merged, (ii) with which the Trustee or any successor to it may be consolidated, or (iii) to which it may sell or transfer its assets or corporate trust assets and trust business or corporate trust business as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, merger, consolidation, sale or transfer, ipso facto, shall be and become successor Trustee hereunder and shall be vested with all of the title to the whole property or Trust Estate hereunder.

(b) Any such corporation or association that becomes a successor Trustee by virtue of the foregoing shall be vested further, as was its predecessor, with each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Trust Agreement to be exercised by, vested in or conveyed to the Trustee, without the execution or filing of any instrument or document or any further act on the part of any of the parties hereto.

(c) Any successor Trustee, or its parent corporation, however, shall (i) be a trust company or a bank having the powers of a trust company, (ii) be duly authorized to exercise trust powers and in good standing under the laws of the State or of the United States, (iii) be subject to examination by federal or State authorities, and (iv) have an unimpaired reported capital and surplus of not less than \$75,000,000.

Section 6.6. Resignation by Trustee. The Trustee may resign at any time from the trusts created hereby by giving written notice of the resignation to the City and by mailing written notice of the resignation to the Owners as their names and addresses appear on the register at the close of business 15 days prior to the mailing. The resignation shall take effect upon the appointment of a successor Trustee.

Section 6.7. Removal of Trustee.

(a) The Trustee may be removed for cause at any time upon thirty (30) days notice for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any material provision of this Trust Agreement with respect to the duties and obligations of the Trustee by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the City, and signed by or on behalf of the Owners of not less than a majority of the aggregate principal amount of the Outstanding Bonds.

(b) The Trustee also may be removed at any time upon thirty (30) days notice for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any material provision of this Trust Agreement with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Corporation, the City or the Owners of not less than 25% in aggregate principal amount of the Outstanding Bonds.

(e) Upon the appointment of a successor Trustee and completion by the predecessor Trustee of the actions required of it under (c) above, the predecessor Trustee shall not be liable for any acts of its successor.

Section 6.9. Dealing in Bonds. The Trustee and its affiliates, and any directors, officers, employees or agents thereof, in good faith, may become the Owner of any Bond or Bonds with the same rights which they would have hereunder if the Trustee did not serve in that capacity.

Section 6.10. Representations, Agreements and Covenants of Trustee. The Trustee hereby represents that it is a national banking association duly organized, validly existing and in good standing under the laws of the United States of America and duly authorized to exercise corporate trust powers in the State, it has an unimpaired reported capital and surplus of not less than \$75,000,000. The Trustee covenants that it will take such action, if any, as is necessary to remain in good standing and duly authorized to exercise corporate trust powers in the State, and that it will maintain unimpaired reported capital and surplus of not less than \$75,000,000. The Trustee accepts and agrees to observe and perform the duties and obligations of the Trustee hereunder and under any other instrument or document providing security for the Series 2020 Bonds; provided, nevertheless, that the Trustee shall not be responsible or liable for the performance of or observation of any covenants respecting the maintenance of Federal tax exemption of interest with respect to the Series 2020B Bonds in the absence of specific direction in writing from the City or the Corporation and shall not be responsible for ascertaining the requirements of Federal tax law with respect thereto.

Section 6.11. Right of Trustee to Pay Taxes and Other Charges. Reference is made to Section 4.1(c) of the Facilities Agreement whereby the Corporation is authorized to advance moneys (i) to pay taxes, assessments and other governmental charges with respect to the Real Property and the Existing Project Facilities, (ii) for the discharge of mechanic's and other liens relating to the Real Property, the Municipal Parking Garage and the Existing Facilities, (iii) to obtain and maintain insurance for the Real Property, the Municipal Parking Garage and the Existing Facilities and pay premiums therefor, and (iv) generally, to make payments and incur expenses in the event that the City fails to do so as required by such Facilities Agreement. The Trustee may make those advances but shall not be required to do so (and may require indemnification) pursuant to Sections 6.1(e) (iv) and 6.2(j) hereof, but without prejudice to any rights of the Trustee as assignee of the Corporation against the City for failure of the City to do so.

Section 6.12. Additional Covenants and Agreements of the Trustee. In addition to any other covenants and agreements of the Trustee in this Trust Agreement, the Trustee further covenants and agrees for the benefit of the Holders as follows:

(a) **Register.** At reasonable times and under reasonable regulations established by the Trustee, the Register for the Series 2020 Bonds may be inspected and copied by the Corporation, the City or Owners of 25% or more in principal amount of the Outstanding Bonds, or a designated representative thereof.

(b) **Rights and Enforcement of Base Lease and Facilities Agreement.** The Trustee may enforce, in its name, all rights of the Corporation under the Base Lease and the Facilities Agreement for and on behalf of the Owners. The Trustee covenants and agrees to perform all obligations and duties imposed on it by assignment hereunder, and to enforce, subject to Sections 6.1 and 6.2 hereof, all covenants, agreements and obligations of the City under and pursuant to the Base Lease and the Facilities Agreement. The Trustee will do all things and take all actions on its part reasonably necessary to comply with covenants, agreements, obligations duties and responsibilities on its part to be observed or performed under the Base Lease and the Facilities Agreement, and will take all reasonable actions within its authority to keep the Base Lease and the Facilities Agreement in effect in accordance with the terms

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thereof. The Trustee's obligations under this paragraph are subject to the provisions of the last paragraph of Section 7.3 hereof.

Section 6.13. Observance and Performance of Covenants, Agreements, Authority and Actions. The Trustee will observe and perform faithfully at all times all covenants, agreements, authority, actions, undertakings, stipulations and provisions to be observed or performed on its part under this Trust Agreement and the Series 2020 Bonds.

The Trustee represents and warrants that:

(a) It is duly authorized to execute and deliver this Trust Agreement and to perform its obligations hereunder in the manner and to the extent set forth in this Trust Agreement.

(b) All actions required on its part to be performed for authentication of the Series 2020 Bonds and the execution and delivery of this Trust Agreement has been or will be taken duly and effectively.

ARTICLE VII DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND HOLDERS

Section 7.1. Defaults: Events of Default. The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default hereunder:

(a) Payment of the principal or interest due on any Bond shall not be made when and as such payment shall become due and payable; or

(b) The occurrence and continuance of an Event of Default as defined in Section 8.1 of the Facilities Agreement; or

(c) Any material breach by the Corporation of any representation or warranty made in this Trust Agreement or default in the performance or observance of any other of the covenants, agreements, or conditions on the part of the Corporation in this Trust Agreement or in the Series 2020 Bonds; or

(d) The issuance of an order of relief by the United States Bankruptcy Court or the United States District Court having valid jurisdiction, granting the Corporation relief under federal bankruptcy law, or the issuance by any other court having valid jurisdiction of an order or decree under applicable federal or state law providing for the appointment of a receiver, liquidator, assignee, trustee, or sequestrator (or other similar official) of the Corporation or any substantial part of its property, affairs, or assets, and the continuance of any such decree or order unstayed and in effect for a period of 60 consecutive days; or

(e) The consent by the Corporation to the institution of proceedings in bankruptcy against it, or to the institution of any proceeding against it under any federal or state insolvency laws, or to the filing of any petition, application, or complaint seeking the appointment of a receiver, liquidator, assignee, trustee, or sequestrator (or other similar official) of the Corporation or of any substantial part of its property, affairs, or assets.

Section 7.2. Notice of Default. The Trustee shall give written notice of an Event of Default, by registered or certified mail, to the City and the Corporation, within 10 days after the Trustee has actual knowledge of the Event of Default. If an Event of Default occurs of which the Trustee has notice

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(ii) by action or suit in equity require the Corporation to account as if such Corporation were the trustee of an express trust;

(iii) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners;

(iv) bring suit upon the Outstanding Bonds;

(v) take such other action with respect to the Trust Estate, including obtaining the appointment of a receiver, as it may deem appropriate and apply any funds resulting therefrom as if such funds were Revenues; or

(vi) avail itself of any other remedy, whether at law or in equity, as it may determine to be appropriate.

(d) **Remedies Under Uniform Commercial Code.** The Trustee may exercise any rights, powers, or remedies it may have as a secured party under the Uniform Commercial Code of the State, or other similar laws in effect.

(e) **No Remedy Exclusive, Effect of Delay and Waiver.** No remedy conferred upon or reserved to the Trustee (or to the Owners) by this Trust Agreement is intended to be exclusive of any other remedy. Each remedy shall be cumulative and shall be in addition to every other remedy given hereunder or otherwise to the Trustee or to the Owners now or hereafter existing. No delay in exercising or omission to exercise any remedy, right or power accruing upon any default or Event of Default shall impair that remedy, right or power or shall be construed to be a waiver of any default or Event of Default or acquiescence therein. Every remedy, right and power may be deemed to be expedient. No waiver of any default or Event of Default hereunder, whether by the Trustee or by the Owners, shall extend to or shall affect any subsequent default or Event of Default or shall impair any remedy, right or power consequent thereon.

(f) **Remedies Under Facilities Agreement and Base Lease.** As the assignee of all right, title and interest of the Corporation in and to the Facilities Agreement and the Base Lease, the Trustee is empowered to enforce each remedy, right and power granted to the Corporation under the Facilities Agreement (except for those rights specifically reserved to the Corporation) and the Base Lease. In exercising any remedy, right or power under the Facilities Agreement, the Base Lease or this Trust Agreement, the Trustee shall take any action which would best serve the interests of the Owners in the judgment of the Trustee and its Counsel, applying the standards described in Sections 6.1 and 6.2 hereof.

Section 7.4. Right of Owners to Direct Proceedings. Anything to the contrary in this Trust Agreement notwithstanding, the Owners of at least a majority in aggregate principal amount of the Outstanding Bonds shall have the right at any time to direct, by an instrument or document or instruments or documents in writing executed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Trust Agreement or any other proceedings hereunder; provided, that (i) any direction shall not be other than in accordance with the provisions of law and of this Trust Agreement, (ii) the Trustee shall be indemnified as provided in Sections 6.1 and 6.2 hereof, and (iii) the Trustee may take any other action which it deems to be proper and which is not inconsistent with the direction.

Section 7.5. Application of Moneys. (a) Unless the principal of all Outstanding Bonds shall have become or have been declared due and payable any funds received by the Trustee hereunder shall

pursuant to this Trust Agreement, the Trustee shall give written notice thereof, within 30 days after the Trustee's receipt of notice of its occurrence, to the Holders of all Outstanding Bonds as shown by the Register at the close of business 15 days prior to the mailing of that notice.

Section 7.3. Remedies: Rights of Beneficial Owners.

(a) **General.** Upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy to enforce the payment of any amounts due with respect to the Series 2020 Bonds or the observance and performance of any other covenant, agreement or obligation under this Trust Agreement, the Facilities Agreement or any other instrument providing security, directly or indirectly, for the Series 2020 Bonds. If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do in writing by the Owners of at least 25% of the aggregate of the principal amount of the Outstanding Bonds, the Trustee (subject to the provisions of Sections 6.1 and 6.2 hereof), shall exercise one or more rights and powers conferred by this Section as the Trustee, upon advice of Counsel, deems most expedient in the interests of the Owners of such Bonds.

(b) **Acceleration.** Upon the occurrence of an Event of Default, and at any time thereafter while such Event of Default continues, then, and in each and every case, the Trustee in its own name and as trustee of an express trust, on behalf and for the benefit and protection of the Owners of all Outstanding Bonds of a series, may proceed, and upon the written request of the Owners of not less than 25% in principal amount of the Outstanding Bonds of a series, shall proceed to declare the principal of all Outstanding Bonds of such series, together with all accrued and unpaid interest thereon, if not already due, to be due and payable immediately, and upon any such declaration the same shall become and be due and payable immediately, anything contained in this Trust Agreement or any Supplemental Trust Agreement or in any of the Series 2020 Bonds to the contrary notwithstanding. This provision is also subject, however, to the condition that, if at any time after the principal of the Bonds, together with the accrued and unpaid interest thereon and other moneys secured hereby, have been so declared due and payable and before any further action has been taken (other than the making of the above declaration), the principal amount of all Bonds which have matured either according to the maturity date or dates otherwise specified therein (except as a result of such declaration) and all arrears of interest upon all Bonds, except interest accrued but not yet due on said Bonds, have been paid or caused to be paid, and all other Events of Default, if any, which have occurred have been remedied, cured or secured, then and in each and every such case the Owners of 25% in principal amount of the Outstanding Bonds, by notice in writing delivered to the Trustee and the Corporation, may waive such Event of Default and its consequences and rescind and annul such declaration. No such waiver or rescission or annulment shall extend to or affect any subsequent default or impair or exhaust any right or power related to such subsequent default.

(c) **Other Remedies.** In case any one or more of the Events of Default shall happen and be continuing, then and in every such case, but subject to the provisions of Section 7.7 hereof, the Owner of any Outstanding Bond, or Trustee therefor, may, for the equal benefit and protection of all Owners of any Outstanding Bonds similarly situated:

(i) by mandamus or other suit, action or proceedings at law or in the equity, enforce such Owner's right against the Corporation and require and compel the Corporation to perform and carry out its duties and obligations under this Trust Agreement or enforce any such remedies against the City pursuant to the Facilities Agreement, and require and compel the Corporation to perform and carry out its covenants and agreements with the Owners;

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after payment to the Trustee of its fees, costs, and expenses (including attorneys' fees, costs and expenses) be applied as follows:

First: To the payment to the Owners entitled thereto of all installments of interest then due on the Bonds in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon to the person entitled thereto, without any discrimination or preference;

Second: To the payment to the Owners entitled thereto of the unpaid principal amounts or redemption premium, if any, of any Bonds which shall have become due (other than Bonds previously called for redemption in accordance with the provisions hereof), whether at maturity or by call for redemption, in the order of their due dates, and if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the principal amounts or redemption premium, if any, due on such date, to the Owners entitled thereto, without any discrimination or preference; and

Third: If, when there is not an Event of Default, the Trustee is required to expend funds to defend itself in a lawsuit which arises under a cause of action attacking the legality of the Bonds; the inclusion of interest earned on the Bonds in the gross income for Federal income tax purposes of an Owner; or the status of the Corporation as issuer, then, in such event the Trustee shall be entitled to a call on the funds for the same kinds of expenses as are described as costs and expenses of collection as described in Section 7.5(b) below.

(b) If the principal of all Outstanding Bonds shall have become or have been declared due and payable, any funds received by the Trustee hereunder, after payment of costs and expenses of collection, shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the Owners entitled thereto without any discrimination or preference. For purposes hereof, "costs and expenses of collection" shall include such expenses as are necessary for the Trustee to fulfill its obligation to protect the interests of the Owners in the Trust Estate, which may include the Trustee's reasonable expenses and fees for its duties administering this Trust Agreement while the Bonds are in default to include its normal fees, additional expenses resulting from managing any of the property forming part of the Trust Estate, costs and expenses of Counsel to represent the Trustee, expenses of any and all consultants employed by the Trustee and direct expenses of the Trustee, including but not limited to the costs of preparing and mailing notices to Holders and other parties.

(c) If the principal of all Outstanding Bonds shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled under the provisions of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all Outstanding Bonds shall later become due or be declared due and payable, moneys shall be applied in accordance with the provisions of paragraph (a) of this Section.

(d) Whenever moneys are to be applied pursuant to the provisions of this Section, those moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of moneys available for application and the likelihood of additional moneys becoming available for application in the future. Whenever the Trustee shall direct the application of those moneys, it shall fix the date upon which the application is to be made, and upon that date, interest shall cease to accrue on the amounts of principal, if any, to be paid on that date, provided the moneys are

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available therefor. The Trustee shall give notice of the deposit with it of any moneys and of the fixing of that date, all consistent with the requirements of Section 3.5 hereof for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee shall not be required to make payment of principal of a Bond to the Holder thereof, until the Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if it is paid fully.

(e) Whenever all Bonds and interest thereon have been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive the same; if no other Person shall be entitled thereto, then the balance shall be paid to the City or as a court of competent jurisdiction may direct.

Section 7.6. Remedies Vested in Trustee. All rights of action (including without limitation, the right to file proofs of claims) under this Trust Agreement or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relating thereto. Any suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining any Owners as plaintiffs or defendants. Any recovery of judgment shall be for the benefit of the Holders of the Outstanding Bonds subject to the provisions of this Trust Agreement. When the Trustee incurs costs or expenses (including legal fees, costs and expenses) or renders services after the occurrence of an Event of Default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 7.7. Rights and Remedies of Owners. Except as provided in Section 7.4, an Owner of a Bond shall not have any right to institute any suit, action or proceeding for the enforcement of this Trust Agreement, for the execution of any trust hereof, or for the exercise of any other remedy hereunder, unless there has occurred and is continuing an Event of Default of which the Trustee has been notified or is deemed to have notice as provided in Section 6.2(f) hereof; the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds shall have made written request to the Trustee and shall have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name, and shall have offered indemnity to the Trustee as provided in Sections 6.1 and 6.2 hereof; and the Trustee thereafter shall have failed or refused to exercise the remedies, rights and powers granted herein or to institute the suit, action or proceeding in its own name. At the option of the Trustee, such notification (or notice), request, opportunity and offer of indemnity are conditions precedent in every case, to the institution of any suit, action or proceeding described above.

No one or more Owners of the Series 2020 Bonds shall have any right to affect, disturb or prejudice in any manner whatsoever the security or benefit of this Trust Agreement by its or their action, or to enforce, except in the manner provided herein, any remedy, right or power hereunder. Any suit, action or proceeding shall be instituted, had and maintained in the manner provided herein for the benefit of the Owners of all Outstanding Bonds. Nothing in this Trust Agreement shall affect or impair, however, the right of any Holder to enforce the payment of the principal and interest due on any Bond owned by that Holder at and after the due date thereof, at the place, from the sources and in the manner expressed in the Bond.

Section 7.8. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any remedy, right or power under this Trust Agreement in any suit, action or proceedings, and the suit, action or proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, the Corporation and the Holders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as if no suit, action or proceedings had been taken.

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- (j) To achieve compliance of this Trust Agreement with any applicable Federal securities or tax law;
- (k) To make amendments to the provisions hereof relating to matters under the Code, if, in the opinion of Bond Counsel, those amendments would not cause the interest on the Series 2020B Bonds to become includable in the gross incomes of the Owners thereof for Federal income tax purposes;
- (l) To make provision of the issuance of Additional Bonds as provided for herein;
- (m) To permit any other amendment which, in the judgment of the Trustee relying on an opinion of Counsel as provided in Section 8.6 herein, is not to the prejudice of the Trustee or the Holders; or
- (n) To reflect a change in applicable law.

The provisions of paragraphs (h), (j) and (m) above shall not be deemed to constitute a waiver by the Trustee or any Owner of any right which it may have in the absence of those provisions to contest the application of any change in law to this Trust Agreement or the Bonds.

Section 8.3. Supplemental Trust Agreements Requiring Consent of Holders. Exclusive of Supplemental Trust Agreements to which reference is made in Section 8.2 hereof and subject to the terms, provisions and limitations contained in this Section, and not otherwise, with the consent of the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds at such time, evidenced as provided in this Trust Agreement, the Corporation and the Trustee may execute and deliver Supplemental Trust Agreements adding any provisions to, changing in any manner or eliminating any of the provisions of this Trust Agreement or any Supplemental Trust Agreement or restricting in any manner the rights of the Owners. Nothing in this Section or Section 8.2 hereof shall, however, be construed as permitting:

- (a) without the consent of the Owner of each Bond so affected, (i) an extension of the maturity of the principal of or the interest on any Bond, or (ii) a reduction in the principal amount of any Bond or the rate of interest thereon, or
- (b) without the consent of the Owners of all Outstanding Bonds, (i) the creation of a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (ii) a reduction in the aggregate principal amount of the Bonds required for consent to a Supplemental Trust Agreement; provided, however, that the establishment of an escrow for the defeasance of a portion of the Bonds shall not be deemed to constitute the creation of a privilege or priority for the benefit of the Bonds to be defeased.

If the Corporation shall request that the Trustee execute and deliver any Supplemental Trust Agreement for any of the purposes of this Section, upon (i) being satisfactorily indemnified with respect to its expenses and liability in connection therewith, and (ii) if required by Section 8.4 hereof, receipt of the City's consent to the proposed execution and delivery of the Supplemental Trust Agreement, the Trustee shall cause notice of the proposed execution and delivery of the Supplemental Trust Agreement to be mailed by first class mail, postage prepaid, to all Holders of Outstanding Bonds at their addresses as they appear on the Register at the close of business on the 15th day preceding that mailing.

The Trustee shall not be subject to any liability to any Owner by reason of the Trustee's failure to mail, or the failure of any Owner to receive, the notice required by this Section. Any failure of that nature shall not affect the validity of the Supplemental Trust Agreement when there has been consent thereto as provided in this Section. The notice shall set forth briefly the nature of the proposed Supplemental Trust

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Section 7.9. Waivers of Events of Default. Except as hereinafter provided, at any time, in its discretion, the Trustee may waive any Event of Default hereunder and its consequences and shall do so upon the written request of the Owners of Bonds of at least a majority in aggregate principal amount of Bonds Outstanding. There shall not be so waived, however, any Event of Default described in Section 7.1(a) hereof unless at the time of such waiver payments of all amounts then due and payable with respect to the Series 2020 Bonds have been made or provision has been made therefor. In the case of such waiver, or in case any suit, action or proceeding taken by the Trustee on account of any Event of Default shall have been discontinued, abandoned or determined adversely to it, the Trustee and the Holders shall be restored to their former positions and rights hereunder, respectively. No waiver or rescission shall extend to any subsequent or other Event of Default or impair any right consequent thereon.

ARTICLE VIII SUPPLEMENTAL TRUST AGREEMENTS

Section 8.1. Supplemental Trust Agreements Generally. The Corporation and the Trustee may enter into Supplemental Trust Agreements, as provided in this Article and pursuant to the other provisions therefor in this Trust Agreement.

Section 8.2. Supplemental Trust Agreements Not Requiring Consent of Holders. Without the consent of, or notice to, any of the Owners, the Corporation and the Trustee may enter into Supplemental Trust Agreements for any one or more of the following purposes:

- (a) To cure any ambiguity, inconsistency or formal defect or omission in this Trust Agreement;
- (b) To grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers or authority that lawfully may be granted to or conferred upon the Owners or the Trustee;
- (c) To assign additional revenues under this Trust Agreement;
- (d) To accept additional security and instruments and documents of further assurance with respect to the Municipal Parking Garage and the Existing Facilities;
- (e) To add to the covenants, agreements and obligations under this Trust Agreement, other covenants, agreements and obligations to be observed for the protection of the Owners;
- (f) To evidence any succession to the Trustee and the assumption by its successor of the covenants, agreements and obligations of the Trustee under this Trust Agreement and the Series 2020 Bonds;
- (g) To permit the use of a book entry system to identify the owner of a proportionate interest in the payments under the Facilities Agreement, whether that proportionate interest was formerly, or could be, evidenced by a tangible security;
- (h) To permit the Trustee to comply with any obligations imposed upon it by law;
- (i) To specify further the duties and responsibilities of the Trustee;

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Agreement and shall state that copies thereof are on file at the designated trust office of the Trustee for inspection by all Holders.

If the Trustee shall receive, within a period described by the Trustee of not less than 60 days but not exceeding one year, following the mailing of the notice, an instrument or document or instruments or documents (which instrument or document or instruments or documents shall refer to the proposed Supplemental Trust Agreement in the form described in the notice), by which the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds consent to the execution of such Supplemental Trust Agreement, the Trustee shall, but shall not otherwise, execute and deliver the Supplemental Trust Agreement in substantially the form to which reference is made in the notice as being on file with the Trustee, without liability or responsibility to any Owner, regardless of whether that Owner shall have consented thereto.

Any consent shall be binding upon the Owner of the Bond giving the consent and, anything herein to the contrary notwithstanding, upon any subsequent Owner of that Bond and of any Bond executed and delivered in exchange therefor (regardless of whether the subsequent Owner has notice of the consent to the Supplemental Trust Agreement). A consent may be revoked in writing, however, by the Owner who gave the consent or by a subsequent Owner of the Bond by a revocation of such consent received by the Trustee prior to the execution and delivery by the Trustee of the Supplemental Trust Agreement. At any time after the Owners of the required percentage of Bonds shall have filed their consents to the Supplemental Trust Agreement, the Trustee shall make and file with the City a written statement that the Owners of the required percentage of Bonds have filed those consents. That written statement shall be conclusive evidence that the consents have been so filed.

If the Owners of the required percentage in aggregate principal amount of Outstanding Bonds shall have consented to the Supplemental Trust Agreement, as provided in this Section, no Owner shall have any right (a) to object to (i) the execution or delivery of the Supplemental Trust Agreement, (ii) any of the terms and provisions contained therein, or (iii) the operation thereof, (b) to question the propriety of the execution and delivery thereof, or (c) to enjoin or restrain the Trustee from that execution or delivery or from taking any action pursuant to the provisions thereof.

Section 8.4. Consent of City. Anything contained herein to the contrary notwithstanding, a Supplemental Trust Agreement executed and delivered in accordance with this Article VIII which affects any rights or obligations of the City shall not become effective unless and until the City shall have consented in writing to the execution and delivery of that Supplemental Trust Agreement. The Trustee shall cause notice of the proposed execution and delivery of any Supplemental Trust Agreement and a copy of the proposed Supplemental Trust Agreement to be mailed to the City, as provided in Section 13.3 hereof, (i) at least 30 days (unless waived by the City) before the date of the proposed execution and delivery in the case of a Supplemental Trust Agreement to which reference is made in Section 8.2 hereof, and (ii) at least 30 days (unless waived by the City) before the giving of the notice of the proposed execution and delivery in the case of a Supplemental Trust Agreement for which provision is made in Section 8.3 hereof.

Section 8.5. Authorization to Trustee; Effect of Supplement. The Trustee is authorized to join with the Corporation in the execution and delivery of any Supplemental Trust Agreement in accordance with this Article and to make the further agreements and stipulations which may be contained therein with the following effect:

- (a) That Supplemental Trust Agreement shall form a part of this Trust Agreement;

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(b) All terms and conditions contained in that Supplemental Trust Agreement as to any provision authorized to be contained therein shall be deemed to be a part of the terms and conditions of this Trust Agreement for any and all purposes;

(c) This Trust Agreement shall be deemed to be modified and amended in accordance with the Supplemental Trust Agreement; and

(d) The respective rights, duties and obligations under this Trust Agreement of the Corporation, the Trustee and all Owners of Outstanding Bonds shall be determined, exercised and enforced hereunder in a manner which is subject in all respects to those modifications and amendments made by the Supplemental Trust Agreement.

Express reference to any executed and delivered Supplemental Trust Agreement may be made in the text of any Bonds executed and delivered thereafter, if that reference is deemed necessary or desirable by the Trustee or the Corporation. The Trustee shall not be required to execute a Supplemental Trust Agreement containing provisions adverse to the Trustee.

Section 8.6. Opinion of Counsel. The Trustee shall be entitled to receive, and shall be fully protected in conclusively relying upon, the opinion of any Counsel as conclusive evidence that (i) any proposed Supplemental Trust Agreement complies with the provisions of this Trust Agreement, and (ii) it is proper for the Trustee to join in the execution of that Supplemental Trust Agreement under the provisions of this Article. The Trustee may accept an opinion of Bond Counsel or Counsel for the Corporation or the City for such purposes. Prior to taking any action hereunder, the Trustee shall be entitled to assurance as to the payment of the fees, costs and expenses of any Counsel providing such opinion.

Section 8.7. Modification by Unanimous Consent. Notwithstanding anything contained elsewhere in this Trust Agreement, the rights and obligations of the Trustee and of the Owners of the Series 2020 Bonds, and the terms and provisions of the Bonds and this Trust Agreement or any Supplemental Trust Agreement, may be modified or altered in any respect with the consent of (i) the Trustee, (ii) the Holders of all of the Outstanding Bonds, and (iii) if required by Section 8.4 hereof, the City.

ARTICLE IX DEFESANCE

Section 9.1. Defeasance.

(a) When principal or redemption price (as the case may be) of, and interest on, any Bonds issued hereunder has been paid, or provision shall have been made for payment of the same, together with the compensation of the Trustee and all other sums payable hereunder by the Corporation and the City, the right, title and interest of the Trustee with respect to such Bonds shall thereupon cease and the Trustee shall release this Trust Agreement and shall execute such documents to evidence such releases as may be reasonably required by the Corporation and shall turn over to the Corporation or to such person, body or authority as may be entitled to receive the same all balances then held by it hereunder; provided, however, that the City shall in all events remain liable under the Facilities Agreement (subject to Section 4.7 thereof) until all amounts due and owing thereunder have been paid.

(b) Provision for the payment of the Series 2020 Bonds shall be deemed to have been made when the Trustee holds, in an irrevocable deposit, under the provisions hereof (i) cash in an amount

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respect to any amendment to add to the description of the Real Property any subsequently acquired property that becomes a part thereof or to remove therefrom any Real Property to be deleted under the provisions of the Base Lease or the Facilities Agreement whether by way of release or substitution in accordance with the terms of the Base Lease and the Facilities Agreement.

Section 10.2. Amendments Requiring Consent of Owners. Except for the amendments, changes or modification contemplated in Section 10.1 hereof, the Trustee shall not consent to:

(a) Any amendment, change or modification of the Facilities Agreement which would change the amount or time as of which Base Payments are required to be paid without the giving of notice as provided in this Section of the proposed amendment, change or modification and receipt of the written consent thereto of the Owners of all of the Outstanding Bonds so affected; provided that this requirement shall not apply to amendments that increase payments under the Facilities Agreement to provide for Additional Bonds hereunder; or

(b) Any amendment, change or modification of the Facilities Agreement without the giving of notice as provided in this section of the proposed amendment, change or modification and the receipt of the written consent thereto of the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds.

The consent of the Owners shall be obtained as provided in Section 8.3 hereof with respect to Supplemental Trust Agreements. If the City shall request at any time the consent of the Trustee to any proposed amendment, change or modification of the Facilities Agreement contemplated in subsections (a) or (b), upon being indemnified satisfactorily with respect to expenses and liability, the Trustee shall cause notice of the proposed amendment, change or modification to be provided in the manner which is required by Section 8.3 hereof with respect to notice of Supplemental Trust Agreements. The notice shall set forth briefly the nature of the proposed amendment, change or modification and shall state that the copies of the instrument or document embodying it are on file at the designated corporate trust office of the Trustee for inspection by all Owners.

Section 10.3. Opinion of Counsel. The Trustee shall be entitled to receive, and shall be fully protected in conclusively relying upon, the opinion of Counsel as conclusive evidence that (i) any proposed amendment, change, or modification of or supplement to the Base Lease and the Facilities Agreement complies with the provisions of this Trust Agreement, and (ii) it is proper for the Trustee to consent to the proposed amendment, change, or modification of or supplement to the Base Lease and the Facilities Agreement under the provisions of this Article. The Trustee may accept an opinion of Bond Counsel or Counsel for the Corporation or the City for such purposes. Prior to taking any action hereunder, the Trustee shall be entitled to assurance as to the payment of the fees, costs and expenses of any Counsel providing such opinion.

ARTICLE XI MEETINGS OF OWNERS

Section 11.1. Purpose of Meetings. A meeting of Owners of the Series 2020 Bonds may be called at any time and from time to time pursuant to the provisions of this Article XI, to take any action (i) authorized to be taken by or on behalf of the Owners of any specified aggregate principal amount of the Series 2020 Bonds, (ii) under any provision of this Trust Agreement, or (iii) authorized or permitted by law.

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sufficient to make all payments specified above with respect to all of such Bonds, or (ii) Defeasance Obligations maturing on or before the date or dates when the payments specified above shall become due, the principal amount of which and the interest thereon, when due, is or will be, in the aggregate, sufficient without reinvestment to make all payments specified above with respect to such Bonds, or (iii) any combination of such cash and such Defeasance Obligations the amounts of which and interest thereon, when due, are or will be, in the aggregate, sufficient without reinvestment to make all payments specified above on such Bonds; provided that, to the extent such deposit does not consist of uninvested cash, the Trustee shall have received a report of an independent accountant or firm of accountants verifying that the computations of the amount available from Defeasance Obligations when added to any cash available shall be sufficient to meet the requirements hereof.

(c) Neither the obligations nor the moneys deposited with the Trustee pursuant to this Section shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal or redemption price of, and interest on, said Bonds.

(d) Whenever moneys or obligations shall be deposited with the Trustee for the payment or redemption of Bonds more than 60 days prior to the date that such Bonds are to mature or be redeemed, the Trustee shall mail a notice stating that such moneys or obligations have been deposited and identifying the Series 2020 Bonds for the payment of which such moneys or obligations are being held, to the Holders of Bonds for the payment of which such moneys or obligations are being held.

(e) Prior to any defeasance becoming effective under this Trust Agreement, there shall have been delivered to the Trustee an opinion of Bond Counsel, satisfactory to the Trustee, to the effect that interest on the Series 2020B Bonds being paid by such defeasance will not become subject to Federal income taxation by reason of such defeasance.

Section 9.2. Survival of Certain Provisions. Notwithstanding the foregoing, any provisions of this Trust Agreement which relate to the maturity of Bonds, interest payments and dates thereof, exchange, transfer and registration of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentation of Bonds, the holding of moneys in trust, and payments to the City from the Bond Fund pertaining to the Facilities Agreement and the duties of the Trustee in connection with all of the foregoing, shall remain in effect and be binding upon the Trustee and the Holders, notwithstanding, the release and discharge of this Trust Agreement. The provisions of this Article and payment of the Trustee's fees, charges and expenses in connection therewith shall survive the release, discharge and satisfaction of this Trust Agreement.

ARTICLE X AMENDMENTS TO BASE LEASE AND FACILITIES AGREEMENT

Section 10.1. Amendments Not Requiring Consent of Holders. Without the consent of or notice to the Owners, the Trustee, as Trustee and as lessor and seller by assignment, may consent to any amendment, change or modification of the Base Lease and the Facilities Agreement as may be required (i) by the provisions of the Base Lease, the Facilities Agreement or this Trust Agreement, (ii) for the purpose of curing any ambiguity, inconsistency or formal defect or omission in the Base Lease or the Facilities Agreement, (iii) in connection with an amendment or to effect any purpose for which there could be an amendment of this Trust Agreement pursuant to Section 8.2 hereof, (iv) in connection with the refinancing, in whole or in part, of the Project Facilities, (v) in connection with the issuance of Additional Bonds as provided for herein, or (vi) in connection with any other change therein which in the judgment of the Trustee, relying on an opinion of Counsel as provided in Section 10.3 herein is not to the prejudice of the Trustee or the Owners. No such consent or notice to the Owners shall be required with

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Section 11.2. Call of Meetings. The Trustee may call at any time a meeting of Owners of the Series 2020 Bonds pursuant to Section 11.1 hereof to be held at any reasonable time and place the Trustee shall determine. Notice of such meeting, setting forth the time, place and generally the subject thereof, shall be mailed by first class mail, postage prepaid, not fewer than 15 nor more than 90 days prior to the date of the meeting to the Owners at their addresses as they appear on the Register on the 15th day preceding such mailing, which 15th day preceding the mailing shall be the record date for the meeting.

At any time the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds shall have requested the Trustee to call a meeting of Owners, by written request setting forth the purpose of the meeting within 20 days after receipt of the request, then the Corporation or, if it does not do so, the Owners of Bonds in the amount above specified may determine the time and the place of the meeting and may call the meeting to take any action authorized in Section 11.1 hereof, by mailing notice thereof as provided above, such meeting to be noticed not more than 30 days after receipt of request of the Owners.

Any meetings of Owners shall be valid without notice, if the Owners of all Outstanding Bonds are present in person or by proxy, or if notice is waived before or after the meeting by the Owners of all Outstanding Bonds who were not so present at the meeting, and if the Corporation, the City and the Trustee are either present by duly authorized representatives or have waived notice, before or after the meeting.

Section 11.3. Voting. To be entitled to vote at any meeting of Holders of the Series 2020 Bonds, a Person shall (i) be an Owner of one or more Outstanding Series 2020 Bonds as of the record date for the meeting as determined above, or (ii) be a person appointed by an instrument or document in writing as proxy by a Person who is such an Owner as of the record date for the meeting of one or more Outstanding Series 2020 Bonds. Each Owner or proxy shall be entitled to one vote for each \$5,000 principal amount of Series 2020 Bonds held or represented by it.

The vote upon any resolution submitted to any meeting of Owners shall be by written ballots on which shall be subscribed the signatures of the Owners or their representatives by proxy and the identifying numbers of the Series 2020 Bonds held or represented by them.

The provisions hereof may be modified with respect to any particular series of Bonds to provide that any insurer, surety, guarantor or provider of any credit facility that applies to such series of Bonds or a portion thereof may act in the place and stead of the Owners with respect to consents or action at any meeting of the Owners.

Section 11.4. Meetings. Notwithstanding any other provision of this Trust Agreement, the Trustee may make any reasonable regulations which it may deem to be advisable for meetings of Owners, with regard to:

- (a) proof of the holding of Bonds and of the appointment of proxies,
- (b) the appointment and duties of inspectors of votes,
- (c) recordation of the proceedings of those meetings,
- (d) the execution, submission and examination of proxies and other evidence of the right to vote, and
- (e) any other matters concerning the conduct, adjournment or reconvening of meetings which it may think fit.

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The Trustee shall appoint a temporary chair of the meeting by an instrument or document in writing, unless the meeting shall have been called by the Corporation or by the Owners, as provided in Section 11.2 hereof, in which case the Corporation or the Owners calling the meeting, as the case may be, shall appoint a temporary chair in like manner. A permanent chair and a permanent secretary of the meeting shall be elected by vote of the Owners of a majority in principal amount of the Series 2020 Bonds represented at the meeting and entitled to vote.

The only Persons who shall be entitled to be present or to speak at any meeting of Owners shall be the Persons entitled to vote at the meeting, any representatives of the Trustee, any representatives of the Corporation, and any representatives of the City, and their respective Counsel.

Section 11.5. Miscellaneous. Nothing contained in this Article XII shall be deemed or construed to authorize or permit any hindrance or delay in the exercise of any right or rights conferred upon or reserved to the Trustee or to the Owners under any of the provisions of this Trust Agreement or of the Series 2020 Bonds by reason of any call of a meeting of Owners or any rights conferred expressly or impliedly hereunder to make a call.

ARTICLE XII MISCELLANEOUS

Section 12.1. Limitation of Rights. With the exception of rights conferred expressly in this Trust Agreement, nothing expressed or mentioned in or to be implied from the Base Lease, the Facilities Agreement or the Series 2020 Bonds is intended or shall be construed to give to any Person other than the parties hereto and the Owners of the Series 2020 Bonds any legal or equitable right, remedy, power or claim under or with respect to this Trust Agreement or any covenants, agreements, conditions and provisions contained herein. This Trust Agreement and all of those covenants, agreements, conditions and provisions are intended to be, and are, for the sole and exclusive benefit of the parties hereto, and the Owners of the Series 2020 Bonds as provided herein.

Section 12.2. Severability. In case any section or provision of this Trust Agreement, or any covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this Trust Agreement, or any application thereof, is held to be illegal or invalid for any reason, or is inoperable at any time, that illegality, invalidity or inoperability shall not affect the remainder thereof or any other section or provision of this Trust Agreement or any other covenant, agreement, stipulation, obligation, act or action, or part thereof, made, assumed, entered into or taken under this Trust Agreement, all of which shall be construed and enforced at the time as if the illegal, invalid or inoperable portion were not contained therein.

Any illegality, invalidity or inoperability shall not affect any legal, valid and operable section, provision, covenant, agreement, stipulation, obligation, act, acting, part or application, all of which shall be deemed to be effective, operative, made, assumed, entered into or taken in the manner and to the full extent permitted by law from time to time.

Section 12.3. Notices. Except as provided in Section 7.2 hereof, it shall be sufficient service or giving of any notice, request, complaint, demand or other instrument or document, if it is mailed by first class mail, postage prepaid or is sent via facsimile. Notices to the Corporation, the City and the Trustee shall be addressed as follows:

The Corporation	City of Florence Public Facilities Corporation Attention: President 324 W. Evans Street Florence, SC 29501
The City	City of Florence Attention: Assistant City Manager 324 W. Evans Street Florence, SC 29501
The Trustee	The Bank of New York Mellon Trust Company, N.A. 4655 Salisbury Road, Suite 300 Jacksonville, FL 32256 Attn: Corporate Trust

Duplicate copies of each notice, request, complaint, demand or other instrument or document given hereunder by the Corporation, the Trustee or the City to one or more of the others also shall be given to the others. The foregoing parties may designate, by notice given hereunder, any further or different addresses to which any subsequent notice, request, complaint, demand or other instrument or document shall be sent.

In connection with any notice mailed pursuant to the provisions of this Trust Agreement, a certificate of the Trustee, the Corporation, the City or the Holders of the Series 2020 Bonds, whichever or whoever mailed that notice, that the notice was so mailed shall be conclusive evidence of the proper mailing of the notice.

Section 12.4. Suspension of Mail. If because of the suspension of delivery of first class mail or, for any other reason, the Trustee shall be unable to mail by the required class of mail any notice required to be mailed by the provisions of this Trust Agreement, the Trustee shall give such notice in such other manner as in the judgment of the Trustee shall most effectively approximate mailing thereof, and the giving of that notice in that manner for all purposes of the Facilities Agreement shall be deemed to be in compliance with the requirement for the mailing thereof. Except as otherwise provided herein, the mailing of any notice shall be deemed complete upon deposit of that notice in the mail and the giving of any notice by any other means of delivery shall be deemed complete upon receipt of the notice by the delivery service.

Section 12.5. Payments Due on Saturdays, Sundays and Holidays. If any Bond Payment Date or date of maturity of the principal of any Bonds is a Saturday, Sunday or a day on which the Trustee is required or authorized by law (including without limitation, executive orders) to close and is closed, then payment of interest or principal need not be made by the Trustee on that date, that payment may be made on the next succeeding Business Day on which the Trustee is open for business with the same force and effect as if that payment were made on the Bond Payment Date or date of maturity and no interest shall accrue for the period after that date.

Section 12.6. Instruments of Holders. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, required under this Trust Agreement to be executed by any Owner may be in any number of concurrent writings of similar tenor and may be executed by that Owner in person or by an agent or attorney appointed in writing. Proof of (i) the execution of any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, (ii) the execution of any writing appointing any agent or attorney, and (iii) the ownership of Bonds, shall be sufficient for any of the purposes of this Trust

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Agreement, if made in the following manner, and if so made, shall be conclusive in favor of the Trustee with regard to any action taken thereunder, namely:

(a) The fact and date of the execution by any person of any writing may be proved by the certificate of any officer in any jurisdiction, who has power by law to take acknowledgments within that jurisdiction, that the person signing the writing acknowledged that execution before that officer, or by affidavit of any witness to that execution; and

(b) The fact of ownership of Bonds shall be proved by the Register.

Nothing contained herein shall be construed to limit the Trustee to the foregoing proof, and the Trustee may accept any other evidence of the matters stated therein which it deems to be sufficient. Any writing, including without limitation, any consent, request, direction, approval, objection or other instrument or document, of the Owner of any Bond shall bind every future Owner of the same Bond, with respect to anything done or suffered to be done by the Corporation or the Trustee pursuant to that writing.

Section 12.7. Priority of this Trust Agreement. This Trust Agreement shall be superior to any liens which may be placed upon the Revenues or any Funds (or Accounts therein) created pursuant hereto.

Section 12.8. Extent of Covenants; No Personal Liability. All covenants, stipulations, obligations and agreements of the Trustee contained in this Trust Agreement are and shall be deemed to be covenants, stipulations, obligations and agreements of the Trustee as such to the full extent authorized by law. No covenant, stipulation, obligation or agreement of the Trustee or Corporation contained in this Trust Agreement or any other agreement relating to the Series 2020 Bonds shall be deemed to be a covenant, stipulation, obligation or agreement of any present or future member, officer, agent or employee of the Trustee or the Corporation in other than that person's official capacity. No official executing the Series 2020 Bonds, this Trust Agreement or any amendment or supplement hereto or thereto or other document relating to the Series 2020 Bonds, shall be liable personally on the Series 2020 Bonds or be subject to any personal liability or accountability by reasons of the issuance or execution hereof or thereof.

Section 12.9. Continuing Disclosure. The City has covenanted in the Facilities Agreement to provide information under Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 ("15c2-12"), as an Obligated Person (as defined in 15c2-12).

Section 12.10. Binding Effect. This Trust Agreement shall inure to the benefit of and shall be binding upon the Corporation and upon the Trustee, and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 12.11. Counterparts. This Trust Agreement may be executed in any number of counterparts, each of which shall be regarded as an original and all of which shall constitute but one and the same instrument.

Section 12.12. Governing Law. This Trust Agreement and the Series 2020 Bonds shall be deemed to be contracts made under the laws of the State and for all purposes shall be governed by and construed in accordance with the laws of the State without regard to conflict of law principles.

Section 12.13. Limitation of Liability of Corporation. All payments to be made by the Corporation or obligations of the Corporation hereunder are payable solely from the Trust Estate and revenues derived therefrom.

IN WITNESS WHEREOF, the Corporation has caused this Trust Agreement to be executed and delivered for it and in its name and on its behalf by its duly authorized officers, and the Trustee has caused this Trust Agreement to be executed and delivered for it and in its name and on its behalf by its duly authorized officer all as of the day and year first above written.

CITY OF FLORENCE PUBLIC FACILITIES
CORPORATION

By: _____
Its: President

Attest:

By: _____
Its: Secretary

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Its: _____

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EXHIBIT A

[FORMS OF SERIES 2020 BOND]

No. R-1

CITY OF FLORENCE PUBLIC FACILITIES CORPORATION
INSTALLMENT PURCHASE REVENUE BOND
(CITY OF FLORENCE PROJECT)
TAXABLE SERIES 2020A

Interest Rate	Maturity Date	Dated Date	CUSIP
_____%	November 1, 20__	September 9, 2020	

Holder: CEDE & CO.

Principal Amount: _____ DOLLARS

City of Florence Public Facilities Corporation (the "**Corporation**"), a nonprofit corporation organized and existing under the laws of the State of South Carolina (the "**State**") and a support organization for the City of Florence, South Carolina (the "**City**"), for value received hereby acknowledges itself obligated to, and promises to pay, the Holder identified above, or registered assigns, but only out of the sources pledged for that purpose as hereinafter provided, and not otherwise, the Principal Amount set forth above on the Maturity Date set forth above, and to pay interest on said sum from the most recent May 1 or November 1 to which interest has been paid or for which due provision has been made or, if no interest has been paid, from the Dated Date set forth above, at the Interest Rate per annum set forth above payable on May 1 and November 1 (each a "**Bond Payment Date**") of each year commencing May 1, 2021, until the Corporation's obligation with respect to payment of the principal amount is discharged.

This Bond is one of a series of bonds of the Corporation in the aggregate original face amount of \$26,365,000 and designated as City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Taxable Series 2020A (the "**Series 2020A Bonds**" and each a "**Series 2020A Bond**"), issued under a Trust Agreement, dated as of September 1, 2020 (the "**Trust Agreement**"), between the Corporation and the Trustee, to provide funds to finance the costs of acquisition, construction, renovation and equipping of facilities to be undertaken by the Corporation for the City pursuant to a Municipal Facilities Purchase and Occupancy Agreement dated as of September 1, 2020 (the "**Facilities Agreement**"), all by the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and statutes of the State of South Carolina, and pursuant to a resolution duly adopted by the Board of Directors of the Corporation. The City Council of the City has also enacted an ordinance approving the issuance of the Series 2020A Bonds by the Corporation. The City has leased certain real property and conveyed certain improvements thereon to the Corporation under the terms of a Base Lease and Conveyance Agreement dated as of September 1, 2020 (the "**Base Lease**").

Interest is payable to the person in whose name this Series 2020A Bond is registered at the close of business on the 15th day of the calendar month next preceding each Bond Payment Date, except that interest not duly paid or provided for when due shall be payable to the person in whose name this Series 2020A Bond is registered at the close of business on a special record date to be fixed for the payment of

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interest thereon shall never constitute an indebtedness or charge against the general credit or taxing powers of the City within the meaning of any constitutional provision or statutory limitation, but shall be payable solely from the funds provided for in the Trust Agreement.

Pursuant to the Trust Agreement the Corporation has granted to the Trustee for the benefit of the owners of the Series 2020A Bonds, a security interest in the trust estate (as described in the Trust Agreement). The trust estate includes the Revenues (as defined in the Trust Agreement) consisting of the Acquisition Payments (as defined in the Trust Agreement) payable by the City under the Facilities Agreement, any other sums arising under the Facilities Agreement, amounts on deposit from time to time in the funds and accounts created pursuant to the Trust Agreement and the investment income therefrom. On the date hereof, the Corporation has issued its \$10,970,000 Installment Purchase Refunding Revenue Bond (City of Florence Project), Series 2020B, secured by the trust estate on a parity with the Series 2020A Bonds. The Trust Agreement further provides that the Corporation may issue additional bonds secured on a parity with the Series 2020A Bonds by the Trust Estate under the terms and conditions and to the extent described in the Trust Agreement. The City's obligation to pay Acquisition Payments under the Facilities Agreement is subject to annual appropriations and the obligation may be terminated at the end of any fiscal year of the City by an Event of Nonappropriation (as defined in the Facilities Agreement). UPON THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION, THE CITY MAY TERMINATE THE FACILITIES AGREEMENT AT THE END OF THE FISCAL YEAR DURING WHICH SUCH EVENT OF NONAPPROPRIATION OCCURS, AND THE CITY SHALL NOT BE OBLIGATED TO MAKE PAYMENT OF THE ACQUISITION PAYMENTS BEYOND THE END OF SUCH FISCAL YEAR.

Counterparts or copies of the Trust Agreement, the Facilities Agreement, the Base Lease and the other documents referred to herein are on file at the designated corporate trust office of the Trustee in Jacksonville, Florida, and reference is hereby made thereto and to the documents referred to therein for the provisions thereof, including the provisions with respect to the rights, obligations, duties and immunities of the Corporation, the City, the Trustee and the Owners of the Series 2020A Bonds under such documents, the security for the Series 2020A Bonds and the conditions under which additional bonds may be issued thereunder to all of which the Owner hereof, by acceptance of this Series 2020A Bond, assents.

The Series 2020A Bonds are subject to optional redemption prior to maturity as provided in the Trust Agreement, as described in the following paragraph:

In the event the City exercises its option pursuant to the Facilities Agreement to prepay Base Payments, the Series 2020A Bonds maturing on and after November, 2031 may be redeemed in whole or in part at any time on or after November 1, 2030 by the Corporation at a redemption price equal to the principal amount of such Series 2020A Bonds to be redeemed plus accrued interest to the redemption date.

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defaulted interest. Such defaulted interest shall be payable to the Holder in whose name such Series 2020A Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed to the Holders of the Series 2020A Bonds not less than 10 days preceding such special record date. Such notice shall be mailed to the Holder in whose name this Series 2020A Bond is registered at the close of business not more than 15 days nor less than 10 days prior to the special record date. If the Trustee registers the transfer of this Series 2020A Bond subsequent to the mailing of such notice and on or before the special record date, any such notice of payment of defaulted interest shall be binding upon the transferee and a copy of the notice of payment of defaulted interest shall be delivered by the Trustee to the transferee along with the Series 2020A Bond or Bonds.

Principal of and interest on this Series 2020A Bond are payable in lawful money of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts. Payments of interest will be made by check or draft drawn upon The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), and mailed to the person entitled thereto. Principal, when due, shall be paid upon surrender of this Series 2020A Bond at the designated corporate trust office of the Trustee.

The Series 2020A Bonds are being issued by means of a book-entry system with no physical distribution of Bond certificates to be made except as provided in the Trust Agreement. One bond certificate with respect to each date on which the Series 2020A Bonds are stated to mature, registered in the name of the Securities Depository Nominee (as defined in the Trust Agreement), is being issued and required to be deposited with the Securities Depository (as defined in the Trust Agreement) and immobilized in its custody. The book-entry system will evidence positions held in the Series 2020A Bonds by the Securities Depository's Participants, beneficial ownership of the Series 2020A Bonds in the principal amount of \$5,000 or any whole multiple thereof being evidenced in the records of such Participants (as defined in the Trust Agreement). Transfers of ownership shall be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository and its Participants. The Corporation and the Trustee will recognize the Securities Depository Nominee, while the registered owner of this Series 2020A Bond, as the owner of this Series 2020A Bond for all purposes, including payments of principal of and redemption premium, if any, and interest on this Series 2020A Bond, notices and voting. Transfer of principal and interest payments to Participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal and interest payments to beneficial owners of the Series 2020A Bonds by Participants of the Securities Depository will be the responsibility of such Participants and other nominees of such beneficial owners. The Corporation will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, its Participants or persons acting through such Participants. While the Securities Depository Nominee is the owner of this Series 2020A Bond, notwithstanding the provision hereinabove contained, payments of principal of and interest on this Series 2020A Bond shall be made in accordance with existing arrangements between the Trustee or its successors under the Trust Agreement and the Securities Depository.

In the event that the Series 2020A Bonds are not held under a book-entry system, at the written request addressed to the Trustee of the Holder of Series 2020A Bonds in the aggregate principal amount of at least \$1,000,000, interest and redemptions of principal shall be paid by wire transfer to the bank account number filed not later than the Record Date with the Trustee for such purpose.

The Series 2020A Bonds and the interest thereon are limited obligations of the Corporation, do not and shall not constitute a debt or pledge of the faith and credit of the City but shall constitute a limited obligation of the Corporation and shall be payable solely from the Revenues pledged therefor as defined in the Trust Agreement and are secured by said Trust Agreement. The Series 2020A Bonds and the

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The Series 2020A Bonds maturing on November 1, 2040, are subject to mandatory sinking fund redemption (to the extent not previously redeemed) at a redemption price of 100% of such principal amount, plus interest accrued to the redemption date, on November 1 of each of the following years in the respective principal amounts for each year specified below:

<u>Year</u>	<u>Amount</u>
2036	\$715,000
2037	735,000
2038	760,000
2039	785,000
2040*	810,000

*Final maturity.

The Series 2020A Bonds maturing on November 1, 2045, are subject to mandatory sinking fund redemption (to the extent not previously redeemed) at a redemption price of 100% of such principal amount, plus interest accrued to the redemption date, on November 1 of each of the following years in the respective principal amounts for each year specified below:

<u>Year</u>	<u>Amount</u>
2041	\$835,000
2042	860,000
2043	890,000
2044	920,000
2045*	950,000

*Final maturity.

The amount of any mandatory sinking fund redemption shall be reduced to the extent Series 2020A Bonds of the applicable maturity have been purchased by the Issuer or redeemed by the Issuer pursuant to any optional redemption provisions, in such manner as the Issuer shall direct, or absent such direction, on a pro-rata basis.

Notice of redemption shall be given by the Trustee by first class mail, postage prepaid, to the Holders of the Series 2020A Bonds to be redeemed at their addresses appearing on the Register maintained by the Trustee, said mailing to be not less than 30 days, but not more than 60 days, prior to the redemption date. Failure of the Trustee to give any notice of redemption or any defects in such notice shall not affect the validity of the redemption of any other Series 2020A Bonds.

For purposes of any vote, consent, objection, direction, request or other action under the Trust Agreement by Owners (as defined in the Trust Agreement) of a specified amount of the Series 2020A Bonds, an Owner of a Series 2020A Bond will be deemed to hold an amount of Series 2020A Bonds equal to the principal amount thereof. Upon the occurrence of certain Events of Default (as defined in the Trust Agreement), all Series 2020A Bonds may be declared immediately due and payable and thereupon shall become and be immediately due and payable as provided in the Trust Agreement.

The Series 2020A Bonds are issuable only in fully registered form. Subject to the limitations provided for in the Trust Agreement, this Series 2020A Bond may be exchanged for a like aggregate principal amount payable at maturity of Series 2020A Bonds of the same maturity in authorized denominations. The Series 2020A Bonds are transferable by the Holder thereof in person or by his attorney duly authorized in writing at the principal corporate trust office of the Trustee, but only in the

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manner and subject to the limitations provided for in the Trust Agreement and upon surrender and cancellation of this Series 2020A Bond. Upon such transfer a new Series 2020A Bond or Bonds of the same maturity and in authorized denominations for the same aggregate principal amount payable at maturity will be issued to the transferee in exchange.

The Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Trust Agreement in connection with the exchange or transfer. The Trustee need not exchange or register the transfer of a Series 2020A Bond which has been selected for redemption and need not exchange or register the transfer of any Series 2020A for a period of 15 days before a selection of Series 2020A Bonds to be redeemed or before any May 1 or November 1.

The Corporation, the City, the Trustee and any paying agent may treat the Holder of this Series 2020A Bond as the absolute owner for the purpose of receiving payment as herein provided and for all other purposes and none of them shall be affected by any notice to the contrary.

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 the issuance of this Series 2020A Bond have existed, have happened and have been performed in due form, time and manner as required by law.

IN WITNESS WHEREOF, the Corporation has caused this Series 2020A Bond to be executed and attested by the manual signatures of its duly authorized officers, and this Series 2020A Bond to be authenticated by the manual signature of an authorized representative of the Trustee, without which authentication this Series 2020A Bond shall not be valid nor entitled to the benefits of the Trust Agreement.

CITY OF FLORENCE PUBLIC FACILITIES
CORPORATION

By: _____
President

Attest:

Secretary

TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Trustee hereby certifies that this is one of the Series 2020A Bonds described in the within-mentioned Trust Agreement.

Date of Authentication: _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Authorized Officer

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No. R-1

CITY OF FLORENCE PUBLIC FACILITIES CORPORATION
INSTALLMENT PURCHASE REFUNDING REVENUE BOND
(CITY OF FLORENCE PROJECT)
SERIES 2020B

Interest Rate	Maturity Date	Dated Date	CUSIP
_____%	November 1, 20__	September 9, 2020	

Holder: CEDE & CO.

Principal Amount: _____ DOLLARS

The City of Florence Public Facilities Corporation (the "**Corporation**"), a nonprofit corporation organized and existing under the laws of the State of South Carolina (the "**State**") and a support organization for the City of Florence, South Carolina (the "**City**"), for value received hereby acknowledges itself obligated to, and promises to pay, the Holder identified above, or registered assigns, but only out of the sources pledged for that purpose as hereinafter provided, and not otherwise, the Principal Amount set forth above on the Maturity Date set forth above, and to pay interest on said sum from the most recent May 1 or November 1 to which interest has been paid or for which due provision has been made or, if no interest has been paid, from the Dated Date set forth above, at the Interest Rate per annum set forth above payable on May 1 and November 1 (each a "**Bond Payment Date**") of each year commencing May 1, 2021, until the Corporation's obligation with respect to payment of the principal amount is discharged.

This Bond is one of a series of bonds of the Corporation in the aggregate original face amount of \$10,970,000 and designated as City of Florence Public Facilities Corporation Installment Purchase Refunding Revenue Bonds (City of Florence Project) Series 2020B (the "**Series 2020B Bonds**") and each a "**Series 2020B Bond**", issued under a Trust Agreement, dated as of September 1, 2020 (the "Trust Agreement"), between the Corporation and the Trustee, to provide funds to finance the costs of acquisition, construction, renovation and equipping of facilities to be undertaken by the Corporation for the City pursuant to a Municipal Facilities Purchase and Occupancy Agreement dated as of September 1, 2020 (the "**Facilities Agreement**"), all by the authority of and in full compliance with the provisions, restrictions and limitations of the Constitution and statutes of the State of South Carolina, and pursuant to a resolution duly adopted by the Board of Directors of the Corporation. The City Council of the City has also enacted an ordinance approving the issuance of the Series 2020B Bonds by the Corporation. The City has leased certain real property and conveyed certain improvements thereon to the Corporation under the terms of a Base Lease and Conveyance Agreement dated as of September 1, 2020 (the "**Base Lease**").

Interest is payable to the person in whose name this Series 2020B Bond is registered at the close of business on the 15th day of the calendar month next preceding each Bond Payment Date, except that interest not duly paid or provided for when due shall be payable to the person in whose name this Series 2020B Bond is registered at the close of business on a special record date to be fixed for the payment of defaulted interest. Such defaulted interest shall be payable to the Holder in whose name such Series 2020B Bond is registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed to the Holders of the Series 2020B Bonds not less than 10 days preceding such special record date. Such notice shall be mailed to the Holder in whose name this Series 2020B Bond is registered at the close of business not more than 15 days nor less than 10 days prior

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(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____

(please print or type name and address of Transferee and Social Security or other identifying number of Transferee)

the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

Signature guaranteed: _____

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to the special record date. If the Trustee registers the transfer of this Series 2020B Bond subsequent to the mailing of such notice and on or before the special record date, any such notice of payment of defaulted interest shall be binding upon the transferee and a copy of the notice of payment of defaulted interest shall be delivered by the Trustee to the transferee along with the Series 2020B Bond or Bonds.

Principal of and interest on this Series 2020B Bond are payable in lawful money of the United States of America which on the date of payment thereof is legal tender for the payment of public and private debts. Payments of interest will be made by check or draft drawn upon The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), and mailed to the person entitled thereto. Principal, when due, shall be paid upon surrender of this Series 2020B Bond at the designated corporate trust office of the Trustee.

The Series 2020B Bonds are being issued by means of a book-entry system with no physical distribution of Bond certificates to be made except as provided in the Trust Agreement. One bond certificate with respect to each date on which the Series 2020B Bonds are stated to mature, registered in the name of the Securities Depository Nominee (as defined in the Trust Agreement), is being issued and required to be deposited with the Securities Depository (as defined in the Trust Agreement) and immobilized in its custody. The book-entry system will evidence positions held in the Series 2020B Bonds by the Securities Depository's Participants, beneficial ownership of the Series 2020B Bonds in the principal amount of \$5,000 or any whole multiple thereof being evidenced in the records of such Participants (as defined in the Trust Agreement). Transfers of ownership shall be effected on the records of the Securities Depository and its Participants pursuant to rules and procedures established by the Securities Depository and its Participants. The Corporation and the Trustee will recognize the Securities Depository Nominee, while the registered owner of this Series 2020B Bond, as the owner of this Series 2020B Bond for all purposes, including payments of principal of and redemption premium, if any, and interest on this Series 2020B Bond, notices and voting. Transfer of principal and interest payments to Participants of the Securities Depository will be the responsibility of the Securities Depository, and transfer of principal and interest payments to beneficial owners of the Series 2020B Bonds by Participants of the Securities Depository will be the responsibility of such Participants and other nominees of such beneficial owners. The Corporation will not be responsible or liable for such transfers of payments or for maintaining, supervising or reviewing the records maintained by the Securities Depository, the Securities Depository Nominee, its Participants or persons acting through such Participants. While the Securities Depository Nominee is the owner of this Series 2020B Bond, notwithstanding the provision hereinabove contained, payments of principal of and interest on this Series 2020B Bond shall be made in accordance with existing arrangements between the Trustee or its successors under the Trust Agreement and the Securities Depository.

In the event that the Series 2020B Bonds are not held under a book-entry system, at the written request addressed to the Trustee of the Holder of Series 2020B Bonds in the aggregate principal amount of at least \$1,000,000, interest and redemptions of principal shall be paid by wire transfer to the bank account number filed not later than the Record Date with the Trustee for such purpose.

The Series 2020B Bonds and the interest thereon are limited obligations of the Corporation, do not and shall not constitute a debt or pledge of the faith and credit of the City but shall constitute a limited obligation of the Corporation and shall be payable solely from the Revenues pledged therefor as defined in the Trust Agreement and are secured by said Trust Agreement. The Series 2020B Bonds and the interest thereon shall never constitute an indebtedness or charge against the general credit or taxing powers of the City within the meaning of any constitutional provision or statutory limitation, but shall be payable solely from the funds provided for in the Trust Agreement.

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Pursuant to the Trust Agreement the Corporation has granted to the Trustee for the benefit of the owners of the Series 2020B Bonds, a security interest in the trust estate (as described in the Trust Agreement). The trust estate includes the Revenues (as defined in the Trust Agreement) consisting of the Acquisition Payments (as defined in the Trust Agreement) payable by the City under the Facilities Agreement, any other sums arising under the Facilities Agreement, amounts on deposit from time to time in the funds and accounts created pursuant to the Trust Agreement and the investment income therefrom. On the date hereof, the Corporation has issued its \$26,365,000 Installment Purchase Refunding Revenue Bonds (City of Florence Project), Taxable Series 2020A, secured by the trust estate on a parity with the Series 2020B Bonds. The Trust Agreement further provides that the Corporation may issue additional bonds secured on a parity with the Series 2020B Bonds by the Trust Estate under the terms and conditions and to the extent described in the Trust Agreement. The City's obligation to pay Acquisition Payments under the Facilities Agreement is subject to annual appropriations and the obligation may be terminated at the end of any fiscal year of the City by an Event of Nonappropriation (as defined in the Facilities Agreement). UPON THE OCCURRENCE OF AN EVENT OF NONAPPROPRIATION, THE CITY MAY TERMINATE THE FACILITIES AGREEMENT AT THE END OF THE FISCAL YEAR DURING WHICH SUCH EVENT OF NONAPPROPRIATION OCCURS, AND THE CITY SHALL NOT BE OBLIGATED TO MAKE PAYMENT OF THE ACQUISITION PAYMENTS BEYOND THE END OF SUCH FISCAL YEAR.

Counterparts or copies of the Trust Agreement, the Facilities Agreement, the Base Lease and the other documents referred to herein are on file at the designated corporate trust office of the Trustee in Jacksonville, Florida, and reference is hereby made thereto and to the documents referred to therein for the provisions thereof, including the provisions with respect to the rights, obligations, duties and immunities of the Corporation, the City, the Trustee and the Owners of the Series 2020B Bonds under such documents, the security for the Series 2020B Bonds and the conditions under which additional bonds may be issued thereunder to all of which the Owner hereof, by acceptance of this Series 2020B Bond, assents.

The Series 2020B Bonds are subject to optional redemption prior to maturity as provided in the Trust Agreement, as described in the following paragraph:

In the event the City exercises its option pursuant to the Facilities Agreement to prepay Base Payments, the Series 2020B Bonds maturing on and after November, 2031 may be redeemed in whole or in part at any time on or after November 1, 2030 by the Corporation at a redemption price equal to the principal amount of such Series 2020B Bonds to be redeemed plus accrued interest to the redemption date.

Notice of redemption shall be given by the Trustee by first class mail, postage prepaid, to the Holders of the Series 2020B Bonds to be redeemed at their addresses appearing on the Register maintained by the Trustee, said mailing to be not less than 30 days, but not more than 60 days, prior to the redemption date. Failure of the Trustee to give any notice of redemption or any defects in such notice shall not affect the validity of the redemption of any other Series 2020B Bonds.

For purposes of any vote, consent, objection, direction, request or other action under the Trust Agreement by Owners (as defined in the Trust Agreement) of a specified amount of the Series 2020B Bonds, an Owner of a Series 2020A Bond will be deemed to hold an amount of Series 2020B Bonds equal to the principal amount thereof. Upon the occurrence of certain Events of Default (as defined in the Trust Agreement), all Series 2020A Bonds may be declared immediately due and payable and thereupon shall become and be immediately due and payable as provided in the Trust Agreement.

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TRUSTEE'S AUTHENTICATION CERTIFICATE

The undersigned Trustee hereby certifies that this is one of the Series 2020B Bonds described in the within-mentioned Trust Agreement.

Date of Authentication: _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Authorized Officer

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The Series 2020B Bonds are issuable only in fully registered form. Subject to the limitations provided for in the Trust Agreement, this Series 2020B Bond may be exchanged for a like aggregate principal amount payable at maturity of Series 2020B Bonds of the same maturity in authorized denominations.

The Series 2020B Bonds are transferable by the Holder thereof in person or by his attorney duly authorized in writing at the principal corporate trust office of the Trustee, but only in the manner and subject to the limitations provided for in the Trust Agreement and upon surrender and cancellation of this Series 2020B Bond. Upon such transfer a new Series 2020B Bond or Bonds of the same maturity and in authorized denominations for the same aggregate principal amount payable at maturity will be issued to the transferee in exchange.

The Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Trust Agreement in connection with the exchange or transfer. The Trustee need not exchange or register the transfer of a Series 2020B Bond which has been selected for redemption and need not exchange or register the transfer of any Series 2020B for a period of 15 days before a selection of Series 2020B Bonds to be redeemed or before any May 1 or November 1.

The Corporation, the City, the Trustee and any paying agent may treat the Holder of this Series 2020B Bond as the absolute owner for the purpose of receiving payment as herein provided and for all other purposes and none of them shall be affected by any notice to the contrary.

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 the issuance of this Series 2020B Bond have existed, have happened and have been performed in due form, time and manner as required by law.

IN WITNESS WHEREOF, the Corporation has caused this Series 2020B Bond to be executed and attested by the manual signatures of its duly authorized officers, and this Series 2020B Bond to be authenticated by the manual signature of an authorized representative of the Trustee, without which authentication this Series 2020B Bond shall not be valid nor entitled to the benefits of the Trust Agreement.

CITY OF FLORENCE PUBLIC FACILITIES
CORPORATION

By: _____
President

Attest:

Secretary

A-10

(FORM OF ASSIGNMENT)

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto _____

(please print or type name and address of Transferee and Social Security or other identifying number of Transferee)

the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

Signature guaranteed:

A-12

DIRECTION TO MAKE DISBURSEMENT

Requisition No. _____

The Bank of New York Mellon Trust Company, N.A.
4655 Salisbury Road, Suite 300
Jacksonville, Florida 32256
Attention: Corporate Trust Department

Re: \$37,335,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project), Series 2020

Gentlemen:

As Trustee under the Trust Agreement dated as of September 1, 2020, between you and City of Florence Public Facilities Corporation (the "**Trust Agreement**"), and in accordance with the provisions of Section 5.3 of the Trust Agreement, you are hereby directed to disburse from the Project Fund the sum of \$ _____, payable to the persons and in the amounts and at the addresses set forth in Schedule I attached hereto, said sums being the amounts due for or attributable to the items described in said Schedule I. Included herewith is documentation supporting the payments requested herein.

In this connection, we further certify to you as follows:

- A. The amounts to be paid hereunder (i) are due and payable, (ii) are costs of the Project Facilities, and (iii) have not been the subject of any previous requisition from the Project Fund.
- B. All representations and warranties of City of Florence (the "**City**") in the Facilities Agreement are true and correct as of the date hereof.
- C. The City is not in default under any provisions of the Facilities Agreement.

Dated this ____ day of _____, 202__.

CITY OF FLORENCE, SOUTH CAROLINA

By: _____
City Representative

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DIRECTION TO MAKE FINAL DISBURSEMENT
AND CERTIFICATE OF COMPLETION

Requisition No. _____

The Bank of New York Mellon Trust Company, N.A.
4655 Salisbury Road, Suite 300
Jacksonville, Florida 32256
Attention: Corporate Trust Department

Re: \$37,335,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project), Series 2020 (the "**Bonds**")

Gentlemen:

As Trustee under the Trust Agreement dated as of September 1, 2020, between you and City of Florence Public Facilities Corporation (the "**Trust Agreement**"), and in accordance with the provisions of Section 5.3 of the Trust Agreement, you are hereby directed to disburse from the Project Fund as the case may be, the total sum of \$ _____, payable to the persons and in the amounts and at the addresses set forth in Schedule I attached hereto, said sum being the total of amounts due for or attributable to the items described in said Schedule I. Said sum represents the final requisition from said Project Fund. Included herewith is documentation supporting the payments requested herein.

In this connection, we further certify to you as follows:

- A. The amounts to be paid hereunder (i) are due and payable, (ii) are for costs of the Project Facilities, and (iii) have not been the subject of any previous requisition from the Project Fund.
- B. All representations and warranties of the City in the Facilities Agreement are true and correct as of the date hereof.
- C. The City is not in default under any provisions of the Facilities Agreement.
- D. The Project Facilities (as defined in the Facilities Agreement) are free and clear of all liens and encumbrances for labor and materials furnished by all contractors, subcontractors and materialmen retained by the City for the Project Facilities [except as provided herein], and [all such contractors, subcontractors and materialmen have been, or upon receipt of amounts being requisitioned herein, will be, paid in full, except as permitted by Section 5.3(c) of the Trust Agreement.][the following claims are presently being contested in good faith by the City, and the following amounts as to each shall be held in reserve in the Project Fund pending the resolution thereof: (describe each claimant, nature of controversy, and amount to be held in reserve in Project Fund).]

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DIRECTION TO MAKE DISBURSEMENT

Issuance Cost Requisition No. _____

The Bank of New York Mellon Trust Company, N.A.
4655 Salisbury Road, Suite 300
Jacksonville, Florida 32256
Attention: Corporate Trust Department

Re: \$37,335,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project), Series 2020 (the "**Bonds**")

Gentlemen:

As Trustee under the Trust Agreement dated as of September 1, 2020, between you and City of Florence Public Facilities Corporation (the "**Trust Agreement**"), and in accordance with the provisions of Section 5.3 of the Trust Agreement, you are hereby directed to disburse from the Project Fund the sum of \$ _____, payable to the persons and in the amounts and at the addresses set forth in Schedule I attached hereto, said sums being the amounts due for or attributable to the items described in said Schedule I. Included herewith is documentation supporting the payments requested herein.

In this connection, we further certify to you as follows:

- A. The amounts to be paid hereunder (i) are due and payable, (ii) are costs of issuance of the Series 2020 Bonds, and (iii) have not been the subject of any previous requisition from the Project Fund.
- B. All representations and warranties of City of Florence Public Facilities Corporation (the "**Corporation**") in the Trust Agreement are true and correct as of the date hereof.
- C. The Corporation is not in default under any provisions of the Trust Agreement.

Dated this ____ day of _____, 202__.

CITY OF FLORENCE PUBLIC FACILITIES CORPORATION

By: _____
Corporation Representative

Approved:

CITY OF FLORENCE, SOUTH CAROLINA

By: _____
City Representative

C-1

We further certify to you that the Project Facilities have been substantially completed in accordance with all Project Facilities Contracts (as defined in the Facilities Agreement) and the terms and conditions of the Facilities Agreement, and that the Project Facilities as completed comply in all material respects with all applicable governmental regulations.

Dated this ____ day of _____, 202__.

CITY OF FLORENCE, SOUTH CAROLINA

By: _____
City Representative

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APPENDIX D

FORM OF OPINIONS OF BOND COUNSEL

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FORM OF BOND COUNSEL OPINION FOR SERIES 2020A BONDS

[Date of Closing]

City of Florence, South Carolina

City of Florence Public Facilities Corporation

Re: \$26,365,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project), Taxable Series 2020A

Ladies and Gentlemen:

We have acted at the request of the City of Florence, South Carolina (the "**City**") as bond counsel in connection with the issuance and delivery by City of Florence Public Facilities Corporation, a nonprofit corporation organized and existing under the laws of the State of South Carolina (the "**Issuer**"), of its captioned bonds dated the date hereof (the "**Series 2020A Bonds**"). The Series 2020A Bonds are being issued by the Issuer pursuant to the Constitution and laws of the State of South Carolina and a Trust Agreement, dated as of September 1, 2020 (the "**Trust Agreement**"), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"). All capitalized terms used and not defined herein have the meanings provided for such terms in the Trust Agreement.

The Series 2020A Bonds are being issued for the purpose of providing funds to defray the cost of (i) the payment of the City's \$3,025,000 General Obligation Bond Anticipation Note, Taxable Series 2019A and \$4,340,000 General Obligation Bond Anticipation Note, Tax-Exempt Series 2019B, dated November 26, 2019; (ii) acquiring, constructing, renovating and equipping certain municipal facilities; and (iii) the costs of issuing the Series 2020A Bonds. The Issuer has leased certain land upon which is located the recreation complex known as Freedom Florence (the "**Existing Facilities**") as well as land upon which will be located a municipal parking garage (the "**Municipal Parking Garage**") pursuant to a Base Lease and Conveyance Agreement dated as of September 1, 2020 (the "**Base Lease**") between the City, as lessor, and the Issuer, as lessee. The City is purchasing the Municipal Parking Garage and the Existing Facilities from the Issuer pursuant to a Municipal Facilities Purchase and Occupancy Agreement (the "**Facilities Agreement**"), dated as of September 1, 2020, between the Issuer, as seller, and the City, as purchaser.

The Series 2020A Bonds are being issued as fully registered bonds in book-entry only form, will bear interest payable at the rates and at the times, and will be subject to redemption prior to maturity, all as provided in the Trust Agreement.

In our capacity as Bond Counsel we have examined the Constitution and the laws of the State of South Carolina, executed counterparts of the Base Lease, the Facilities Agreement, the Trust Agreement, certain other proofs submitted to us by the City, the Issuer and the Trustee, and such other laws, documents, instruments, proceedings and opinions as we have deemed relevant in rendering the opinions hereinafter expressed.

In such capacity we have relied upon the opinions of even date herewith of counsel to the Issuer with respect to the execution and delivery of the Base Lease, the Facilities Agreement and the Trust Agreement by and as to the Issuer, and counsel to the City with respect to the execution and delivery of the Base Lease and the Facilities Agreement by and as to the City. Our services as Bond Counsel in connection with the issuance of the Series 2020A Bonds have been limited to rendering the opinions hereinafter expressed based on our review of such proceedings and documents, instruments, proceedings and opinions, as we deem necessary to approve the validity of the Series 2020A Bonds. In rendering the following opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records and certifications, documents and other proceedings.

Based on such examination, and upon such reliance, we are of the opinion, under existing laws, regulations and judicial decisions, that:

1. The Base Lease has been duly authorized, executed and delivered and constitutes a valid and binding obligation of the City and the Issuer enforceable in accordance with its terms.

2. The Facilities Agreement has been duly authorized, executed and delivered and constitutes a valid and binding obligation of the City and the Issuer enforceable in accordance with its terms, provided, however, that the obligations of the City for the payment of Base Payments and Additional Payments under the Facilities Agreement are payable from annually appropriated funds of the City. The continuation of the Facilities Agreement beyond each fiscal year of the City and the City's obligation to pay Base Payments and Additional Payments in each fiscal year are subject to and dependent upon annual appropriations of sufficient funds therefor by the City Council.

3. The Trust Agreement has been duly authorized, executed and delivered and is valid and binding upon the Issuer. All right, title and interest of the Issuer in and to the Trust Estate have been validly pledged and assigned to the Trustee, and the Trust Agreement creates a valid security interest in the Trust Estate.

4. The Series 2020A Bonds have been duly authorized, executed and delivered and constitute the legal, valid and binding special limited obligations of the Issuer, payable by the Issuer solely from the Trust Estate and sources described in the Trust Agreement. The Series 2020A Bonds are entitled to the benefits and security of the Trust Agreement for the payment thereof in accordance with the terms of the Trust Agreement.

5. The City has approved the issuance and the sale of the Series 2020A Bonds by the Issuer.

6. The principal of and interest on the Series 2020A Bonds are not payable from the general funds of the City, nor do they constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of its property or upon any of its income, receipts or revenues, except for Base Payments and Additional Payments paid by the City under the Facilities Agreement and the funds that are pledged under the Trust Agreement. Neither the credit nor the taxing power of the State or any political subdivision thereof, including without limitation the City, is pledged for the payment of the principal of or interest on the Series 2020A Bonds, and no owner of the Series 2020A Bonds has the right to compel the exercise of the taxing power by the State or any political subdivision thereof, including without limitation the City, or the forfeiture of any of its property in connection with any default thereon.

7. The Series 2020A Bonds and the interest thereon are exempt from all State, county, school district, municipal, and all other taxes or assessments of the State of South Carolina, except for inheritance, estate, transfer or certain franchise taxes.

We express no opinion herein as to any other federal or state or local tax consequences to holders of the Series 2020A Bonds, except as discussed above.

It is to be understood that the rights of the owners of the Series 2020A Bonds and the enforceability of the Base Lease, the Facilities Agreement, the Trust Agreement and the Series 2020A Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, now or hereafter in effect, and by equitable principles, whether considered at law or in equity, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Preliminary Official Statement or the Official Statement relating to the Series 2020A Bonds.

The opinions expressed above are given as of the date hereof and we assume no obligation to update, revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

FORM OF BOND COUNSEL OPINION FOR SERIES 2020B BONDS

[Date of Closing]

City of Florence, South Carolina

City of Florence Public Facilities Corporation

Re: \$10,970,000 City of Florence Public Facilities Corporation Installment Purchase Refunding
Revenue Bonds (City of Florence Project), Series 2020B

Ladies and Gentlemen:

We have acted at the request of the City of Florence, South Carolina (the "**City**") as bond counsel in connection with the issuance and delivery by City of Florence Public Facilities Corporation, a nonprofit corporation organized and existing under the laws of the State of South Carolina (the "**Issuer**"), of its captioned bonds dated the date hereof (the "**Series 2020B Bonds**"). The Series 2020B Bonds are being issued by the Issuer pursuant to the Constitution and laws of the State of South Carolina and a Trust Agreement, dated as of September 1, 2020 (the "**Trust Agreement**"), by and between the Issuer and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"). All capitalized terms used and not defined herein have the meanings provided for such terms in the Trust Agreement.

The Series 2020B Bonds are being issued for the purpose providing funds to (i) refinance the Issuer's outstanding Installment Purchase Revenue Bond (City of Florence Project), Series 2017; and (ii) pay the costs of issuing the Series 2020B Bonds. The Issuer has leased certain land upon which is located the recreation complex known as Freedom Florence (the "**Existing Facilities**") as well as land upon which will be located a municipal parking garage (the "**Municipal Parking Garage**") pursuant to a Base Lease and Conveyance Agreement dated as of September 1, 2020 (the "**Base Lease**") between the City, as lessor, and the Issuer, as lessee. The City is purchasing the Municipal Parking Garage and the Existing Facilities from the Issuer pursuant to a Municipal Facilities Purchase and Occupancy Agreement (the "**Facilities Agreement**"), dated as of September 1, 2020, between the Issuer, as seller, and the City, as purchaser.

The Series 2020B Bonds are being issued as fully registered bonds in book-entry only form, will bear interest payable at the rates and at the times, and will be subject to redemption prior to maturity, all as provided in the Trust Agreement.

In our capacity as Bond Counsel we have examined the Constitution and the laws of the State of South Carolina, executed counterparts of the Base Lease, the Facilities Agreement, the Trust Agreement, certain other proofs submitted to us by the City, the Issuer and the Trustee, and such other laws, documents, instruments, proceedings and opinions as we have deemed relevant in rendering the opinions hereinafter expressed.

In such capacity we have relied upon the opinions of even date herewith of counsel to the Issuer with respect to the execution and delivery of the Base Lease, the Facilities Agreement and the Trust Agreement by and as to the Issuer, and counsel to the City with respect to the execution and delivery of the Base Lease and the Facilities Agreement by and as to the City. Our services as Bond Counsel in connection with the issuance of the Series 2020B Bonds have been limited to rendering the opinions hereinafter expressed based on our review of such proceedings and documents, instruments, proceedings and opinions, as we deem necessary to approve the validity of the Series 2020B Bonds and the tax-exempt status of interest thereon. In rendering the following opinions, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records and certifications, documents and other proceedings.

Based on such examination, and upon such reliance, we are of the opinion, under existing laws, regulations and judicial decisions, that:

1. The Base Lease has been duly authorized, executed and delivered and constitutes a valid and binding obligation of the City and the Issuer enforceable in accordance with its terms.

2. The Facilities Agreement has been duly authorized, executed and delivered and constitutes a valid and binding obligation of the City and the Issuer enforceable in accordance with its terms, provided, however, that the obligations of the City for the payment of Base Payments and Additional Payments under the Facilities Agreement are payable from annually appropriated funds of the City. The continuation of the Facilities Agreement beyond each fiscal year of the City and the City's obligation to pay Base Payments and Additional Payments in each fiscal year are subject to and dependent upon annual appropriations of sufficient funds therefor by the City Council.

3. The Trust Agreement has been duly authorized, executed and delivered and is valid and binding upon the Issuer. All right, title and interest of the Issuer in and to the Trust Estate have been validly pledged and assigned to the Trustee, and the Trust Agreement creates a valid security interest in the Trust Estate.

4. The Series 2020B Bonds have been duly authorized, executed and delivered and constitute the legal, valid and binding special limited obligations of the Issuer, payable by the Issuer solely from the Trust Estate and sources described in the Trust Agreement. The Series 2020B Bonds are entitled to the benefits and security of the Trust Agreement for the payment thereof in accordance with the terms of the Trust Agreement.

5. The City has approved the issuance and the sale of the Series 2020B Bonds by the Issuer.

6. The principal of and interest on the Series 2020B Bonds are not payable from the general funds of the City, nor do they constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of its property or upon any of its income, receipts or revenues, except for Base Payments and Additional Payments paid by the City under the Facilities Agreement and the funds that are pledged under the Trust Agreement. Neither the credit nor the taxing power of the State or any political subdivision thereof, including without limitation the City, is pledged for the payment of the principal of or interest on the Series 2020B Bonds, and no owner of the Series 2020B Bonds has the right to compel the exercise of the taxing power by the State or any political subdivision thereof, including without limitation the City, or the forfeiture of any of its property in connection with any default thereon.

7. Interest on the Series 2020B Bonds (including any original issue discount properly allocable to an owner thereof) is excludable from gross income of the registered owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The opinion set forth in the preceding sentence is subject to the condition that the City complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Series 2020B Bonds in order that interest thereon be (or continue to be) excludable from gross income for federal income tax purposes. Failure to comply with certain of such requirements may cause interest on the Series 2020B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2020B Bonds. The City has covenanted to comply with all such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Series 2020B Bonds.

8. The Series 2020B Bonds and the interest thereon (including any original issue discount properly allocable to an owner thereof) are exempt from all State, county, school district, municipal, and all other taxes or assessments of the State of South Carolina, except for inheritance, estate, transfer or certain franchise taxes.

We express no opinion herein as to any other federal or state or local tax consequences to holders of the Series 2020B Bonds, except as discussed above.

It is to be understood that the rights of the owners of the Series 2020B Bonds and the enforceability of the Base Lease, the Facilities Agreement, the Trust Agreement and the Series 2020B Bonds may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, now or hereafter in effect, and by equitable principles, whether considered at law or in equity, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We express no opinion herein as to the accuracy, adequacy or completeness of the Preliminary Official Statement or the Official Statement relating to the Series 2020B Bonds.

The opinions expressed above are given as of the date hereof and we assume no obligation to update, revise or supplement such opinions to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

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APPENDIX E

FORM OF DISCLOSURE DISSEMINATION AGENT AGREEMENT

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated as of September 9, 2020, is executed and delivered by the City of Florence, South Carolina (the "Issuer") and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to assist the Issuer in processing certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Issuer through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Issuer or anyone on the Issuer's behalf regarding the 'issuance of municipal securities' or any 'municipal financial product' as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. DAC is not a 'Municipal Advisor' as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report containing Annual Financial Information described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the annual financial statements of the Issuer for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i)(B) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the obligations as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Issuer and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C., acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Issuer pursuant to Section 9 hereof.

"Disclosure Representative" means the Assistant City Manager of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Issuer's failure to file an Annual Report on or before the Annual Filing Date.

"Financial Obligation" as used in this Disclosure Agreement is defined in the Rule as (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (i) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (ii) treated as the owner of any Bonds for federal income tax purposes.

"Information" means, collectively, the Annual Reports, the Audited Financial Statements, the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"MSRB" means the Municipal Securities Rulemaking Board or any successor thereto established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person, including the Issuer, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown in Exhibit A.

"Official Statement" means that Official Statement prepared by the Issuer in connection with the Bonds, as listed on Exhibit A.

"Trustee" means the institution, if any, identified as such in the document under which the Bonds were issued.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(10) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports and Other Disclosures.

(a) The Issuer shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual

Report to the MSRB not later than seven months after the end of each fiscal year of the Issuer, commencing with the fiscal year ending June 30, 2020. Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Issuer of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Issuer will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 10:00 a.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Issuer irrevocably directs the Disclosure Dissemination Agent to immediately send a Failure to File Event notice to the MSRB in substantially the form attached as Exhibit B, without reference to the anticipated filing date for the Annual Report, which may be accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the Issuer are prepared but not available prior to the Annual Filing Date, the Issuer shall, when the Audited Financial Statements are available, provide at such time an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification, together with a copy for the Trustee, for filing with the MSRB.

The Disclosure Dissemination Agent shall:

- (i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;
- (ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) hereof with the MSRB;
- (iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) hereof with the MSRB;
- (iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) hereof with the MSRB, identifying the Notice Event as instructed by the Issuer pursuant to Section 4(a) or 4(b)(ii) hereof (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:
 - 1. "Principal and interest payment delinquencies;"
 - 2. "Non-Payment related defaults, if material;"
 - 3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
 - 4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
 - 5. "Substitution of credit or liquidity providers, or their failure to perform;"
 - 6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
 - 7. "Modifications to rights of securities holders, if material;"
 - 8. "Bond calls, if material, and tender offers;"
 - 9. "Defeasances;"
 - 10. "Release, substitution, or sale of property securing repayment of the securities, if material;"

11. "Rating changes;"
 12. "Bankruptcy, insolvency, receivership or similar event of the Obligated Person;"
 13. "Merger, consolidation, or acquisition of the Obligated Person, if material;"
 14. "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
 15. "Incurrence of a Financial Obligation of the Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligated Person, any of which affect security holders, if material;" and
 16. "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Obligated Person, any of which reflect financial difficulties."
- (v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as "Failure to provide annual financial information as required" when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;
- (vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) hereof with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Issuer pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:
1. "amendment to continuing disclosure undertaking;"
 2. "change in obligated person;"
 3. "notice to investors pursuant to bond documents;"
 4. "certain communications from the Internal Revenue Service" other than those communications included in the Rule;
 5. "secondary market purchases;"
 6. "bid for auction rate or other securities;"
 7. "capital or other financing plan;"
 8. "litigation/enforcement action;"
 9. "change of tender agent, remarketing agent, or other on-going party;" and
 10. "other event-based disclosures."
- (vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) hereof with the MSRB, identifying the Voluntary Financial Disclosure as instructed by the Issuer pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:
1. "quarterly/monthly financial information;"
 2. "timing of annual disclosure (120 days);"
 3. "change in fiscal year/timing of annual disclosure;"
 4. "change in accounting standard;"
 5. "interim/additional financial information/operating data;"
 6. "budget;"
 7. "investment/debt/financial policy;"
 8. "information provided to rating agency, credit/liquidity provider or other third party;"
 9. "consultant reports;" and
 10. "other financial/operating data."
- (viii) provide the Issuer evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Issuer may adjust the Annual Filing Date upon change of its fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent, Trustee (if any) and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Anything in this Disclosure Agreement to the contrary notwithstanding, any Information received by the Disclosure Dissemination Agent before 10:00 a.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. Content of Annual Reports. (a) Each Annual Report shall contain Annual Financial Information with respect to the Issuer, including the information provided in Appendix B to the Official Statement under the headings:

- (a) Assessed Value/Taxable Property;
- (b) Tax Rates;
- (c) Tax Collections for Last Five Years; and
- (d) Ten largest taxpayers for City.

(b) Audited Financial Statements as described in the Official Statement will be included in the Annual Report. If Audited Financial Statements are not available, then unaudited financial statements, prepared in accordance with GAAP or alternate accounting principles as described in the Official Statement, will be included in the Annual Report. In such event, Audited Financial Statements will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an Obligated Person (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB Internet Website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer will clearly identify each such document so incorporated by reference.

If the Annual Financial Information contains modified operating data or financial information different from the Annual Financial Information agreed to in this Disclosure Agreement, the Issuer is required to explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other

material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bond holders, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution, or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a)(12) of this Section 4: For the purposes of the event described in subsection (a)(12) of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material;
15. Incurrence of a Financial Obligation of an Obligated Person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of an Obligated Person, any of which affect security holders, if material; and
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of an Obligated Person, any of which reflect financial difficulties.

The Issuer shall, in a timely manner not later than nine business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Issuer or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Issuer determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that either (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with the MSRB in accordance with Section 2(e)(iv) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. CUSIP Numbers. The Issuer will provide the Dissemination Agent with the CUSIP numbers for (i) new bonds at such time as they are issued or become subject to the Rule and (ii) any Bonds to which new CUSIP numbers are assigned in substitution for the CUSIP numbers previously assigned to such Bonds.

SECTION 6. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Issuer acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. Voluntary Filing.

(a) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Issuer may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Issuer desires to make, contain the written authorization of the Issuer for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Issuer desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Issuer as prescribed in this Section 7(b) hereof to file a Voluntary Financial Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice may be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(c) The parties hereto acknowledge that the Issuer is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(d) Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Issuer chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Issuer shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Issuer and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the Issuer is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel expert in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Issuer has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent and the Trustee, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Issuer or DAC, the Issuer agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Issuer shall remain liable to the Disclosure Dissemination Agent until payment in full, for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Issuer.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Issuer or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Disclosure Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Issuer has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Issuer and shall not be deemed to be acting in any fiduciary capacity for the Issuer, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Issuer's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Issuer has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Issuer at all times.

The obligations of the Issuer under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Issuer.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws acceptable to both the Issuer and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Issuer nor the Disclosure Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Issuer. No such amendment shall become effective if the Issuer shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, if any, for the Bonds, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

The Disclosure Dissemination Agent and the Issuer have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C., as
Disclosure Dissemination Agent

By: _____
Name: _____
Title: _____

CITY OF FLORENCE, SOUTH CAROLINA

By: _____
Assistant City Manager

EXHIBIT A
NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer: City of Florence, South Carolina

Obligated Person(s): City of Florence, South Carolina

Name of Issue: \$37,335,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Series 2020

Date of Issuance: September 9, 2020

Date of Official Statement: August 26, 2020

CUSIP Numbers:

\$26,365,000 Taxable Series 2020A Bonds

<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>	<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>
2021	\$ 530,000	340325AN9	2030	\$1,380,000	340325AX7
2022	535,000	340325AP4	2031	1,410,000	340325AY5
2023	545,000	340325AQ2	2032	1,445,000	340325AZ2
2024	1,230,000	340325AR0	2033	1,475,000	340325BA6
2025	1,255,000	340325AS8	2034	1,510,000	340325BB4
2026	1,265,000	340325AT6	2035	1,555,000	340325BC2
2027	1,300,000	340325AU3	2040	3,805,000	340325BD0
2028	1,325,000	340325AV1	2045	4,455,000	340325BE8
2029	1,345,000	340325AW9			

\$10,970,000 Series 2020B Bonds

<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>	<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>
2021	\$710,000	340325AA7	2027	\$ 935,000	340325AG4
2022	745,000	340325AB5	2028	975,000	340325AH2
2023	785,000	340325AC3	2029	1,000,000	340325AJ8
2024	825,000	340325AD1	2030	1,035,000	340325AK5
2025	865,000	340325AE9	2031	1,075,000	340325AL3
2026	900,000	340325AF6	2032	1,120,000	340325AM1

EXHIBIT B
NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Florence, South Carolina

Obligated Person(s): City of Florence, South Carolina (the "Issuer")

Name of Issue: \$37,335,000 City of Florence Public Facilities Corporation Installment Purchase Revenue Bonds (City of Florence Project) Series 2020

Date of Issuance: September 9, 2020

CUSIP Numbers:

\$26,365,000 Taxable Series 2020A Bonds

<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>	<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>
2021	\$ 530,000	340325AN9	2030	\$1,380,000	340325AX7
2022	535,000	340325AP4	2031	1,410,000	340325AY5
2023	545,000	340325AQ2	2032	1,445,000	340325AZ2
2024	1,230,000	340325AR0	2033	1,475,000	340325BA6
2025	1,255,000	340325AS8	2034	1,510,000	340325BB4
2026	1,265,000	340325AT6	2035	1,555,000	340325BC2
2027	1,300,000	340325AU3	2040	3,805,000	340325BD0
2028	1,325,000	340325AV1	2045	4,455,000	340325BE8
2029	1,345,000	340325AW9			

\$10,970,000 Series 2020B Bonds

<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>	<u>November 1</u>	<u>Principal Amount</u>	<u>CUSIP</u>
2021	\$710,000	340325AA7	2027	\$ 935,000	340325AG4
2022	745,000	340325AB5	2028	975,000	340325AH2
2023	785,000	340325AC3	2029	1,000,000	340325AJ8
2024	825,000	340325AD1	2030	1,035,000	340325AK5
2025	865,000	340325AE9	2031	1,075,000	340325AL3
2026	900,000	340325AF6	2032	1,120,000	340325AM1

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Dissemination Agent Agreement, dated as of September 9, 2020, between the Issuer and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. The Issuer has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by _____.

Dated: _____

Digital Assurance Certification, L.L.C., as Disclosure
Dissemination Agent, on behalf of the City of Florence,
South Carolina

cc: Issuer
Obligated Persons

**EXHIBIT C-1
EVENT NOTICE COVER SHEET**

This cover sheet and accompanying "event notice" may be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

Number of pages attached: _____

____ Description of Notice Events (Check One):

1. _____ "Principal and interest payment delinquencies;"
2. _____ "Non-Payment related defaults, if material;"
3. _____ "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. _____ "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. _____ "Substitution of credit or liquidity providers, or their failure to perform;"
6. _____ "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. _____ "Modifications to rights of securities holders, if material;"
8. _____ "Bond calls, if material;"
9. _____ "Defeasances;"
10. _____ "Release, substitution, or sale of property securing repayment of the securities, if material;"
11. _____ "Rating changes;"
12. _____ "Tender offers;"
13. _____ "Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14. _____ "Merger, consolidation, or acquisition of the obligated person, if material;"
15. _____ "Appointment of a successor or additional trustee, or the change of name of a trustee, if material;"
16. _____ "Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material;" and
17. _____ "Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street, Suite 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of September 9, 2020, between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1. _____ "amendment to continuing disclosure undertaking;"
2. _____ "change in obligated person;"
3. _____ "notice to investors pursuant to bond documents;"
4. _____ "certain communications from the Internal Revenue Service;"
5. _____ "secondary market purchases;"
6. _____ "bid for auction rate or other securities;"
7. _____ "capital or other financing plan;"
8. _____ "litigation/enforcement action;"
9. _____ "change of tender agent, remarketing agent, or other on-going party; and"
10. _____ "other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date:

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" may be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated as of September 9, 2020 between the Issuer and DAC.

Issuer's and/or Other Obligated Person's Name:

Issuer's Six-Digit CUSIP Number:

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

Number of pages attached: _____

_____ Description of Voluntary Financial Disclosure (Check One):

1. _____ "quarterly/monthly financial information;"
2. _____ "change in fiscal year/timing of annual disclosure;"
3. _____ "change in accounting standard;"
4. _____ "interim/additional financial information/operating data;"
5. _____ "budget;"
6. _____ "investment/debt/financial policy;"
7. _____ "information provided to rating agency, credit/liquidity provider or other third party;"
8. _____ "consultant reports;" and
9. _____ "other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

Name: _____ Title: _____

Digital Assurance Certification, L.L.C.
315 E. Robinson Street
Suite 300
Orlando, FL 32801
407-515-1100

Date:

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