

93-R-292

MARION COUNTY, FLORIDA

UTILITIES SYSTEM REVENUE BOND RESOLUTION

ADOPTED NOVEMBER 30, 1993

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EXHIBIT A -- DESCRIPTION OF THE INITIAL PROJECT

93-R-292
RESOLUTION

A RESOLUTION AUTHORIZING THE ISSUANCE BY MARION COUNTY, FLORIDA OF NOT EXCEEDING \$12,320,000 IN AGGREGATE PRINCIPAL AMOUNT OF UTILITIES SYSTEM REVENUE BONDS, SERIES 1993, TO FINANCE THE COST OF THE ACQUISITION OF AND THE CONSTRUCTION AND ACQUISITION OF CERTAIN ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE GENERAL DEVELOPMENT UTILITIES WATER AND SEWER SYSTEM; PLEDGING THE NET REVENUES OF THE UTILITIES SYSTEM TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID BONDS; AND PROVIDING FOR AN EFFECTIVE DATE FOR THIS RESOLUTION.

BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF MARION COUNTY, FLORIDA:

ARTICLE I

GENERAL

SECTION 1.01. DEFINITIONS. When used in this Resolution, the following terms shall have the following meanings, unless the context clearly otherwise requires:

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year.

"Act" shall mean Chapter 125, Florida Statutes, and other applicable provisions of law.

"Additional Bonds" shall mean the obligations issued at any time under the provisions of Section 6.02 hereof on a parity with the Series 1993 Bonds.

"Additional Project" shall mean any structure, property or facility for public use commonly understood to be a part of a water and sewer system which the Issuer from time to time may determine to construct or acquire as part of the System, together with all equipment, structures and other facilities necessary or appropriate in connection therewith which are financed in whole or in part with the indebtedness secured by this Resolution. This term is to be broadly construed as including any lawful undertaking which will accrue to the benefit of the System, including joint ventures and acquisition of partial interests or contractual rights, and including modification, disposal or cancellation of a Project previously authorized, should such modification, disposal or cancellation be permitted under this Resolution.

"Administrative Expenses" shall mean those expenses for general county administration of the System properly allocable as an operating expense to the System, including audit fees, legal fees and financial expenses.

"Amortization Installment" shall mean an amount designated as such by Supplemental Resolution of the Issuer and established with respect to the Term Bonds.

"Annual Audit" shall mean the annual audit prepared pursuant to the requirements of Section 5.06 hereof.

"Annual Budget" shall mean the annual budget, balanced as to revenues and expenses, prepared pursuant to the requirements of Section 5.03 hereof.

"Annual Debt Service" shall mean, at any time, the aggregate amount in the then current Fiscal Year of (1) interest required to be paid on the Outstanding Bonds during such Fiscal Year, except to the extent that such interest is to be paid from amounts in the Payment Subaccount derived from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such Fiscal Year, (3) the Amortization Installments herein designated with respect to such Fiscal Year and (4) any amounts owed by the Issuer to the issuer of such Reserve Subaccount Credit Instrument as a result of a draw thereon or a claim thereunder; provided that in computing such Annual Debt Service for any future period, any Variable Rate Bonds shall be deemed to bear interest at all times to the maturity thereof at a constant rate of interest equal to the lesser of (i) the interest rate for 30-year revenue bonds published by The Bond Buyer no more than two weeks prior to the sale of the additional parity Variable Rate Bonds, plus 50 basis points or (ii) the Maximum Interest Rate. For purposes of this definition, all amounts payable on a Capital Appreciation Bond shall be considered a principal payment due in the year it becomes due.

"Authorized Investments" shall mean any of the following, if and to the extent that the same are at the time legal for investment of funds of the Issuer:

(A) Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee ("Direct Obligations");

(b) Direct Obligations and fully guaranteed certificates of beneficial interest of the Export-Import Bank of the United States; consolidated debt obligations and letter of credit backed issues of the Federal Home Loan Banks; participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation ("FHLMCs"); debentures of the Federal Housing Administration; mortgage-backed securities (except stripped mortgage securities which are valued greater than par on the portion of unpaid principal) and senior debt obligations of the Federal National Mortgage Association ("FNMA"); participation certificates of the General Services Administration; guaranteed mortgage-backed securities and guaranteed participation certificates of the Government National Mortgage Association ("GNMA"); guaranteed participation certificates and guaranteed pool certificates of the Small Business Administration; debt obligations and letter of credit-backed issues of the Student Loan Marketing Association; local authority bonds of the U.S. Department of Housing & Urban Development; guaranteed Title XI financings of the U.S. Maritime Administration; guaranteed transit bonds of the Washington Metropolitan Area Transit Authority; Resolution Funding Corporation securities.

(c) Direct Obligations of any state of the United States of America or any subdivision or agency thereof whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by Standard & Poor's, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured, uninsured and unguaranteed general obligation debt is rated, at the time of purchase, "A" or better by Moody's and "A" or better by Standard & Poor's;

(d) Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, "P-1" by Moody's and "A-1" or better by Standard & Poor's;

(e) Federal funds, unsecured certificates of deposit, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect

that full and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by Standard & Poor's.

(f) Deposits of any bank or savings and loan association which has combined capital, surplus and undivided profits of not less than \$3 million, provided such deposits are continuously and fully insured by the Bank Insurance Fund or the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation;

(g) Investments in money-market funds rated "AAAm" or "AAAm-G" by Standard & Poor's;

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

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

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

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

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

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

(i) Units of participation in the Local Government Surplus Funds Trust Fund established pursuant to Part IV, Chapter 218, Florida Statutes, or any similar common trust fund which is established pursuant to State law as a legal depository of public moneys.

(j) Investments pursuant to the Florida Arbitrage and Investment Management Trust established by a Declaration of Trust, made as of April 10, 1992, by the School Board of Escambia County, Florida, the City of Lakeland, Florida and the City of Fort Lauderdale, Florida.

(k) Any other investment authorized under the laws of the State of Florida and approved by the Credit Facility Issuer, if any.

"Authorized Issuer Officer" shall mean, with respect to required certificates for disbursements from the Project Account, the County engineer, and otherwise, the Clerk; provided, that if the System is transferred from Marion County to another governmental entity, the Authorized Issuer Officer shall be the executive director of such entity or his designee. When used in reference to any act or document, the Authorized Issuer Officer shall be any person authorized by resolution of the Issuer to perform such act or sign such document.

"Bond Counsel" shall mean any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on obligations issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

"Bond Insurance Policy" shall mean the municipal bond insurance policy or policies issued by an Insurer guaranteeing the scheduled payment of the principal of and interest on any portion of the Bonds.

"Bond Year" shall mean the period commencing on and ending on the dates specified by Supplemental Resolution of the Issuer.

"Bondholder" or **"Holder"** or **"holder"** or any similar term, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds as provided in the registration books of the Issuer.

"Bonds" shall mean the Series 1993 Bonds, together with any Additional Bonds issued pursuant to this Resolution and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 6.04 hereof.

"Business Day" shall mean any day other than a Saturday, Sunday or a day on which the Insurance Trustee is authorized by law to remain closed.

"Capital Appreciation Bonds" shall mean those Bonds so designated by Supplemental Resolution of the Issuer, which may be either Serial Bonds or Term Bonds and which shall bear interest payable at maturity or redemption. In the case of Capital Appreciation Bonds that are convertible to Bonds with interest payable prior to maturity or redemption of such Bonds, such Bonds shall be considered Capital Appreciation Bonds only during the period of time prior to such conversion.

"Chairman" shall mean the Chairman or Vice Chairman of the Governing Body and such other person as may be duly authorized to act on his or her behalf.

"Clerk" shall mean the Clerk of the Governing Body and such other person as may be duly authorized to act on his or her behalf, or, if the Issuer is no longer the County, the Clerk, Secretary or other officers having similar duties of such successor entity.

"Code" shall mean the Internal Revenue Code of 1986, as amended, and the regulations and rules thereunder in effect or proposed.

"Connection Fees" shall mean the Sewer Connection Fees and Water Connection Fees.

"Consulting Engineers" shall mean any engineering firm of favorable reputation for skill and experience with respect to the construction and operation of facilities similar to the System, which is duly licensed under the laws of the State of Florida and designated by the Issuer to perform the duties of the Consulting Engineers under the provisions hereof.

"Cost", when used in connection with a Project, shall mean (1) the Issuer's cost of physical construction; (2) costs of acquisition by or for the Issuer of such Project; (3) costs of land and interests therein and the cost of the Issuer incidental to such acquisition; (4) the cost of any indemnity and surety bonds and premiums for insurance during construction; (5) all interest due to be paid on the Bonds and other obligations relating to the System during the period of construction of such Project and for a reasonable period thereafter not exceeding 12 months; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses of the financing, including audits, fees and expenses of any Paying Agent, Registrar, Insurer, Credit Bank or depository; (8) amounts, if any, required by this Resolution to be paid into the Payment Subaccount upon the issuance of any Series of Bonds; (9) payments, when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the Issuer (other than the Bonds) incurred for a

Project for the System; (10) costs of machinery, equipment and supplies required by the Issuer for the completion of such Project; and (11) any other costs properly attributable to such construction or acquisition, as determined by generally accepted accounting principles applicable to water and sewer utility systems, and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer. Any Supplemental Resolution may provide for additional items to be included in the aforesaid Costs.

"Credit Bank" shall mean as to any particular Series of Bonds, the Person (other than an Insurer) providing a letter of credit, a line of credit or another credit or liquidity enhancement facility, as designated in the Supplemental Resolution providing for the issuance of such Bonds.

"Credit Facility" shall mean as to any particular Series of Bonds, a letter of credit, a line of credit or another credit or legal liquidity enhancement facility (other than an insurance policy issued by an Insurer), as approved in the Supplemental Resolution providing for the issuance of such Bonds.

"Debt Service Account" shall mean the account established pursuant to Section 4.04(C) hereof.

"Federal Securities" shall mean non-callable obligations described in paragraph (1) of the definition of "Authorized Investments." "Federal Securities" shall also include direct obligations of the United States Treasury, Treasury Receipts, CATS, STRPS, Refcorp interest strips and TIGRS; provided such obligations do not permit redemption prior to maturity at the option of the obligor.

"Fiscal Year" shall mean the period commencing on October 1 of each year and continuing through the next succeeding September 30, or such other period as may be prescribed by law.

"GDU System" shall mean the utility system being purchased pursuant to the Purchase Agreement, commonly known as the Silver Springs Shores Water and Sewer System.

"Governing Body" shall mean (1) the Board of County Commissioners of Marion County or (2) if the System is transferred to a Special District pursuant to Section 5.19 hereof, the governing body of the Special District.

"Government Grant", when used with respect to the System, shall mean any sum of money (including any loan) heretofore or hereafter received by the Issuer from the United States of America or any agency thereof or from the State of Florida or any agency or political subdivision thereof as or on account of a grant or contribution, not repayable by the Issuer, for or with respect to (1) the construction, acquisition or other development of an addition, extension or improvement to any part of the System or any

costs of any such construction, acquisition or development, or (2) the financing of any such construction, acquisition, development or costs.

"Gross Revenues" shall mean all income and moneys received by the Issuer from the rates, fees, rentals, charges and other income to be made and collected by the Issuer for the use of the products, services and facilities to be provided by the System, or otherwise received by the Issuer or accruing to the Issuer in the management and operation of the System, calculated in accordance with generally accepted accounting principles employed in the operation of water and sewer systems similar to the System, including, without limiting the generality of the foregoing, (1) moneys deposited from the Rate Stabilization Account into the Revenue Account, (2) all earnings and income derived from the investment of moneys under the provisions of this Resolution which are deposited or credited to the funds and accounts established hereunder, other than the Project Account and Rebate Account, and (3) payments made by developers to the Issuer for reservation of capacity and similar such charges. "Gross Revenues" shall not include (1) Government Grants and investment earnings thereon, (2) Water Connection Fees and earnings thereon, (3) Sewer Connection Fees and earnings thereon, (4) Special Assessments and earnings thereon, (5) non-cash items contributed to the Issuer with respect to the System and (6) Stormwater Fees and earnings thereon (except to the extent described under the definition of the term the "System" herein). Gross Revenues may include Special Assessment proceeds and/or other revenues related to the System which are not enumerated in the definition of "Gross Revenues" if and to the extent the same shall be approved for inclusion by each Insurer of Bonds then Outstanding.

"Initial Project" shall mean the acquisition of, and the construction, renovation or reconstruction of certain improvements and additions to the System more particularly described in Exhibit A attached hereto and made a part hereof, including, without limitation, all property rights, easements, appurtenances, rights-of-way, franchises and equipment relating thereto and deemed necessary or convenient for the acquisition, construction, renovation, reconstruction or operation thereof, with such changes, deletions, additions or modifications to the enumerated improvements, equipment and facilities, or such other improvements, equipment or facilities as may hereafter be approved by the Governing Body in accordance with the Act.

"Insurance Trustee" shall mean the Insurance Trustee designated by the Insurer with respect to any Series of Bonds.

"Insurer" shall mean, with respect to the Series 1993 Bonds, Financial Security Assurance Inc., a New York stock insurance company, or any successor thereto. With respect to any other Series of Bonds, "Insurer" shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal

of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of this Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the two most secure grades by one of the two most widely nationally recognized rating agencies which regularly rate the credit of municipal securities.

"Interest Date" or **"interest payment date"** shall be such date or dates as shall be provided by Supplemental Resolution of the Issuer.

"Issuer" shall mean Marion County or any Special District to which the System may hereafter be transferred pursuant to Section 5.19 hereof.

"Marion County" shall mean Marion County, a political subdivision of the State of Florida.

"Maximum Annual Debt Service" shall mean the largest aggregate amount in any Fiscal Year, excluding all Fiscal Years which shall have ended prior to the Fiscal Year in which the Maximum Annual Debt Service shall at any time be computed, of the Annual Debt Service.

"Maximum Interest Rate" shall mean, with respect to any particular Variable Rate Bonds, a numerical rate of interest, which shall be set forth in the Supplemental Resolution of the Issuer delineating the details of such Bonds, that shall be the maximum rate of interest such Bonds may at any particular time bear.

"Moody's" shall mean Moody's Investors Service, and any assigns and successors thereto.

"Net Revenues" shall mean Gross Revenues less Operating Expenses.

"Operation and Maintenance Account" shall mean the account created pursuant to Section 4.04(B) hereof.

"Operating Expenses" shall mean the Issuer's expenses for operation, maintenance, repairs and replacements with respect to the System and shall include, without limiting the generality of the foregoing, payments for the purchase of materials essential to or used in the operation of the System, including bulk purchases of water or sewage services, fees for the management of the System or any portion thereof, insurance and surety bond premiums, the fees to the provider of a Reserve Subaccount Credit Instrument (but excluding any expenses or reimbursement obligations for draws made thereunder), accounting, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to customers, payments to others for disposal

of sewage or other wastes, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, all to the extent properly attributable to the System in accordance with generally accepted accounting principles employed in the operation of public utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under this Resolution, but does not include (i) Administrative Expenses, (ii) any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System in accordance with generally accepted accounting principles, (iii) any provision for interest, depreciation, depletion, amortization or similar charges, or (iv) any fee in lieu of taxes or other transfers to the general fund of the Issuer.

"Outstanding", when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which other Bond or Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for other Bond or Bonds under Sections 2.06 and 2.08 hereof, (3) Bonds deemed to have been paid pursuant to Section 9.01 hereof and (4) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

"Paying Agent" shall mean any paying agent for Bonds appointed by or pursuant to Supplemental Resolution, and its successor or assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

"Payment Subaccount" shall mean the separate subaccount in the Debt Service Account established pursuant to Section 4.04(C) hereof.

"Person" shall mean an individual, a corporation, a partnership, an association, a joint stock company, a trust, any unincorporated organization or governmental entity or other legal entity.

"Pledged Funds" shall mean (1) the Net Revenues, (2) the Connection Fees, and (3) until applied in accordance with the provisions of this Resolution, all moneys, including investments thereof, in the accounts and subaccounts established hereunder, except (A) to the extent moneys therein shall be required to pay the Operating Expenses of the System in accordance with the terms hereof, (B) to the extent moneys in each subaccount of the Reserve Subaccount shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions hereof and (C) amounts in the Rebate Account.

"prerefunded Obligations" shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (A) not callable prior to maturity or (B) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund held by a fiduciary consisting only of cash or Federal Securities, secured in the manner set forth in Section 9.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities, which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (1) above and are not available to satisfy any other claims, including those against the fiduciary holding the same, and (4) which are rated in the highest rating category by Moody's and Standard & Poor's.

"project" shall mean the Initial Project and any Additional Project.

"Project Account" shall mean the account established pursuant to Section 4.03 hereof.

"Purchase Agreement" shall mean the Agreement of Purchase and Sale of Water and Wastewater Assets, dated as of November 16, 1993, by and between the Issuer and General Development Utilities, Inc.

"Rate Consultant" shall mean any accountant, engineer or consultant or firm of accountants, engineers or consultants chosen by the Issuer with reputation for skill and experience in reviewing and recommending rates for utility systems similar to the System.

"Rate Stabilization Account" shall mean the Rate Stabilization Account established pursuant to Section 4.04(J) hereof.

"Rating Agencies" shall mean Moody's and Standard & Poor's.

"Rebate Account" shall mean the Rebate Account established pursuant to Section 4.04(E) hereof.

"Redemption Price" shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the

applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this Resolution.

"Refunding Securities" shall mean Federal Securities and Prerefunded Obligations and such other obligations as shall be approved by each Insurer.

"Registrar" shall mean any registrar for the Bonds appointed by or pursuant to Supplemental Resolution and its successors and assigns, and any other Person which may at any time be substituted in its place pursuant to this Resolution.

"Renewal and Replacement Account" shall mean the account created pursuant to Section 4.04(D) hereof.

"Renewal and Replacement Account Requirement" shall mean, on the date of calculation, an amount of money equal to 5 percent of the Gross Revenues received by the Issuer in the immediately preceding Fiscal Year, or such other amount as may be certified to the Issuer by the Consulting Engineers as an amount appropriate for the purposes of this Resolution; provided, that prior to January 1, 1996, the Renewal and Replacement Account Requirement shall be zero.

"Reserve Subaccount" shall mean the separate subaccount in the Debt Service Account established pursuant to Section 4.04(C) hereof.

"Reserve Subaccount Credit Instrument" shall mean a Reserve Subaccount Insurance Policy or a Reserve Subaccount Letter of Credit.

"Reserve Subaccount Insurance Policy" shall mean the insurance policy placed in the Reserve Subaccount in lieu of or in partial substitution for cash therein pursuant to Section 4.05(B)(3).

"Reserve Subaccount Letter of Credit" shall mean an unconditional irrevocable commercial letter of credit issued by any bank or national banking association, insurance company or other financial institution to the Paying Agent and then placed in the appropriate subaccount of the Reserve Subaccount in lieu of or in partial substitution for cash therein pursuant to Section 4.05(B)(3) hereof.

"Reserve Subaccount Requirement" shall mean, as of any date of calculation for a particular Series of Bonds for which a subaccount of the Reserve Subaccount has been established, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds which are secured by such subaccount, (2) 125 percent of the average annual debt service for all Outstanding Bonds which are secured by such subaccount, or (3) 10 percent of the original proceeds of Outstanding Bonds which are secured by such subaccount. In computing the Reserve Subaccount Requirement

in respect of any subaccount of the Reserve Subaccount which secures Bonds that constitute Variable Rate Bonds, such Variable Rate Bonds shall be assumed to bear interest at the highest of (A) the actual rate on the date of calculation or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (B) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation and (C)(i) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (ii) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus fifty (50) basis points. The dates of calculation of the Reserve Subaccount Requirement for purposes of computing such Requirement in regard to Variable Rate Bonds shall be (i) July 1 of each year and (ii) the sale date relating to the initial issuance of Variable Rate Bonds. In computing the Reserve Subaccount Requirement in accordance with clause (3) of this definition in respect of any Capital Appreciation Bonds, the principal amount of such Bonds shall be the Accreted Value thereof, not the original principal amount.

"Resolution" shall mean this Resolution, as the same may from time to time be amended, modified or supplemented by Supplemental Resolution.

"Revenue Account" shall mean the account created pursuant to Section 4.04(A) hereof.

"Serial Bonds" shall mean all of the Bonds other than the Term Bonds.

"Series" shall mean all the Bonds delivered on original issuance in a simultaneous transaction and identified pursuant to Sections 2.01 and 2.02 hereof or a Supplemental Resolution authorizing the issuance by the Issuer of such Bonds as a separate Series, regardless of variations in maturity, interest rate, Amortization Installments or other provisions.

"Series 1993 Bonds" shall mean the Issuer's Utilities System Revenue Bonds, Series 1993 authorized pursuant to Section 2.02 hereof.

"Sewer Connection Fees" shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the sewer facilities of the System, limited to excess capacity not related to that portion of existing facilities used by current customers, for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of excess and unused capacity of the System or expansion thereof in order to

serve new users of the sewer facilities of the System, to the extent the same are lawfully levied, collected and pledged.

"Sewer Connection Fees Account" shall mean the account created pursuant to Section 4.04(G) hereof.

"Special Assessments" shall mean any and all assessments against property benefited by the System or any part thereof, but Special Assessments shall be subject to the lien and pledge of this Resolution only if and to the extent provision for inclusion as part of the Pledged Funds has been made by Supplemental Resolution to be adopted by the Issuer.

"Special Assessment Proceeds" shall mean the proceeds of Special Assessments pledged hereunder (principal and interest) whether paid at one time or from time to time.

"Special District" shall mean a separate local unit of special-purpose government created either by the Florida Legislature or by the Board of County Commissioners of Marion County for the purpose of owning and operating the System.

"State" shall mean the State of Florida.

"Standard and Poor's" shall mean Standard and Poor's Corporation, and any assigns and successors thereto.

"Stormwater Fees" shall mean any fees or charges levied by the Issuer on commercial or residential property for the purposes of making stormwater-related improvements or paying costs related to stormwater-related improvements.

"Subordinated Indebtedness" shall mean that indebtedness of the Issuer, subordinate and junior to the Bonds, and any indebtedness issued in accordance with the provisions of Section 6.01 hereof.

"Supplemental Resolution" shall mean any resolution of the Issuer amending or supplementing this Resolution enacted and becoming effective in accordance with the terms of Sections 8.01, 8.02 and 8.03 hereof.

"Surplus Reserve Account" shall mean the Surplus Reserve Account established pursuant to Section 4.04(F) hereof.

"System" shall mean any and all water production, transmission, treatment and distribution facilities and sewer collection, transmission, treatment and disposal facilities now owned and operated or hereafter owned and operated by the Issuer and designated by Supplemental Resolution of the Issuer as being part of the System, including the Initial Project, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the

proceeds of Bonds or from any other sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith. "System" shall also include any stormwater utility, effluent reuse facilities or any other utility facilities if and to the extent the Issuer determines by Supplemental Resolution to include such utility or facilities within the System as described herein. "System" shall not include (a) any equipment, facilities and/or sites for which the Issuer shall obtain the written consent of each Insurer and for which Issuer shall obtain and file in the minutes of the Governing Body a certificate of the Consulting Engineers to the effect that (i) the net revenues to be derived by the Issuer from such equipment, facilities and/or sites is not required for payment of the debt service on the Bonds and (ii) the operation by the Issuer of such equipment, facilities and/or sites apart from the System shall not have a substantially adverse effect on the production of Net Revenues and the Issuer shall expressly declare by resolution of the Governing Body that such equipment, facilities and/or sites shall not be a part of the System; and (b) the Silver Springs Woods and Silver Springs Village water and wastewater systems currently owned by the Issuer, unless the Issuer shall otherwise provide by Supplemental Resolution that such system shall be part of the System.

"Taxable Bonds" means any Bond which states, in the body thereof, that the interest income thereon is includable in the gross income of the Holder thereof for Federal income taxation purposes or that such interest is subject to Federal income taxation.

"Term Bonds" shall mean those Bonds which shall be designated as Term Bonds hereby or by Supplemental Resolution of the Issuer.

"Term Bonds Redemption Subaccount" shall mean the separate subaccount in the Debt Service Account established pursuant to Section 4.04(C) hereof.

"Variable Rate Bonds" shall mean Bonds issued with a variable, adjustable, convertible or other similar rate which is not fixed in percentage for the entire term thereof at the date of issue.

"Water Connection Fees" shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the water facilities of the System, limited to excess capacity not related to that portion of existing facilities used by current customers, for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of excess and unused capacity of the System or expansion thereof in order to serve new users of the water facilities of the System, to the extent the same are lawfully levied, collected and pledged.

"Water Connection Fees Account" shall mean the account created pursuant to Section 4.04(H) hereof.

The terms "herein," "hereunder," "hereby," "hereto," "hereof," and any similar terms, shall refer to this Resolution; the term "heretofore" shall mean before the date of adoption of this Resolution; and the term "hereafter" shall mean after the date of adoption of this Resolution.

Words importing the masculine gender include every other gender.

Words importing the singular number include the plural number, and vice versa.

SECTION 1.02. AUTHORITY FOR RESOLUTION. This Resolution is adopted pursuant to the provisions of the Act. The Issuer has ascertained and hereby determined that adoption of this Resolution is necessary to carry out the powers, purposes and duties expressly provided in the Act, that each and every matter and thing as to which provision is made herein is necessary in order to carry out and effectuate the purposes of the Issuer in accordance with the Act and to carry out and effectuate the plan and purpose of the Act, and that the powers of the Issuer herein exercised are in each case exercised in accordance with the provisions of the Act and in furtherance of the purposes of the Issuer.

SECTION 1.03. RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Resolution shall be a part of the contract of the Issuer with the Holders of the Bonds, and shall be deemed to be and shall constitute a contract between the Issuer and the Holders from time to time of the Bonds. The pledge made in the Resolution and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Issuer shall be for the equal benefit, protection and security of the Holders of any and all of said Bonds in accordance with the terms hereof. All of the Bonds, regardless of the time or times of their issuance or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any other thereof except as expressly provided in or pursuant to this Resolution.

SECTION 1.04. FINDINGS. It is hereby ascertained, determined and declared:

(A) That it is deemed in the best interests of the citizens of the Issuer that the Initial Project shall be acquired and financed by the proceeds of the Bonds issued pursuant to this Resolution and that the Initial Project be operated and maintained by the Issuer.

(B) That the estimated Gross Revenues to be derived in each year hereafter from the operation of the System will be sufficient to pay all Operating Expenses and Administrative Expenses and the principal of and interest on the Bonds to be issued pursuant to this Resolution, as the same become due, and all other payments provided for in this Resolution.

(C) That the principal of and interest on the Bonds to be issued pursuant to this Resolution, and all other payments provided for in this Resolution, will be paid solely from the Pledged Funds in accordance with the terms hereof; and the ad valorem taxing power of the Issuer will never be necessary or authorized to pay the principal of and interest on the Bonds to be issued pursuant to this Resolution, or to make any other payments provided for in this Resolution, and the Bonds shall not constitute a lien upon the System or upon any other property whatsoever of or in the Issuer.

SECTION 1.05. AUTHORIZATION OF INITIAL PROJECT. The Issuer does hereby authorize the acquisition and construction of the Initial Project.

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS

SECTION 2.01. AUTHORIZATION OF BONDS. This Resolution creates an issue of Bonds of the Issuer to be designated as "Marion County, Florida Utilities System Revenue Bonds" which may be issued in one or more Series as hereinafter provided. If the System is transferred to a Special District pursuant to Section 5.19 hereof, and the Issuer's obligations with respect to the Bonds then Outstanding hereunder have been effectively assumed by such Special District, any Series of Bonds issued thereafter may be designated in a manner reflecting the name of such Special District. The aggregate principal amount of the Bonds which may be executed and delivered under this Resolution is not limited except as is or may hereafter be provided in this Resolution or as limited by the Act or by law.

The Bonds may, if and when authorized by the Issuer pursuant to this Resolution, be issued in one or more Series, with such further appropriate particular designations added to or incorporated in such title for the Bonds of any particular Series as the Issuer may determine and as may be necessary to distinguish such Bonds from the Bonds of any other Series. Each Bond shall bear upon its face the designation so determined for the Series to which it belongs.

The Bonds shall be issued for such purpose or purposes; shall bear interest at such rate or rates not exceeding the maximum rate permitted by law; and shall be payable in lawful money of the United States of America on such dates; all as determined by Supplemental Resolution of the Issuer.

The Bonds shall be issued in such denominations and such form, whether coupon or registered; shall be dated such date; shall bear such numbers; shall be payable at such place or places; shall contain such redemption provisions; shall have such Paying Agents and Registrars; shall mature in such years and amounts; and the proceeds shall be used in such manner; all as determined by Supplemental Resolution of the Issuer. The Issuer may issue Bonds which may be secured by a Credit Facility or by an insurance policy of an Insurer, all as shall be determined by Supplemental Resolution of the Issuer. The Governing Body may delegate approval of the terms and details of a Series of Bonds to an Authorized Issuer Officer pursuant to Supplemental Resolution.

SECTION 2.02. AUTHORIZATION AND DESCRIPTION OF SERIES 1993 BONDS.

(A) (i) A Series of Bonds entitled to the benefit, protection and security of this Resolution is hereby authorized in

the aggregate principal amount of not exceeding \$12,320,000 for the principal purposes of acquiring and constructing the Initial Project, funding the Reserve Subaccount and paying certain costs of issuance incurred with respect to the Series 1993 Bonds. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "Marion County, Florida Utilities System Revenue Bonds, Series 1993"; provided the Issuer may change such designation in the event that the total amount of Series 1993 Bonds authorized herein are not issued in a simultaneous transaction.

(ii) The Series 1993 Bonds shall be dated as of the first day of the month in which occurs the delivery of the Series 1993 Bonds to the purchaser or purchasers thereof or such other date as may be set forth by Supplemental Resolution of the Issuer; shall be issued as fully registered Bonds; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R"; shall be in such denominations and shall bear interest at a rate or rates not exceeding the maximum rate permitted by law, payable in such manner and on such dates; shall consist of such amounts of Serial Bonds, Term Bonds, Variable Rate Bonds and Capital Appreciation Bonds maturing in such years and amounts not exceeding forty (40) years from their date; shall be payable in such place or places; shall have such Paying Agents and Registrars; and shall contain such redemption provisions; all as the Issuer shall provide hereafter by Supplemental Resolution.

(iii) The principal of or Redemption Price, if applicable, on the Series 1993 Bonds are payable upon presentation of the Series 1993 Bonds at the office of the Paying Agent. Interest payable on any Series 1993 Bond on any Interest Date will be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, at the option of the Paying Agent, and at the request and expense of the Holder of \$500,000 or more in principal amount of Series 1993 Bonds, by bank wire transfer for the account of such Holder. All payments of principal of or Redemption Price, if applicable, and interest on the Series 1993 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

SECTION 2.03. APPLICATION OF SERIES 1993 BOND PROCEEDS.

(A) Except as otherwise provided by Supplemental Resolution of the Issuer, the proceeds derived from the sale of the Series 1993 Bonds, including accrued interest and premium, if any, shall, simultaneously with the delivery of the Series 1993 Bonds to the purchaser or purchasers thereof, be applied by the Issuer as follows:

(i) Accrued interest and proceeds of the Series 1993 Bonds representing capitalized interest, if any, shall be deposited or credited to the Payment Subaccount and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 1993 Bonds.

(ii) A sufficient amount of Series 1993 Bond proceeds shall be deposited or credited to the appropriate subaccount of the Reserve Subaccount which, together with any moneys and securities therein and Reserve Subaccount Insurance Policy and/or Reserve Subaccount Letter of Credit obtained in accordance with Section 4.05(B)(3) hereof, shall equal the Reserve Subaccount Requirement for such subaccount.

(iii) A sufficient amount of the Series 1993 Bond proceeds shall be applied to the payment of the premiums of any municipal bond insurance policies applicable to the Series 1993 Bonds or reserves established therefor and to the payment of costs and expenses relating to the issuance of the Series 1993 Bonds. Such amount may, at the option of the Issuer, be deposited or credited to and disbursed from the Project Account.

(iv) The balance of the Series 1993 Bond proceeds shall be deposited or credited to the Project Account.

SECTION 2.04. EXECUTION OF BONDS. The Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the Chairman and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the adoption of this Resolution, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

SECTION 2.05. AUTHENTICATION. No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for

such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The form of such certificate shall be substantially in the form provided in Section 2.09 hereof.

SECTION 2.06. TEMPORARY BONDS. Until the definitive Bonds of any Series are prepared, the Issuer may execute, in the same manner as is provided in Section 2.04, and deliver, upon authentication by the Registrar pursuant to Section 2.05 hereof, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, except as to the denominations thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in denominations authorized by the Issuer by subsequent resolution and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Issuer, at his own expense, shall prepare and execute definitive Bonds, which shall be authenticated by the Registrar. Upon the surrender of such temporary Bonds for exchange, the Registrar, without charge to the Holder thereof, shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and Series and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Resolution. All temporary Bonds surrendered in exchange for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Registrar.

SECTION 2.07. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver, and the Registrar shall authenticate, a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder furnishing the Issuer and the Registrar proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer or the Registrar may prescribe and paying such expenses as the Issuer and the Registrar may incur. All Bonds so surrendered or replaced shall be cancelled by the Registrar. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same or cause the Bond to be paid, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section 2.07 shall constitute original contractual obligations on the part of the Issuer whether or not the lost, stolen or destroyed Bond be at any time found by anyone, and such duplicate Bond shall be entitled to equal and proportionate benefits and rights as to lien on the

Pledged Funds to the same extent as all other Bonds issued hereunder.

SECTION 2.08. EXCHANGE AND TRANSFER. Bonds, upon surrender thereof at the office of the Registrar with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder thereof or his attorney duly authorized in writing, may, at the option of the Holder thereof, be exchanged for an equal aggregate principal amount of registered Bonds of the same Series and maturity of any other authorized denominations.

The Bonds issued under this Resolution shall be and have all the qualities and incidents of negotiable instruments under the law merchant and the Uniform Commercial Code of the State of Florida, subject to the provisions for registration of transfer contained in this Resolution and in the Bonds. So long as any of the Bonds shall remain Outstanding, the Issuer shall maintain and keep, at the office of the Registrar, books for the registration and transfer of the Bonds.

The transfer of any Bond shall be registered only upon the books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the registration of transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Issuer, the Registrar and any Paying Agent or fiduciary of the Issuer may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Issuer 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 or Redemption Price, if applicable, and 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 Issuer nor the Registrar nor any Paying Agent or other fiduciary of the Issuer shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, forthwith (A) following the fifteenth day prior to an interest payment date for such Series; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent

of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of the Holder of \$500,000 or more in principal amount of Series 1993 Bonds, by bank wire transfer for the account of such Holder.

In all cases in which Bonds shall be exchanged or the transfer of Bonds shall be registered, the Issuer shall execute and deliver Bonds and the Registrar shall authenticate such Bonds in accordance with the provisions of this Resolution. Execution of Bonds by the Chairman and Clerk for purposes of exchanging, replacing or registering the transfer of Bonds may occur at the time of the original delivery of the Series of which such Bonds are a part. All Bonds surrendered in any such exchanges or registration of transfer shall be held by the Registrar in safekeeping until directed by the Issuer to be cancelled by the Registrar. For every such exchange or registration of transfer, the Issuer or the Registrar may make a charge sufficient to reimburse it for any tax, fee, expense or other governmental charge required to be paid with respect to such exchange or registration of transfer. The Issuer and the Registrar shall not be obligated to make any such exchange or registration of transfer of Bonds of any Series during the fifteen (15) days next preceding an Interest Date on the Bonds of such Series (other than Capital Appreciation Bonds and Variable Rate Bonds), or, in the case of any proposed redemption of Bonds of such Series, then during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and, in the case of Bonds called for redemption, continuing until such redemption date.

The Issuer may elect to issue any Bonds as uncertificated registered public obligations (not represented by instruments), commonly known as book-entry obligations, provided it shall establish a system of registration therefor by Supplemental Resolution.

SECTION 2.09. FORM OF BONDS. The text of the Bonds, except as otherwise provided pursuant to Section 2.09 hereof and except for Capital Appreciation Bonds and Variable Rate Bonds, the form of which shall be provided by Supplemental Resolution of the Issuer, shall be in substantially the following form with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chairman or the Clerk prior to the issuance thereof, including changes necessitated by any transfer of the System pursuant to Section 5.19 hereof (which necessity and/or desirability and approval shall be presumed by such officer's execution of the Bonds and the Issuer's delivery of the Bonds to the purchaser or purchasers thereof):

No. R-

\$

UNITED STATES OF AMERICA
STATE OF FLORIDA
MARION COUNTY
UTILITIES SYSTEM REVENUE BOND,
SERIES

Interest Rate	Maturity Date	Date of Original Issue	CUSIP
_____ %	_____, ____	_____, ____	_____

Registered Holder:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS, that Marion County, Florida, a political subdivision of the State of Florida (the "Issuer"), for value received, hereby promises to pay, solely from the Pledged Funds hereinafter described, to the Registered Holder identified above, or registered assigns as hereinafter provided, on the Maturity Date identified above, the Principal Amount identified above and to pay interest on such Principal Amount from the Date of Original Issue identified above or from the most recent interest payment date to which interest has been paid at the Interest Rate per annum identified above on _____ and _____ of each year commencing _____ until such Principal Amount shall have been paid, except as the provisions hereinafter set forth with respect to redemption prior to maturity may be or become applicable hereto.

Such Principal Amount and interest and the premium, if any, on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Such Principal Amount and the premium, if any, on this Bond, are payable at the principal corporate trust office of _____, _____, _____, as Paying Agent. Payment of each installment of interest shall be made to the person in whose name this Bond shall be registered on the registration books of the Issuer maintained by _____, _____, as Registrar, at the close of business on _____

the date which shall be the fifteenth day (whether or not a business day) next preceding each interest payment date and shall be paid by check or draft of the Paying Agent to such Registered Holder at the address appearing on such registration books or, at the option of such Paying Agent, and at the request and expense of the Holder of \$500,000 or more in principal amount, by bank wire transfer for the account of such Holder.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$_____ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, denomination and number, issued to finance _____, in and for the Issuer, under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly Chapter 125, Florida Statutes, and other applicable provisions of law (the "Act"), and a resolution duly adopted by the Board of County Commissioners of the Issuer, on _____, as amended and supplemented (the "Resolution"), and is subject to all the terms and conditions of the Resolution.

This Bond and the interest hereon are payable solely from and secured by a lien upon and a pledge of the Pledged Revenues (as defined in the Resolution) to be derived from the operation of the Issuer's water and sewer system (the "System"), and until applied in accordance with the provisions of the Resolution, all moneys, including investments thereof, in the accounts and subaccounts established by the Resolution, except (A) to the extent moneys therein shall be required to pay the Operating Expenses (as defined in the Resolution) of the System in accordance with the terms of the Resolution, (B) to the extent moneys in each subaccount of the Reserve Subaccount shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions of the Resolution, (C) amounts in the Rebate Account and (D) amounts in the Surplus Reserve Account (collectively, the "Pledged Funds"). It is expressly agreed by the Registered Holder of this Bond that the full faith and credit of the Issuer are not pledged to the payment of the principal of, premium, if any, and interest on this Bond and that such Holder shall never have the right to require or compel the exercise of any taxing power of the Issuer to the payment of such principal, premium, if any, and interest. This Bond and the obligation evidenced hereby shall not constitute a lien upon the System or any other property of the Issuer, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds in accordance with the terms of the Resolution.

Neither the members of the Board of County Commissioners of the Issuer nor any person executing this Bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER

PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH ON THE FRONT SIDE HEREOF.

This Bond shall not be valid or become obligatory for any purpose until the certificate of authentication hereon shall have been signed by the Registrar.

IN WITNESS WHEREOF, the Board of County Commissioners of Marion County, Florida has issued this Bond and has caused the same to be executed by the manual or facsimile signature of its Chairman, and by the manual or facsimile signature of its Clerk and its corporate seal or a facsimile thereof to be affixed or reproduced hereon, all of the _____ day of _____, ____.

MARION COUNTY, FLORIDA

(SEAL)

Chairman

Clerk

(Provisions on Reverse Side of Bond)

The transfer of this Bond is registrable in accordance with the terms of the Resolution only upon the books of the Issuer kept for that purpose at the principal corporate trust office of the Registrar by the Registered Holder hereof in person or by his attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or his attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denomination of \$ _____ and any integral multiple thereof, not exceeding the aggregate principal amount of the Bonds. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer and the Registrar shall not be obligated to make any exchange or transfer of the Bonds during the fifteen (15) days next preceding an interest payment date or, in the case of any proposed redemption of the Bonds, then, during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and, in the case of the Bonds called for redemption, continuing until such redemption date.

(INSERT REDEMPTION PROVISIONS)

Redemption of this Bond under the preceding paragraphs shall be made as provided in the Resolution upon notice given by first class mail sent at least 30 days prior to the redemption date to the Registered Holder hereof at the address shown on the registration books maintained by the Registrar; provided, however, that failure to mail notice to the Registered Holder hereof, or any defect therein, shall not affect the validity of the proceedings for redemption of other Bonds as to which no such failure or defect has occurred. In the event that less than the full principal amount hereof shall have been called for redemption, the Registered Holder hereof shall surrender this Bond in exchange for one or more Bonds in an aggregate principal amount equal to the unredeemed portion of principal, as provided in the Resolution.

Reference to the Resolution and any and all resolutions supplemental thereto and modifications and amendments thereof and to the Act is made for a description of the pledge and covenants securing this Bond, the nature, manner and extent of enforcement

of such pledge and covenants, and the rights, duties, immunities and obligations of the Issuer.

Upon compliance with certain conditions set forth in the Resolution, Marion County has specifically reserved the right to transfer the ownership and operation of the System as a whole and all of Marion County's obligations under the Resolution and the Bonds to a separate local unit of special-purpose government created either by the Florida Legislature or the Board of County Commissioners of Marion County for the purpose of owning and operating the System (the "Special District"). Upon the consummation of such transfer, and the effective assumption of all of Marion County's obligations with respect to the Bonds, the transferee Special District shall become the "Issuer" for all purposes under the Resolution. Thereafter, the transferee Special District shall be solely responsible for compliance with all of the terms and provisions of the Resolution, including but not limited to the payment of this Bond and the interest thereon, and shall be entitled to exercise all rights under the Resolution, including but not limited to the right to issue future obligations on a parity with this Bond. Acceptance of this Bond by the Registered Holder hereof shall constitute such Holder's consent to Marion County's transfer of the System and the transferee Special District's assumption of Marion County's rights and obligations under the Resolution.

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 Bond, exist, have happened and have been performed, in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Bonds does not violate any constitutional or statutory limitations or provisions.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

Insert Social Security or Other
Identifying Number of Assignee

(Name and Address of Assignee)

the within Bond and does hereby irrevocably constitute and appoint _____, as attorney to register the transfer of the said Bond on the books kept for registration thereof with full power of substitution in the premises.

Dated: _____

Signature guaranteed:

||

NOTICE: Signature(s) must be
guaranteed by a member firm
of the New York Stock Exchange
or a commercial bank or trust
company.

NOTICE: The signature to this
assignment must correspond with the
name of the Registered Holder as it
appears upon the face of the within
Bond in every particular, without
alteration or enlargement or any
change whatever and the Social
Security or other identifying number
of such assignee must be supplied.

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

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

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

UNIF TRANS MIN ACT -- _____
(Cust.)

Custodian for _____

under Uniform Transfers to Minors Act of _____
(State)

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

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the Issue described in the within-mentioned Resolution.

DATE OF AUTHENTICATION:

Registrar

By: _____
Authorized Officer

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01. PRIVILEGE OF REDEMPTION. The terms of this Article III shall apply to redemption of Bonds other than Capital Appreciation Bonds or Variable Rate Bonds. The terms and provisions relating to redemption of Capital Appreciation Bonds and Variable Rate Bonds shall be provided by Supplemental Resolution.

SECTION 3.02. SELECTION OF BONDS TO BE REDEEMED. The Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. The Issuer shall, at least 60 days prior to the redemption date (unless a shorter time period shall be satisfactory to the Registrar) notify the Registrar of such redemption date and of the principal amount of Bonds to be redeemed. For purposes of any redemption of less than all of the Outstanding Bonds of a single maturity, the particular Bonds or portions of Bonds to be redeemed shall be selected not more than 45 days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the Issuer by such method as the Registrar shall deem fair and appropriate and which may provide for the selection for redemption of Bonds or portions of Bonds in principal amounts of \$5,000 and integral multiples thereof.

If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the Issuer and Paying Agent (if the Registrar is not the Paying Agent for such Bonds) in writing of the Bonds or portions of Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

SECTION 3.03. NOTICE OF REDEMPTION. Notice of such redemption, which shall specify the Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the Issuer, and (A) shall be filed with the Paying Agents of such Bonds, (B) shall be mailed first class, postage prepaid, at least 30 days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar, and (C) shall be mailed certified, postage prepaid, at least 35 days prior to the redemption date to the registered securities depositaries, to two or more nationally recognized municipal bond information services and to each Insurer of any Bonds Outstanding affected by such redemption. Failure to mail notice to the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Bonds as to which no such failure or defect has occurred. Notice of any redemption of Bonds at the option of the Issuer (except pursuant to a refunding) shall be given only upon the prior deposit into the

Debt Service Account of sufficient amounts to effect such redemption.

Each notice of redemption shall state: (1) the CUSIP numbers of all Bonds being redeemed; (2) the original issue date of such Bonds; (3) the maturity date and rate of interest borne by each Bond being redeemed; (4) the redemption date; (5) the Redemption Price; (6) the date on which such notice is mailed; (7) if less than all Outstanding Bonds are to be redeemed, the certificate number (and, in the case of a partial redemption of any Bond, the principal amount) of each Bond to be redeemed; (8) that on such redemption date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable; (9) that the Bonds to be redeemed, whether as a whole or in part, are to be surrendered for payment of the redemption price at the principal office of the Registrar at an address specified; and (10) the name and telephone number of a person designated by the Registrar to be responsible for such redemption.

In addition to the mailing of the notice described above, each notice of redemption and payment of the Redemption Price shall meet the following requirements; provided, however, the failure to provide such further notice of redemption or to comply with the terms of this paragraph shall not in any manner defeat the effectiveness of a call for redemption if notice thereof is given as prescribed above:

(i) Each further notice of redemption shall be sent at least 30 days before the redemption date by certified mail or overnight delivery service or telecopy to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Bonds (such depositories now being The Depository Trust Company, New York, New York, Midwest Securities Trust Company, Chicago, Illinois, Pacific Securities Depository Trust Company, San Francisco, California and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and to one or more national information services which disseminate notices of prepayment or redemption of obligations such as the Bonds.

(ii) Each further notice of prepayment shall be published one time in The Bond Buyer or, if such publication is impractical or, in the opinion of the Paying Agent, unlikely to reach a substantial number of the Bondholders, in some other financial newspaper or journal which regularly carries notices of redemption of other obligations similar to the Bonds, such publication to be made at least thirty (30) days prior to the redemption date.

The notice of redemption described in this paragraph need not be given as described above if the Bonds called for redemption are registered pursuant to a book-entry only system.

SECTION 3.04. REDEMPTION OF PORTIONS OF BONDS. Any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Registrar duly executed by, the Holder thereof or his attorney duly authorized in writing) and the Issuer shall execute and the Registrar shall authenticate and deliver to the Holder of such Bond, without service charge, a new Bond or Bonds, of any authorized denomination, as requested by such Holder in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered.

SECTION 3.05. PAYMENT OF REDEEMED BONDS. Notice of redemption having been given substantially as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the Issuer shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Registrar and/or Paying Agent at the appropriate Redemption Price, plus accrued interest. All Bonds which have been redeemed shall be cancelled and destroyed by the Registrar and shall not be reissued.

ARTICLE IV

SECURITY, SPECIAL FUNDS AND APPLICATION THEREOF

SECTION 4.01. BONDS NOT TO BE INDEBTEDNESS OF ISSUER. The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as "bonds" within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds, in the manner and to the extent provided in this Resolution. No Holder of any Bond shall ever have the right to compel the exercise of any ad valorem taxing power to pay such Bond, or be entitled to payment of such Bond from any moneys of the Issuer except from the Pledged Funds in the manner and to the extent provided herein.

SECTION 4.02. SECURITY FOR BONDS. The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; provided, however, a Series of Bonds may be further secured by a Credit Facility or insurance policy of an Insurer in addition to the security provided herein; and provided further that each Series of Bonds shall be secured independently of any other Series of Bonds by the corresponding subaccount in the Reserve Subaccount, except as otherwise provided herein. The Issuer does hereby irrevocably pledge the Pledged Funds to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds in accordance with the provisions hereof. Any obligations owed to the issuer of a Reserve Subaccount Credit Instrument shall be deemed to be subordinate to the lien on and pledge of the Pledged Funds to the Holders of the Bonds, solely in respect of principal of and interest due thereon. The issuer of a Reserve Subaccount Credit Instrument shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Resolution, other than remedies which would adversely affect Holders of the Bonds. The Pledged Funds shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer.

SECTION 4.03. PROJECT ACCOUNT. The Issuer covenants and agrees to establish a special account in a bank, trust company or other entity in the State which is eligible under the laws of the State to be a depository for public funds, to be known as the "Utilities System Project Account," which shall be used only for payment of the Cost of the Project. Moneys in the Project Account, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided, shall be subject to a lien and

charge in favor of the Holders of the Bonds and for the further security of such Holders.

There shall be paid into the Project Account the amounts required to be so paid by the provisions of this Resolution, and there may be paid into the Project Account, at the option of the Issuer, any moneys received for or in connection with a Project by the Issuer from any other source.

The Issuer shall establish within the Project Account a separate subaccount for each Project, the Cost of which is to be paid in whole or in part out of the Project Account.

Subject to the provisions of Section 5.08 hereof, the proceeds of insurance maintained pursuant to this Resolution against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto pertaining to the period of construction thereof, shall be deposited or credited to the appropriate subaccount of the Project Account.

Any moneys received by the Issuer from the State or from the United States of America or any agencies thereof for the purpose of financing part of the Cost of a Project shall be deposited or credited to the appropriate subaccount of the Project Account and used in the same manner as other Bond proceeds are used therein; provided that separate subaccounts may be established in the Project Account for moneys received pursuant to the provisions of this paragraph whenever required by Federal or State law.

The Issuer covenants that the acquisition, construction and installation of each Project will be completed without delay and in accordance with sound engineering practices. The Issuer shall make disbursements or payments from the Project Account to pay the Cost of a Project upon the filing with the Clerk of certificates and/or documents signed by an Authorized Issuer Officer or by the Consulting Engineers, as appropriate, stating with respect to each disbursement or payment to be made: (A) the item number of the payment, (B) the name and address of the Person to whom payment is due, (C) the amount to be paid, (D) the Project Account subaccount from which payment is to be made, (E) the purpose, by general classification, for which payment is to be made, and (F) that (i) each obligation, item of cost or expense mentioned therein has been properly incurred, is in payment of a part of the Cost of a Project and is a proper charge against the subaccount of the Project Account from which payment is to be made and has not been the basis of any previous disbursement or payment, or (ii) each obligation, item of cost or expense mentioned therein has been paid by the Issuer, is a reimbursement of a part of the Cost of a Project, is a proper charge against the subaccount of the Project Account from which payment is to be made, has not been theretofore reimbursed to the Issuer or otherwise been the basis of any previous disbursement or payment and the Issuer is entitled to reimbursement thereof. The Clerk shall retain all such certificates and/or

documents of the Authorized Issuer Officers and the Consulting Engineers for three (3) years from the dates of such certificates and/or documents. The Clerk shall make available the certificates and/or documents at all reasonable times for inspection by any Holder of any of the Bonds or the agent or representative of any Holder of any of the Bonds. Notwithstanding the foregoing, a certification of the Consulting Engineers shall not be required to make disbursements or payments from the Project Account to pay (1) costs related to issuance of the Bonds to the extent funds are deposited in the Project Account for such purpose, (2) costs not directly associated with the physical acquisition of the System and (3) any portions of the Cost of a Project which do not, in the aggregate, exceed 1 percent of the amount initially deposited or credited to the Project Account in respect of such Project after deducting any amounts described in clause (1) above.

Notwithstanding any of the other provisions of this Section 4.03, to the extent that other moneys are not available therefor, amounts in the Project Account shall be applied to the payment of principal and interest on Bonds when due.

The date of final completion of the Initial Project or any Additional Project shall be determined by the Consulting Engineers which shall certify such fact in writing to the Governing Body. Promptly after the date of the completion of a Project, and after paying or making provision for the payment of all unpaid items of the Cost of such Project, the Issuer shall deposit or credit in the following order of priority any balance of moneys remaining in the Project Account in (1) another subaccount of the Project Account for which the Consulting Engineers have stated that there are insufficient moneys present to pay the Cost of the related Project, (2) the applicable Reserve Subaccount, to the extent of a deficiency therein, and (3) such other account or subaccount established hereunder as shall be determined by the Governing Body, provided the Issuer has received an opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income of the holder for federal income tax purposes.

SECTION 4.04. CREATION OF ACCOUNTS. The Issuer covenants and agrees to establish the "Utilities System Enterprise Fund" with a bank, trust company or such other entity in the State, which is eligible under the laws of the State to be a depository for public funds which shall include the following accounts and subaccounts:

- (A) The "Utilities System Revenue Account."
- (B) The "Utilities System Operation and Maintenance Account."
- (C) The "Utilities System Debt Service Account." The Issuer shall maintain three separate subaccounts in the Debt Service Account: the "Payment Subaccount," the "Term Bonds Redemption Subaccount" and the "Reserve Subaccount."

- (D) The "Utilities System Renewal and Replacement Account."
- (E) The "Utilities System Rebate Account."
- (F) The "Utilities System Surplus Reserve Account."
- (G) The "Sewer Connection Fees Account."
- (H) The "Water Connection Fees Account."
- (I) The "Utilities System Special Assessments Account."
- (J) The "Utilities System Rate Stabilization Account."

Moneys in the aforementioned accounts and subaccounts (except for moneys in the Rebate Account), until applied in accordance with the provisions hereof, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

The Issuer may at any time and from time to time appoint one or more depositaries to hold, for the benefit of the Bondholders, any one or more of the accounts and subaccounts established hereby. Such depositary or depositaries shall perform at the direction of the Issuer the duties of the Issuer in depositing, transferring and disbursing moneys to and from each of such accounts or subaccounts as herein set forth, and all records of such depositary in performing such duties shall be open at all reasonable times to inspection by the Issuer and its agents and employees. Any such depositary shall be a bank or trust company duly authorized to exercise corporate trust powers and subject to examination by federal or state authority, of good standing, and be qualified under applicable State law.

SECTION 4.05. DISPOSITION OF REVENUES.

(A) The Issuer shall deposit or credit all Gross Revenues (other than Special Assessment Proceeds), as received, into the Revenue Account. In the event the Issuer receives a Government Grant, the use and withdrawal of moneys from such Government Grant shall be governed by the terms of the Government Grant and applicable law. The Issuer shall deposit into the Special Assessments Account, as received, all Special Assessment Proceeds.

Operation and Maintenance Account. Moneys in the Revenue Account shall first be used each month to deposit or credit to the Operation and Maintenance Account such sums as are necessary to pay Operating Expenses for the month taking into account other moneys on deposit in such Account or other moneys reasonably expected to be available for such purpose; provided the Issuer may transfer moneys from the Revenue Account to the Operation and Maintenance Account at any time to pay Operating Expenses to the extent there

is a deficiency in the Operation and Maintenance Account for such purpose. Amounts in the Operation and Maintenance Account shall be paid out from time to time by the Issuer for reasonable and necessary Operating Expenses; provided, however, that no such payment shall be made unless the provisions of Section 5.03 hereof in regard to the current Annual Budget are complied with.

Redemptions from Special Assessments. In the event the Issuer by Supplemental Resolution provides for all or a portion of any Special Assessments to be applied to the payment of all or a portion of a particular Series of Bonds, the Issuer may establish separate subaccounts in the Special Assessments Account for the deposit of such Special Assessments if necessary to provide for the earlier redemption of such Bonds from such Special Assessments.

(B) Amounts remaining in the Revenue Account after the aforementioned deposits or credits to the Operation and Maintenance Account and all amounts on deposit in the Special Assessments Account shall be applied by the Issuer on or before the twenty-fifth (25th) day of each month, commencing in the month immediately following the delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, first from the Special Assessments Account and then from the Revenue Account in the following manner and in the following order of priority:

(1) Payment Subaccount. The Issuer shall deposit or credit to the Payment Subaccount the sum which, together with the balance in said Subaccount, shall equal the interest on all Bonds Outstanding (except as to Capital Appreciation Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. The Issuer shall also deposit or credit to the Payment Subaccount the sum which, together with the balance in said Subaccount, shall equal the principal amounts on all Bonds Outstanding due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of twelve 12 equivalent calendar months having 30 days each) in equal amounts from the next preceding principal payment due date, or, if there be no such preceding principal payment due date from a date one year preceding the due date of such principal amount. Moneys in the Payment Subaccount shall be applied by the Issuer for deposit with the Paying Agent to pay the principal of and interest on the Bonds on or prior to the date the same shall become due. Serial Capital Appreciation Bonds shall be payable from the Payment Subaccount in the Bond Years in which such Bonds mature and monthly payments into the Payment Subaccount on account of such Bonds shall commence in the first month of the respective Bond Years in which such Serial Capital Appreciation Bonds mature. The Issuer shall, on a pro-rata basis for each Series, adjust the amount of the deposit or credit to the Payment Subaccount not later than the month immediately preceding any Interest Date and/or principal payment date so as to provide sufficient moneys in the Payment Subaccount to pay the principal

of and interest on the Bonds coming due on such Interest Date and/or principal payment date. No further deposit need be made to the Payment Subaccount when the moneys therein are equal to the principal of and interest coming due on the Bonds on the next succeeding Payment Date.

(2) Term Bonds Redemption Subaccount. Commencing in the month which is one year prior to the first Amortization Installment, there shall be deposited or credited to the Term Bonds Redemption Subaccount the sum which, together with the balance in such Subaccount, shall equal the Amortization Installments on all Term Bonds Outstanding due and unpaid and that portion of the Amortization Installments of all Term Bonds Outstanding next due which would have accrued on such Term Bonds during the then current calendar month if such Amortization Installments were deemed to accrue monthly (assuming that a year consists of twelve (12) equivalent calendar months having 30 days each) in equal amounts from the next preceding Amortization Installment due date, or, if there is no such preceding Amortization Installment due date, from a date one year preceding the due date of such Amortization Installment. Moneys in the Term Bonds Redemption Subaccount shall be used to purchase or redeem Term Bonds in the manner herein provided, and for no other purpose. The Issuer shall adjust the amount of the deposit or credit to the Term Bonds Redemption Subaccount in the month immediately preceding any Amortization Installment Date so as to provide sufficient moneys in the Term Bonds Redemption Subaccount to pay the Amortization Installments becoming due on such date. Payments to the Term Bonds Redemption Subaccount shall be on a parity with payments to the Payment Subaccount.

Amounts accumulated in the Term Bonds Redemption Subaccount with respect to any Amortization Installment (together with amounts accumulated in the Payment Subaccount with respect to interest, if any, on the Term Bonds for which such Amortization Installment was established) may be applied by the Issuer, on or prior to the sixtieth (60th) day preceding the due date of such Amortization Installment, (a) to the purchase of Term Bonds of the Series and maturity for which such Amortization Installment was established, or (b) to the redemption at the applicable Redemption Prices of such Term Bonds, if then redeemable by their terms. The applicable Redemption Price (or principal amount of maturing Term Bonds) of any Term Bonds so purchased or redeemed shall be deemed to constitute part of the Term Bonds Redemption Subaccount until such Amortization Installment date, for the purposes of calculating the amount of such Subaccount. As soon as practicable after the 60th day preceding the due date of any such Amortization Installment, the Issuer shall proceed to call for redemption on such due date, by causing notice to be given as provided in Section 3.03 hereof, Term Bonds of the Series and maturity for which such Amortization Installment was established (except in the case of Term Bonds maturing on a Amortization Installment date) in such amount as shall be necessary to complete the retirement of the unsatisfied

balance of such Amortization Installment. The Issuer shall pay out of the Term Bonds Redemption Subaccount and the Payment Subaccount to the appropriate Paying Agents, on or before the day preceding such redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds may be paid by the Issuer from the Operation and Maintenance Account.

(3) Reserve Subaccount. Except as otherwise provided by Section 8.01(H) hereof, the Issuer shall establish within the Reserve Subaccount a separate subaccount for each Series of Bonds issued hereunder. The moneys in each such subaccount shall be applied in the manner provided herein solely for the payment of the principal of, or Redemption Price, if applicable, and interest on the Series of Bonds for which it is designated and shall not be available to pay debt service on any other Series.

There shall be deposited to each subaccount of the Reserve Subaccount an amount which would enable the Issuer to restore the funds on deposit in each such subaccount to an amount equal to the Reserve Subaccount Requirement applicable thereto, whether such shortfall was caused by decreased market value or withdrawal. All deficiencies in the Reserve Subaccount must be made up no later than twelve (12) months from the date such deficiency first occurred; provided, deficiencies resulting from a decrease in market value of investments in any subaccount of the Reserve Subaccount must be remedied only if the market value of such investments is less than ninety-five percent (95%) of the Reserve Subaccount Requirement on the immediately preceding date of valuation provided in Section 4.10 hereof. Payments of such deficiencies shall be made in twelve (12) substantially equal monthly payments, unless paid on an accelerated basis. On or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth day of the month next preceding such payment date), moneys in each subaccount of the Reserve Subaccount shall be applied by the Issuer to the payment of the principal of, or Redemption Price, if applicable, and interest on related Series of Bonds to the extent moneys in the Payment Subaccount and the Term Bonds Redemption Subaccount, shall be insufficient for such purpose, but only to the extent the moneys transferred from the Surplus Reserve Account for such purposes pursuant to Section 4.05(B)(8) hereof moneys transferred from the Rate Stabilization Account for such purpose pursuant to Section 4.09 hereof and moneys transferred from the Water Connection Fees Account and the Sewer Connection Fees Account pursuant to Sections 4.07 and 4.08 hereof shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in any subaccount of the Reserve Subaccount by reason of a decrease in the Reserve Subaccount Requirement, increase in the market value of the instruments in any subaccount of the Reserve Subaccount or as a result of a deposit in such subaccount of a Reserve Subaccount

Credit Instrument, such surplus moneys shall be deposited or credited by the Issuer first, on a pro rata basis into other subaccounts, if any, containing less than the Reserve Subaccount Requirement applicable thereto, and second, into the Surplus Reserve Account. The Issuer shall inform each Insurer of any draw upon the Reserve Subaccount for purposes of paying the principal of and interest on the Bonds.

Upon the issuance of any Series of Bonds under the terms, limitations and conditions as herein provided, the Issuer shall, on the date of delivery of such Series of Bonds, fund the corresponding subaccount of the Reserve Subaccount established for such Series in an amount at least equal to the Reserve Subaccount Requirement applicable to such Series of Bonds. Such required amount may be paid in full or in part from the proceeds of such Series of Bonds. The requirement that the Reserve Subaccount be fully funded upon the issuance of Additional Bonds may be waived at the discretion of the Insurer.

Notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Subaccount or moneys on deposit in the Reserve Subaccount, the Issuer may cause to be deposited into the Reserve Subaccount a Reserve Subaccount Credit Instrument for the benefit of the Bondholders in an amount equal to the difference between the Reserve Subaccount Requirement applicable thereto and the sums then on deposit in the Reserve Subaccount, if any. Such Reserve Subaccount Credit Instrument shall be payable to the Paying Agent (upon the giving of notice as required thereunder) on any principal payment date or Interest Date on which a deficiency exists which cannot be cured by moneys in any other fund or account held pursuant to this Resolution and available for such purpose. A Reserve Subaccount Insurance Policy issued to the Paying Agent, as agent of the Bondholders, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on the Bonds (a "municipal bond insurer") may be deposited in the Reserve Subaccount to meet the Reserve Subaccount Requirement if the claims-paying ability of the issuer thereof shall be rated at least "AAA" by Standard & Poor's or at least "Aaa" by Moody's. A Reserve Subaccount Insurance Policy issued to the Paying Agent, as agent of the Bondholders, by an entity other than a municipal bond insurer, may be deposited in the Reserve Subaccount to meet the Reserve Subaccount Requirement if the form and substance of such Reserve Subaccount Insurance Policy and the issuer thereof shall be approved by the Insurer.

Whenever moneys in a subaccount of the Reserve Subaccount, together with the other available amounts in the Debt Service Account, are sufficient to fully pay the corresponding Series of Bonds in accordance with their terms (including principal and interest thereon), the funds in such subaccount of the Reserve Subaccount may be applied to the payment of such Series of Bonds.

A Reserve Subaccount Letter of Credit issued to the Paying Agent, as agent of the Bondholders, by a bank may be deposited in the Reserve Subaccount to meet the Reserve Subaccount Requirement if the issuer thereof is rated at least "AA" by Standard & Poor's. The Reserve Subaccount Letter of Credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Bonds. The draws shall be payable within two days of presentation of the sight draft. The Reserve Subaccount Letter of Credit shall be for a term of not less than three years and shall be subject to an "evergreening" feature so as to provide the Issuer with at least 30 months notice of termination. The issuer of the Reserve Subaccount Letter of Credit shall be required to notify the Issuer and the Paying Agent, not later than 30 months prior to the stated expiration date of the Reserve Subaccount Letter of Credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Issuer shall deposit in the Reserve Subaccount an amount sufficient to cause the cash or Authorized Investments on deposit in the Reserve Subaccount, together with any other Reserve Subaccount Credit Instruments, to equal the Reserve Subaccount Requirement on all Outstanding Bonds, such deposit to be paid in equal installments on at least a semiannual basis over the remaining term of the Reserve Subaccount Letter of Credit, unless the Reserve Subaccount Letter of Credit is replaced by a Reserve Subaccount Credit Instrument meeting the requirements of this Section 4.05(B)(3). The Reserve Subaccount Letter of Credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such Reserve Subaccount Letter of Credit if the Reserve Subaccount Letter of Credit has not been replaced or renewed. The Paying Agent shall draw upon the Reserve Subaccount Letter of Credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Subaccount is fully funded in its required amount.

The use of any Reserve Subaccount Credit Instrument pursuant to this Section 4.05(B)(3) shall be subject to receipt of an opinion of counsel acceptable to each Insurer in form and substance satisfactory to each Insurer as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such Reserve Subaccount Credit Instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to each Insurer. In addition, the use of a Reserve Subaccount Letter of Credit shall be subject to receipt of an opinion of counsel acceptable to each Insurer in form and substance satisfactory to each Insurer to the effect that payments under such Reserve Subaccount Letter of Credit would not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code or similar state laws with avoidable preference provisions in the

event of the filing of a petition for relief under the United States Bankruptcy Code or similar state laws by or against the issuer of the Bonds (or any other account party under the Reserve Subaccount Letter of Credit).

The obligation to reimburse the issuer of a Reserve Subaccount Credit Instrument for any fees or expenses or claims or draws upon such Reserve Subaccount Credit Instrument shall be subordinate to the payment of debt service on the Bonds. The right of the issuer of a Reserve Subaccount Credit Instrument to payment or reimbursement of its fees shall be subordinated to cash replenishment of the Reserve Subaccount, and, subject to the further provisions of this paragraph, its right to reimbursement for claims or draws and related reasonable expenses shall be on a parity with the cash replenishment of the Reserve Subaccount. Each Reserve Subaccount Credit Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Subaccount Credit Instrument to reimbursement will be further subordinated to cash replenishment of the Reserve Subaccount to an amount equal to the difference between the full original amount available under the Reserve Subaccount Credit Instrument and the amount then available for further draws or claims. In the event (a) the issuer of a Reserve Subaccount Credit Instrument becomes insolvent, or (b) the issuer of a Reserve Subaccount Credit Instrument defaults in its payment obligations thereunder, or (c) the claims-paying ability of the issuer of the Reserve Subaccount Insurance Policy falls below "AAA" by Standard & Poor's or "Aaa" by Moody's, or (d) the rating of the issuer of the Reserve Subaccount Letter of Credit falls below "AA" by Standard & Poor's, the obligation to reimburse the issuer of such Reserve Subaccount Credit Instrument shall be subordinate to the cash replenishment of the Reserve Subaccount.

In the event (a) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated, or (b) the rating of the claims-paying ability of the issuer of the Reserve Subaccount Insurance Policy falls below "AAA" by Standard & Poor's or "Aaa" by Moody's, or (c) the rating of the issuer of the Reserve Subaccount Letter of Credit falls below "AA" by Standard & Poor's, the Issuer shall either (i) deposit into the Reserve Subaccount an amount sufficient to cause the cash or Authorized Investments on deposit in the Reserve Subaccount to equal the Reserve Subaccount Requirement on all Outstanding Bonds, such amount to be paid over the ensuing five years in equal installments deposited at least semiannually or (ii) replace such Reserve Subaccount Credit Instrument with a Reserve Subaccount Credit Instrument meeting the requirements provided herein within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the Reserve Subaccount Insurance Policy falls below "A", or (b) the rating of the issuer of the Reserve Subaccount Letter of Credit falls below "A", or (c) the issuer of the Reserve

Subaccount Credit Instrument defaults in its payment obligations hereunder, or (d) the issuer of the Reserve Subaccount Credit Instrument becomes insolvent, the Issuer shall either (i) deposit into the Reserve Subaccount an amount sufficient to cause the cash or Authorized Investments on deposit in the Reserve Subaccount to equal the Reserve Subaccount Requirement on all Outstanding Bonds, such amount to be paid over the ensuing year in equal installments on at least a monthly basis, or (ii) replace such instrument with a Reserve Subaccount Credit Instrument meeting the requirements provided herein within six months of such occurrence. The amount available for draws or claims under the Reserve Subaccount Credit Instrument may be reduced by the amount of cash or Authorized Investments deposited in the Reserve Subaccount.

Cash on deposit in a subaccount of the Reserve Subaccount shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Subaccount Credit Instrument. If and to the extent that more than one Reserve Subaccount Credit Instrument is deposited in a subaccount of the Reserve Subaccount, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

If a disbursement is made from a Reserve Subaccount Credit Instrument provided pursuant to this Section 4.05(B)(3), the Issuer shall reinstate the maximum limits of such Reserve Subaccount Credit Instrument immediately following such disbursement from Net Revenues received in accordance with the provisions of this Section 4.05(B)(3). Amounts owed to the issuer of a Reserve Subaccount Credit Instrument shall survive payment in full of the Bonds.

If three (3) days prior to an interest payment or redemption date, the Issuer shall determine that a deficiency exists in the amount of moneys available to pay in accordance with the terms hereof interest and/or principal due on the Bonds on such date, the Issuer shall immediately notify (A) the issuer of the applicable Reserve Subaccount Credit Instrument and (B) the Insurer, if any, of the amount of such deficiency and the date on which such payment is due, and shall take all action to cause such issuer or Insurer to provide moneys sufficient to pay all amounts due on such interest payment date.

The Issuer may evidence its obligation to reimburse the issuer of any Reserve Subaccount Credit Instrument by executing and delivering to such issuer a promissory note therefor, provided, however, any such note (a) shall not be a general obligation of the Issuer the payment of which is secured by the full faith and credit or taxing power of the Issuer, and (b) shall be payable solely from the Pledged Funds in the manner provided herein.

Any consent or approval of any Insurer described in this Section 4.05(B)(3) shall be required only so long as there are

Outstanding Bonds secured by a Bond Insurance Policy issued by such Insurer which is in full force and effect and the commitments of which have been honored by such Insurer. The term "Paying Agent" as used in this Section 4.05(B)(3) may include one or more Paying Agents for the Outstanding Bonds.

(4) Payments to Issuer of Reserve Subaccount Credit Instrument. The Issuer shall next make any payments required to be made to the issuer of any Reserve Subaccount Credit Instrument. Payments pursuant to this subsection (4), other than payments which are not incurred as a result of a draw against the Reserve Subaccount Credit Instrument, shall be on a parity with all payments made to the Reserve Subaccount pursuant to subsection (3) above.

(5) Renewal and Replacement Account. There shall be deposited or credited to the Renewal and Replacement Account an amount equal to one-twelfth of the Renewal and Replacement Requirement until the amount accumulated in such Account is equal to the Renewal and Replacement Account Requirement, taking into account the market value of investments in such Account; provided, however, that (a) such Renewal and Replacement Account Requirement may be increased or decreased as the Consulting Engineers shall certify to the Issuer is necessary for the purposes of the Renewal and Replacement Account, and (b) in the event that the Consulting Engineers shall certify that the Renewal and Replacement Account Requirement is excessive for the purposes of the Renewal and Replacement Account such excess amount as may be on deposit therein may be transferred by the Issuer from the Renewal and Replacement Account for deposit into the Surplus Reserve Account. The moneys in the Renewal and Replacement Account shall be applied by the Issuer for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System, or extraordinary repairs of the System; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), moneys in the Renewal and Replacement Account shall be applied for the payment into the Payment Subaccount and the Term Bonds Redemption Subaccount when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Surplus Reserve Account pursuant to Section 4.05(B)(8) hereof, moneys available in the Reserve Subaccount for such purpose pursuant to Section 4.05(B)(3) hereof, moneys transferred from the Rate Stabilization Account pursuant to Section 4.09 hereof and moneys transferred from the Water Connection Fees Account and Sewer Connection Fees Account pursuant to Sections 4.07 and 4.08 hereof shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Account may also be transferred to the Operation and Maintenance Account to fund Operating Expenses to the extent Gross Revenues shall be insufficient for such purpose; provided, however, such transfer

shall be treated as an interfund loan and shall be repaid from Gross Revenues as described in this Section 4.05(B)(5) within one year from the date of such transfer.

(6) Subordinated Indebtedness. Gross Revenues shall next be applied by the Issuer for the payment of any accrued debt service on Subordinated Indebtedness incurred by the Issuer in connection with the System and in accordance with the proceedings authorizing such Subordinated Indebtedness.

(7) Administrative Expenses. Gross Revenues shall next be applied by the Issuer for the payment of Administrative Expenses.

(8) Surplus Reserve Account. The balance of any Gross Revenues remaining in said Revenue Account after the foregoing shall be deposited or credited to the Surplus Reserve Account. Moneys in the Surplus Reserve Account shall be applied monthly by the Issuer, to the extent necessary, in the following order of priority, (i) to pay Operating Expenses whenever the moneys in the Operation and Maintenance Account shall be insufficient for such purpose, (ii) to pay debt service on the Bonds in the event amounts in the Debt Service Account are insufficient for such purpose and (iii) to cure any deficiency in the Reserve Subaccount. Moneys not required to meet such deficiencies shall be deposited to the Water Connection Fees Account or Sewer Connection Fees Account to make up any withdrawal therefrom pursuant to Sections 4.07(A) and 4.08(A) hereof, respectively. Thereafter, whenever no Event of Default shall have occurred and be continuing under this Resolution, and after setting aside in the Surplus Reserve Account a sum which, together with the moneys in the Operation and Maintenance Account, shall be sufficient to pay Operating Expenses for a period of ninety days according to the Annual Budget, the balance of any moneys remaining in the Surplus Reserve Account may be applied by the Issuer for any lawful purpose. Notwithstanding the foregoing requirement that moneys for Operating Expenses be segregated, the Issuer shall have the right, at any time, to apply any money in the Surplus Reserve Account for deposit or credit to the Renewal and Replacement Account and the Rebate Account. Additionally, the Issuer shall have the right, but may never be compelled by any Holder, to apply any moneys in the Surplus Reserve Account, at any time, to the payment of all or any part of principal of, Redemption Price or interest on the Bonds or any Subordinated Indebtedness.

(C) Whenever moneys in the Reserve Subaccount, together with the other amounts in the Debt Service Account, are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), no further deposits or credits to the Debt Service Account need be made. If on any payment date the Gross Revenues are insufficient to deposit the required amount in any of the funds or accounts or for any of the purposes provided above, the deficiency shall be made upon on the subsequent payment date.

The Issuer, in its discretion, may use moneys in the Payment Subaccount to purchase or redeem Bonds coming due on the next principal payment date, provided such purchase or redemption does not adversely affect the Issuer's ability to pay the principal or interest coming due on such principal payment date on the Bonds not so purchased or redeemed.

Prior to the close of business on the sixteenth Business Day (or, if no Reserve Subaccount Credit Instrument is then in place, prior to the close of business on the fifth Business Day) prior to any date established for the payment of principal of or Redemption Price, if applicable, or interest on any Series of Bonds, the Issuer shall certify to the Paying Agent that sufficient moneys are in the Payment Subaccount and Term Bonds Redemption Subaccount to make all payments due on such forthcoming date. The Paying Agent shall be entitled to verify such certification by examination of any books, records or other proceedings deemed necessary by the Paying Agent to effectuate such verification and shall be entitled, at its request, to receive the certificate described in the preceding sentence in writing. At least one (1) business day prior to the date established for payment of any principal of or Redemption Price, if applicable, or interest on the Bonds, the Issuer shall withdraw from the appropriate account of the Debt Service Account sufficient moneys to pay such principal or Redemption Price, if applicable, or interest and deposit such moneys with the Paying Agent for the Bonds to be paid.

(D) In the event the Issuer shall issue a Series of Bonds secured by a Credit Facility, the Issuer may establish separate subaccounts in the Payment Subaccount and the Term Bonds Redemption Subaccount to provide for payment of the principal of and interest on such Series; provided payment from the Pledged Funds of one Series of Bonds shall not have preference over payment of any other Series of Bonds. The Issuer may also deposit or credit moneys to such subaccounts at such other times and in such other amounts from those provided in Section 4.05(B) as shall be necessary to pay the principal of and interest on such Bonds as the same shall become due, all as provided by the Supplemental Resolution authorizing such Bonds.

In the case of Bonds secured by a Credit Facility, amounts in the Debt Service Account may be applied as provided in the applicable Supplemental Resolution to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of, premium, if any, and interest on such Bonds; provided such Credit Facility shall have no priority over Bondholders or the Insurer with respect to amounts in the Debt Service Account.

SECTION 4.06. REBATE ACCOUNT. Amounts in the Rebate Account shall be held in trust by the Issuer and used solely to make required rebates to the United States (except to the extent the same may be transferred to the Revenue Account) and the Bondholders

shall have no right to have the same applied for debt service on the Bonds. The Issuer agrees to undertake all actions required of it in its arbitrage certificate, dated the date of issuance of the Series 1993 Bonds, as well as any successor certificate relating to other Series of Bonds, relating to such Series 1993 Bonds, including, but not limited to:

(A) making a determination in accordance with the Code of the amount required to be deposited or credited to the Rebate Account;

(B) depositing or crediting the amount determined in clause (A) above into the Rebate Account;

(C) paying on the dates and in the manner required by the Code to the United States Treasury from the Rebate Account and any other legally available moneys of the Issuer such amounts as shall be required by the Code to be rebated to the United States Treasury; and

(D) keeping such records of the determinations made pursuant to this Section 4.06 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of the Bonds.

The provisions of the above-described arbitrage certificate may be amended from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

SECTION 4.07. WATER CONNECTION FEES ACCOUNT. The Issuer shall deposit into the Water Connection Fees Account all Water Connection Fees as received, together with moneys transferred to such Account pursuant to Section 4.05(B)(8), and such Water Connection Fees shall be accumulated in the Water Connection Fees Account and applied by the Issuer in the following manner and order of priority:

(A) For the payment on or prior to each Interest Payment Date (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date) into the Payment Subaccount and the Term Bonds Redemption Subaccount, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Surplus Reserve Account for such purpose pursuant to Section 4.05(B)(8) hereof shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Water Connection Fees Account and the Sewer Connection Fees Account on a pro-rata basis in relation to the amount of moneys in each Account at the time of transfer. Any moneys transferred to the aforementioned Accounts shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues as described in Section 4.05(B)(8) hereof on or prior to the date such amounts are needed for the purposes described in Sections 4.07(B) and (C)

hereof, but in no event later than one year from the date of such transfer, unless the Issuer shall determine that such transfer constitutes an appropriate use of such Water Connection Fees.

(B) To pay the cost of acquiring and/or constructing new user-related water improvements or additions to the System in accordance with the plans and specifications provided by the Consulting Engineers and the requisitions for disbursement of moneys provided by the Issuer.

(C) To be used for any other lawful purpose relating to the System.

SECTION 4.08. SEWER CONNECTION FEES ACCOUNT. The Issuer shall deposit into the Sewer Connection Fees Account all Sewer Connection Fees as received, together with moneys transferred to such Fund pursuant to Section 4.05(B)(8) hereof, and such Sewer Connection Fees shall be accumulated in the Sewer Connection Fees Account and applied by the Issuer in the following manner and order of priority:

(A) For the payment on or prior to each Interest Payment Date (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date) into the Payment Subaccount and the Term Bonds Redemption Subaccount, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Surplus Reserve Account for such purpose pursuant to Section 4.05(B)(8) hereof shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Sewer Connection Fees Account and the Water Connection Fees Account on a pro-rata basis in relation to the amount of moneys in each Account at the time of transfer. Any moneys transferred to the aforementioned Accounts described above shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues as described in Section 4.05(B)(8) hereof on or prior to the date such amounts are needed for the purposes described in Sections 4.08(B) and (C) hereof, but in no event later than the date of such transfer, unless the Issuer shall determine that such transfer constitutes an appropriate use of such Sewer Connection Fees.

(B) To pay the cost of acquiring and/or constructing new user related sewer improvements or additions to the System in accordance with the plans and specifications provided by the Consulting Engineers and the requisitions for disbursement of moneys provided by the Issuer.

(C) To be used for any other lawful purpose relating to the System.

SECTION 4.09. RATE STABILIZATION ACCOUNT. The Issuer may transfer into the Rate Stabilization Account such moneys which are

on deposit in the Surplus Reserve Account as it deems appropriate. The Issuer may transfer such amounts of moneys from the Rate Stabilization Account to the Revenue Account as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), moneys in the Rate Stabilization Account shall be applied for the payment into the Payment Subaccount and the Term Bonds Redemption Subaccount when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Surplus Reserve Account for such purpose pursuant to Section 4.05(B)(8) hereof and moneys transferred from the Water Connection Fees Account and Sewer Connection Fees Account pursuant to Sections 4.07 and 4.08 hereof shall be inadequate to fully provide for such insufficiency.

SECTION 4.10. INVESTMENTS. The Project Account, the Revenue Account, the Debt Service Account, the Operation and Maintenance Account, the Water Connection Fees Account, the Sewer Connection Fees Account, the Surplus Reserve Account, the Rate Stabilization Account and the Renewal and Replacement Account shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State. The moneys in the Project Account, the Revenue Account, Operation and Maintenance Account, the Payment Subaccount, the Term Bonds Redemption Subaccount, the Water Connection Fees Account, the Sewer Connection Fees Account, the Renewal and Replacement Account, the Rate Stabilization Account and the Surplus Reserve Account shall be invested and reinvested by the Issuer in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such account or subaccount. Moneys in the Reserve Subaccount shall be invested in Authorized Investments, maturing no later than five (5) years from the date of investment. All investments shall be valued at cost except the Reserve Subaccount, which shall be valued by the Paying Agent at least annually at the market value thereof, exclusive of accrued interest. Investments in the Reserve Subaccount shall be valued by the Issuer on an annual basis on September 30 of each year. Notwithstanding any other provision hereof, all amounts in the Project Account or Payment Subaccount representing accrued and capitalized interest shall be held by the Paying Agent, shall be pledged solely to the payment of interest on the corresponding Series of Bonds and shall be invested only in Federal Securities maturing in such times and in such amounts as are necessary to pay the interest to which they are pledged. Any and all income received from the investment of moneys in the accounts and subaccounts established hereunder shall be deposited or credited upon receipt thereof in the Revenue Account.

Any and all income received from the investment of moneys in each separate subaccount of the Project Account, the Payment Subaccount, the Term Bonds Redemption Subaccount, the Renewal and

Replacement Account (to the extent such income and the other amounts in such Account do not exceed the Renewal and Replacement Account Requirement), the Rate Stabilization Account, the Water Connection Fees Account, the Sewer Connection Fees Account and each subaccount of the Reserve Subaccount (to the extent such income and the other amounts in such subaccount does not exceed the Reserve Subaccount Requirement applicable thereto) shall be retained in such respective Account or subaccount. Any and all income received from the investment of moneys in the Special Assessments Account shall be deposited upon receipt thereof in the Payment Subaccount.

Any and all income received from the investment of moneys in the Operation and Maintenance Account, the Surplus Reserve Account, the Renewal and Replacement Account (only to the extent such income and the other amounts in such Account exceed the Renewal and Replacement Account Requirement) and each subaccount of the Reserve Subaccount (only to the extent such income and the other amounts in such subaccount exceed the Reserve Subaccount Requirement), shall be deposited or credited upon receipt thereof in the Revenue Account.

Nothing in this Resolution shall prevent any Authorized Investments acquired as investments of or security for funds held under this Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

SECTION 4.11. SEPARATE ACCOUNTS. The moneys required to be accounted for in each of the foregoing funds, accounts and subaccounts established herein may be deposited in a single bank account, and funds allocated to the various funds, accounts and subaccounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the moneys on deposit therein and such investments for the various purposes of such funds, accounts and subaccounts as herein provided.

The designation and establishment of the various funds, accounts and subaccounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues for certain purposes and to establish certain priorities for application of such revenues as herein provided.

ARTICLE V

COVENANTS

SECTION 5.01. GENERAL. The Issuer hereby makes the following covenants, in addition to all other covenants in this Resolution, with each and every successive Holder of any of the Bonds so long as any of said Bonds remain Outstanding.

SECTION 5.02. OPERATION AND MAINTENANCE. The Issuer will maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The Issuer covenants to comply with all State and federal laws and regulations applicable to its ownership and operation of the System.

SECTION 5.03. ANNUAL BUDGET. The Issuer shall annually prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget in accordance with applicable law. No expenditure for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amount provided therefor in the Annual Budget, (A) without a written finding and recommendation by an Authorized Issuer Officer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures, and (B) until the Governing Body shall have approved such finding and recommendation.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, other than the first Fiscal Year, the Annual Budget for the preceding Fiscal Year, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted.

The Issuer shall mail copies of such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for operation and maintenance to any Credit Bank or Insurer of Bonds who shall file his address with the Clerk and request in writing that copies of all such Annual Budgets and resolutions be furnished to him and shall make available all such Annual Budgets and resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to any Holder or Holders of Bonds or to anyone acting for and on behalf of such Holder or Holders.

SECTION 5.04. RATES. The Issuer shall fix, establish and maintain such rates and collect such fees, rates, or other charges for the product, services and facilities of its System, and revise the same from time to time, whenever necessary, as will always provide in each Fiscal Year either:

(A) Net Revenues which at least equal (1) 105 percent of the Annual Debt Service on all Outstanding Bonds becoming due in such Fiscal Year including (2) 100 percent of any amounts (a) required by the terms of Sections 4.07(A) and 4.08(A) to be repaid to the Water Connection Fees Account and Sewer Connection Fees Account in such Fiscal Year, respectively, and (b) required to be paid to the issuer of a Reserve Account Credit Instrument as a result of a draw thereon, or

(B) (1) Net Revenues, Water Connection Fees and Sewer Connection Fees in each Fiscal Year adequate to pay at least one hundred ten percent (110%) of the Annual Debt Service becoming due in such Fiscal Year on all Outstanding Bonds including (2) 100% of any amounts (a) required by the terms of Section 4.07(A) and 4.08(A) hereof to be repaid to the Water Connection Fees Account and Sewer Connection Fees Account, respectively, in such Fiscal Year and (b) required to be paid to the issuer of a Reserve Account Credit Instrument as a result of a draw thereon. Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues, Water Connection Fees and Sewer Connection Fees for the purposes provided therefor by this Resolution. The Issuer hereby represents that it has the power to raise such rates and charges without the approval of any regulatory body.

For purposes of this Section 5.04, Variable Rate Bonds shall be assumed to bear interest at the higher of the actual rate on the date of calculation and the average rate borne over the twelve months preceding the date of calculation.

If, in any Fiscal Year, the Issuer shall fail to comply with the requirements contained in this Section 5.04, it shall immediately cause the Rate Consultant to review its rates, fees, charges, income, Gross Revenues, Operating Expenses and methods of operation and to, within 60 days of such request by the Issuer, make written recommendations as to the methods by which the Issuer may promptly seek to comply with the requirements set forth in the preceding paragraph. The Issuer shall forthwith within 30 days after receipt of such recommendations commence to implement such recommendations to the extent required so as to cause it to thereafter comply with said requirements.

SECTION 5.05. BOOKS AND RECORDS. The Issuer shall keep books, records and accounts of the revenues and operations of the System, which shall be kept separate and apart from all other books, records and accounts of the Issuer, and the Holders of any Bonds Outstanding or the duly authorized representatives thereof shall have the right at all reasonable times to inspect all books, records and accounts of the Issuer relating thereto.

SECTION 5.06. ANNUAL AUDIT. The Issuer shall, immediately after the close of each Fiscal Year, cause the books, records and

accounts relating to the System to be properly audited by a recognized independent certified public accountant or firm of independent certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Each Annual Audit shall be in conformity with generally accepted accounting principles. A copy of each Annual Audit shall regularly be furnished to any Insurer and to any Holder of a Bond who shall have furnished his address to the Clerk and requested in writing that the same be furnished to him.

SECTION 5.07. NO MORTGAGE OR SALE OF THE SYSTEM. Except as permitted by this Section 5.07 or Section 5.19 hereof, the Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System as a whole or any substantial part thereof until all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with Section 9.01 hereof.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System in the following manner, if any one of the following conditions exist: (A) such property is not necessary for the operation of the System, (B) such property is not useful in the operation of the System, (C) such property is not profitable in the operation of the System, or (D) in the case of a lease of such property, such lease will be advantageous to the System and will not adversely affect the security for the Bondholders.

Prior to any such sale, lease or other disposition of said property: (1) if the amount to be received therefor is not in excess of one-half of one percent of the value of the fixed assets of the System at original cost, an Authorized Issuer Officer shall make a finding in writing determining that one or more of the conditions for sale, lease or disposition of property provided for in the second paragraph of this Section 5.07 have been met; or (2) if the amount to be received from such sale, lease or other disposition of said property shall be in excess of one-half of one percent of the value of the gross plant of the System at original cost, (a) an Authorized Issuer Officer shall first make a finding in writing determining that one or more of the conditions for sale, lease or other disposition of property provided for in the second paragraph of this Section 5.07 have been met, (b) the Issuer shall, by resolution, duly adopt, approve and concur in the finding of the Authorized Issuer Officer and (c) the Issuer shall obtain an opinion of Bond Counsel to the effect that such sale, lease or other disposition is not in violation of the Act and will not adversely affect the Federal tax exempt status of interest on the Bonds (other than Taxable Bonds).

The proceeds from such sale or other disposition shall be deposited or credited, first, to the Renewal and Replacement

Account to the extent necessary to make the amount therein equal to the Renewal and Replacement Account Requirement, and, second, to the Surplus Reserve Account. Proceeds of any such lease shall constitute Gross Revenues and shall be deposited in the Revenue Fund.

Notwithstanding the foregoing provisions of this Section 5.07, the Issuer shall have the authority to sell for fair and reasonable consideration or to transfer without charge from the System to another department of the Issuer any land comprising a part of the System which, based upon the certification of an Authorized Issuer Officer, is no longer necessary or useful in the operation of the System and the proceeds derived from the sale of such land shall be disposed of in accordance with the provisions of the fourth paragraph of this Section 5.07.

The Issuer may make contracts or grant licenses for the operation of, or grant easements or other rights with respect to, any part of the System if such contract, license, easement or right does not, in the opinion of the Consulting Engineer, as evidenced by a certificate to that effect filed with the Issuer, impede or restrict the operation by the Issuer of the System, but any payments to the Issuer under or in connection with any such contract, license, easement or right in respect of the System or any part thereof shall constitute Gross Revenues.

SECTION 5.08. INSURANCE. The Issuer will carry such insurance as is ordinarily carried by private or public corporations owning and operating water and sewer utilities similar to the System with a reputable insurance carrier or carriers, including public liability insurance in such amounts as the Issuer shall determine to be sufficient and such other insurance against loss or damage by fire, explosion (including underground explosion), hurricane, tornado or other hazards and risks, and said property loss or damage insurance shall at all times be in an amount or amounts equal to the fair appraisal value of the buildings, properties, furniture, fixtures and equipment of the System, or such other amount or amounts as the Consulting Engineers shall approve as sufficient.

The Issuer may establish certain minimum levels of insurance for which the Issuer may self-insure. Such minimum levels of insurance shall be in amounts as recommended in writing by an insurance consultant who has a favorable reputation and experience and is qualified to survey risks and to recommend insurance coverage for Persons engaged in operations similar to the System.

The Issuer shall, immediately upon receipt, deposit the proceeds from property loss and casualty insurance to the credit of the Revenue Account. The proceeds from property loss and casualty insurance shall be applied as follows: (A) If such proceeds, together with other available funds of the Issuer, are sufficient to repair or replace the damaged portion of the System,

such proceeds and other available funds shall be deposited to the credit of the Renewal and Replacement Account and, together with any other available funds of the Issuer, applied to such repair or replacement; or (B) if such proceeds, together with other available funds of the Issuer, are not sufficient to repair or replace the damaged portion of the System or if the Issuer makes a determination in accordance with Section 5.07 hereof that such portion of the System is no longer necessary or useful in the operation of the System, such proceeds shall (1) if such proceeds equal or exceed \$50,000, (a) be applied to the redemption or purchase of Bonds or (b) be deposited in irrevocable trust for the payment of Bonds in the manner set forth in Section 9.01, provided the Issuer has received an opinion of Bond Counsel to the effect that such deposit shall not adversely affect the exclusion, if any, from gross income of interest on the Bonds for purposes of federal income taxation, or (2) if such proceeds are less than \$50,000, be deposited in the Revenue Account.

SECTION 5.09. NO FREE SERVICE. The Issuer will not render, or cause to be rendered, any free services of any nature by its System or any part thereof, nor will any preferential rates be established for users of the same class.

SECTION 5.10. NO IMPAIRMENT OF RIGHTS. The Issuer will not enter into any contract or contracts, nor take any action, the results of which might impair the rights of the Holders of the Bonds and will not permit the operation of any competing water and sewer facilities in the Issuer; provided, however, that the Issuer reserves the right to permit the ownership and operation of water or sewer service facilities or both by itself or by others in any territory which is not in any service area now or hereafter served by the System.

SECTION 5.11. COMPULSORY SEWER CONNECTIONS. The Issuer shall comply with all requirements of Florida law with respect to compulsory sewer connections. This provision shall not be construed to require the Issuer to extend water and sewer service to areas not presently served by the System.

SECTION 5.12. ENFORCEMENT OF CHARGES. The Issuer shall compel the prompt payment of rates, fees and charges imposed for service rendered on every lot or parcel connected with the System, and to that end will vigorously enforce all of the provisions of any ordinance or resolution of the Issuer having to do with sewer and water connections and charges, and all of the rights and remedies permitted the Issuer under law, including the requirement for the making of a reasonable deposit by each user, the requirement for disconnection of all premises delinquent in payment for services, and the securing of an injunction against the disposition of sewage or industrial waste into the sewer facilities of the System by any premises delinquent in the payment of such charges.

SECTION 5.13. COVENANTS WITH CREDIT BANKS AND INSURERS. The Issuer may make such covenants as it may in its sole discretion determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide credit or liquidity support for Bonds of any one or more Series that shall enhance the security or the value of such Bonds, provided, that any such covenants shall not adversely affect the Holders of any Outstanding Bonds. Such covenants may be set forth in the applicable Supplemental Resolution and shall be binding on the Issuer, the Registrar, the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Resolution.

SECTION 5.14. CONSULTING ENGINEERS. The Issuer shall from time to time employ Consulting Engineers or other professionals with expertise in utility systems, whose duties shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineers or other professionals under this Resolution, and also to review the construction and operation of the System, to make an inspection of the System at least once every two years, and to submit to the Issuer a report with recommendations as to the proper maintenance, repair and operation of the System during the ensuing Fiscal Year, including recommendations for expansion and additions to the System to meet anticipated service demands, and an estimate of the amount of money necessary for such purposes. Copies of such reports, recommendations and estimates made as hereinabove provided shall be filed with the Issuer and made available for inspection by Bondholders, if such inspection is requested.

SECTION 5.15. UNIT WATER AND SEWER BILLS. In every instance in which a building or structure on a lot is connected to the sewer facilities of the System, which building or structure is also connected to the water facilities of the System and receives water therefrom, the Issuer shall submit to the owner or occupant of such lot a single bill for both water and sewer service and shall refuse to accept payment for either the water charge alone or sewer charge alone without payment of the other.

SECTION 5.16. COLLECTION OF CONNECTION FEES. The Issuer shall proceed diligently to perform legally and effectively all steps required in the imposition and collection of the Connection Fees. Upon the due date of any such Connection Fees, the Issuer shall diligently proceed to collect the same and shall exercise all legally available remedies to enforce such collections now or hereafter available under State law.

SECTION 5.17. FEDERAL INCOME TAXATION COVENANTS; TAXABLE BONDS.

(A) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it shall not use the proceeds of such Series of Bonds in any manner which would cause the

interest on such Series of Bonds to be or become includable in gross income for purposes of federal income taxation.

(B) The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any Person under its control or direction will make any use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code and neither the Issuer nor any other Person shall do any act or fail to do any act which would cause the interest on such Series of Bonds to become includable in gross income for purposes of federal income taxation.

(C) The Issuer hereby covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it will comply with all provisions of the Code necessary to maintain the exclusion from gross income of interest on the Bonds for purposes of federal income taxation, including, in particular, the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code.

(D) The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includable in the gross income of the Holder thereof for federal income taxation purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause interest on any other Bonds theretofore issued hereunder (other than Taxable Bonds) to be or become subject to federal income taxation. The covenants set forth in paragraphs (A), (B) and (C) above shall not apply to any Taxable Bonds.

SECTION 5.18. PROVISIONS RELATING TO SERIES 1993 BOND INSURANCE POLICY.

(A) If, on the third Business Day prior to the related scheduled Interest Payment Date or principal payment date ("Payment Date") there is not on deposit with the Paying Agent after making all transfers and deposits required under this Resolution, moneys sufficient to pay the principal of and interest on any Bonds due on such Payment Date, the Paying Agent shall give notice to the Insurer and to its designated agent (if any) (the "Insurer's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 12:00 noon, New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the Series 1993 Bonds due on such Payment Date, the Paying Agent shall make a claim under the Bond Insurance Policy and give notice to the Insurer and the Insurer's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the Series 1993 Bonds and the

amount required to pay principal of the Series 1993 Bonds, confirmed in writing to the Insurer and the Insurer's Fiscal Agent by 12:00 noon, New York City time, on such second Business Day.

(B) The Paying Agent shall establish a separate special purpose trust account for the benefit of Series 1993 Bondholders referred to herein as the "Policy Payments Account" and over which the Paying Agent shall have exclusive control and sole right of withdrawal. The Paying Agent shall receive any amount paid under a Bond Insurance Policy in trust on behalf of Series 1993 Bondholders and shall deposit any such amount in the Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent to Series 1993 Bondholders in the same manner as principal and interest payments are to be made with respect to the Series 1993 Bonds under the sections hereof regarding payment of Series 1993 Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments. However, the amount of any payment of principal of or interest on the Series 1993 Bonds to be paid from the Policy Payments Account shall be noted as provided in (D) below.

Funds held in the Policy Payments Account shall not be invested by the Paying Agent and may not be applied to satisfy any costs, expenses or liabilities of the Paying Agent.

In the event the Series 1993 Bonds are subject to mandatory sinking fund redemption, upon receipt of the moneys due, affected Series 1993 Bondholders shall surrender their Bonds to the Paying Agent who shall authenticate and deliver to such Bondholder a new Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered, and upon maturity or other advancement of maturity and receipt of the moneys due, Bondholders shall surrender their Bonds for cancellation. The Paying Agent shall designate any portion of payment of principal on Series 1993 Bonds paid by the Insurer, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Series 1993 Bonds registered to the then current Bondholder, whether The Depository Trust Company or its nominee or otherwise, and shall issue a replacement Bond to the Insurer, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Paying Agent's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Insurer.

(C) Any funds remaining in the Policy Payments Account following a Payment Date shall promptly be remitted to the Insurer

except for funds held for the payment of Bonds which were not presented for payment.

(D) The Payment Agent shall keep a complete and accurate record of all funds deposited by the Insurer into the Policy Payments Account and the allocation of such funds to payment of interest on and principal of any Bond. The Insurer shall have the right to inspect such records at reasonable times upon one Business Day's prior notice to the Paying Agent.

(E) Subject to and conditioned upon payment of any interest or principal with respect to the Bonds by or on behalf of the Insurer, each Series 1993 Bondholder, by its purchase of Bonds, hereby assigns to the Insurer, but only to the extent of all payments made by the Insurer, all rights to the payment of interest or principal on the Series 1993 Bonds, including, without limitation, any amounts due to the Series 1993 Bondholders in respect of securities law violations arising from the offer and sale of the Series 1993 Bonds, which are then due for payment. The Insurer may exercise any option, vote, right, power or the like with respect to Series 1993 Bonds to the extent it has made a principal payment pursuant to the Bond Insurance Policy. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to the Insurer in respect of such payments. The Paying Agent shall take such action and deliver such instruments as may be reasonably requested or required by the Insurer to effectuate the purpose or provisions of this clause (E).

(F) The Paying Agent shall promptly notify the Insurer of either of the following as to which it has actual knowledge: (i) the commencement of any proceeding by or against the Issuer commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") and (ii) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer (a "Preference Claim") of any payment of principal of, or interest on, the Series 1993 Bonds.

Each Series 1993 Bondholder, by its purchase of Series 1993 Bonds, and the Paying Agent hereby agree that the Insurer may at any time during the continuation of an Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including without limitation, (i) all matters relating to any Preference Claim, (ii) the direction of any appeal of any order relating to any Preference Claim and (iii) the posting of any surety, supersedeas or performance bond pending any such appeal. In addition, and without limitation of the foregoing, the Insurer shall be subrogated to the rights of the Paying Agent and each Bondholder in any Insolvency Proceeding to the extent it is subrogated pursuant to the Bond Insurance Policy, including, without limitation, any rights of any party to an adversary

proceeding action with respect to any court order issued in connection with any such Insolvency Proceeding.

(G) The Issuer hereby agrees to pay or reimburse, solely from the Pledged Funds, the Insurer any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) the administration, enforcement, defense or preservation of any rights in respect of the Resolution including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Issuer or any affiliate thereof) relating to the Resolution, any party to the Resolution or the transaction contemplated by the Resolution (the "Transaction"), (ii) the pursuit of any remedies under the Resolution, or (iii) any amendment, waiver or other action with respect to, or related to, the Resolution whether or not executed or completed; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the Insurer spent in connection with the actions described above; and the Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Resolution.

(H) In addition to any and all rights of reimbursement, subrogation and any other rights pursuant hereto or under law or in equity, the Issuer agrees to pay or reimburse, solely from the Pledged Funds, the Insurer any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages and expenses which the Insurer or its officers, directors, shareholders, employees, agents and each Person, if any, who controls the Issuer within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection with, in respect of or relating to the transactions contemplated by the Resolution by reason of:

(i) any omission or action (other than of or by the Insurer) in connection with the offering, issuance, sale, remarketing or delivery of the Series 1993;

(ii) the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the Issuer in connection with any transaction arising from or relating to the Resolution;

(iii) the violation by the Issuer of any law, rule or regulation, or any judgment, order or decree applicable to it;

(iv) the breach by the Issuer of any representation, warranty or covenant under the Resolution or the occurrence,

in respect of the Issuer, under the Resolution of any "event of default" or any event which, with the giving of notice or lapse of time or both, would constitute any "event of default"; or

(v) any untrue statement or alleged untrue statement of a material fact contained in any Official Statement or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an Official Statement and furnished by an Insurer in writing expressly for use therein.

(I) The Issuer shall pay to the Insurer, solely from the Pledged Funds, interest on any and all amounts as are paid under the Bond Insurance Policy and as are otherwise due to the Insurer from the date paid by the Insurer until payment thereof in full at the Late Payment Rate. "Late Payment Rate" shall mean a per annum rate equal to the lower of (i) three percent above the interest rate that Morgan Guaranty Trust Company of New York ("Morgan") publicly announces from time to time as its prime lending rate ("Prime Rate"), such interest rate to change on the effective date of each change in the announced Prime Rate and (ii) the maximum interest rate permitted to be paid by the Issuer under applicable law; provided that with respect to payments paid to and received by the Insurer pursuant to its subrogation rights under the Resolution the amount of the Bonds interest rate shall be subtracted from the Late Payment Rate. In the event Morgan ceases to announce its Prime Rate, the Prime Rate shall be the prime rate of such national bank as the Insurer shall designate.

(J) Payments required to be made to the Insurer hereunder shall be payable solely from the Pledged Funds. The obligations set forth in (G) - (I) above shall survive discharge or termination of the Resolution.

(K) The Insurer shall be entitled to pay principal of or interest on the Series 1993 Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Bond Insurance Policy), whether or not the Insurer has received a Notice (as defined in the Bond Insurance Policy) of Nonpayment or a claim upon the Bond Insurance Policy.

(L) The notice address of the Insurer is: Financial Security Assurance Inc., 350 Park Avenue, New York, New York 10022-6022, Attention: Managing Director - Surveillance.

(M) The Insurer shall be included and deemed a third party beneficiary of the Resolution.

(N) The Insurer shall be provided with the following information:

(i) Annual audited financial statements within 120 days after the end of the Issuer's Fiscal Year and the Issuer's annual budget within 30 days after the approval thereof;

(ii) Upon delivery of the annual audited financial statements of the Issuer, a certificate of the chief financial officer of the Issuer stating that, to the best of such individual's knowledge following reasonable inquiry, no Event of Default (or any event which, once all notice or grace periods have passed, would constitute an Event of Default) has occurred, or if an Event of Default has occurred, specifying the nature thereof and, if the Issuer has a right to cure pursuant to Section 7.01(C), stating in reasonable detail the steps, if any, being taken by the Issuer to cure such Event of Default;

(iii) Official statements, if any, prepared in connection with the issuance of additional debt of the Issuer, whether or not it is on a parity with the insured issue, within 30 days after the bond sale;

(v) Notice of the resignation or removal of the Paying Agent and Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(vi) All reports, notices and correspondence to be delivered under the terms of the Resolution including, but not limited to, any Rate Consultant's review, report or recommendation; and

(vii) Such additional information as the Insurer from time to time may reasonably request.

SECTION 5.19. TRANSFER OF SYSTEM TO SPECIAL DISTRICT. Marion County specifically reserves the right to transfer the ownership and operation of the System as a whole and all of Marion County's rights and obligations under this Resolution and the Bonds to a Special District upon compliance with the following conditions:

(A) Marion County shall certify that it is current in all deposits or credits to the various accounts and subaccounts established hereby and all payments theretofore required to have been deposited or credited by it under the provisions of this Resolution and that no Event of Default shall have occurred and be continuing.

(B) The Special District shall constitute a governmental entity, obligations issued by which are exempt from Federal income taxation under Section 103(a) of the Code.

(C) The Special District shall agree, in writing, to assume all obligations of Marion County under this Resolution and the Bonds.

(D) Marion County shall receive an opinion of Bond Counsel to the effect that, under existing law, (i) the assumption of all obligations of Marion County by the Special District is effective and (ii) the consummation of such transfer would not adversely affect the exemption from federal income taxation of interest payable on any Bonds then Outstanding (other than Taxable Bonds).

(E) Receipt of evidence from each Insurer that they have received and found satisfactory all documentation they may request in connection with such assumption, including appropriate legal opinions regarding such assumption.

Upon the consummation of such transfer, the transferee Special District shall become the "Issuer" for all purposes hereunder. Thereafter, the transferee Special District shall be solely responsible for compliance with all of the terms and provisions hereof, including but not limited to payment of the Bonds and the interest thereon, and shall be entitled to exercise all rights hereunder, including but not limited to the right to issue future Series of Additional Bonds on a parity with any Bonds then Outstanding. Marion County shall immediately transfer the various accounts and subaccounts established hereby to the transferee Special District.

SECTION 5.20. COVENANT TO RETAIN TITLE. The Issuer covenants and agrees to take all action necessary, including exercise of its power of eminent domain, if necessary, to maintain its or the Special District's title to the System.

ARTICLE VI

SUBORDINATED INDEBTEDNESS AND ADDITIONAL BONDS

SECTION 6.01. SUBORDINATED INDEBTEDNESS. The Issuer will not issue any other obligations, except under the conditions and in the manner provided herein, payable from the Pledged Funds or the Gross Revenues or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The Issuer may at any time or from time to time issue evidences of indebtedness payable in whole or in part out of Pledged Funds and which may be secured by a pledge of Pledged Funds; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds created by this Resolution and provided further that the issuance of such Subordinated Indebtedness shall be subject to any provisions contained in financing documents securing Outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue Subordinated Indebtedness. The Issuer shall have the right to covenant with the holders from time to time of any Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued under the provisions of Section 6.02 hereof. The Issuer agrees to pay promptly any Subordinated Indebtedness as the same shall become due. Notwithstanding anything contained herein to the contrary, no Subordinated Indebtedness shall be subject to acceleration upon an event of default.

SECTION 6.02. ISSUANCE OF ADDITIONAL BONDS. No Additional Bonds, payable on a parity with the Bonds then Outstanding pursuant to this Resolution, shall be issued except upon the conditions and in the manner herein provided. The Issuer may issue one or more Series of Additional Bonds for any one or more of the following purposes: (i) financing the Cost of a Project, or the completion thereof, or (ii) refunding any or all Outstanding Bonds or of any Subordinated Indebtedness of the Issuer.

No such Additional Bonds shall be issued unless the following conditions are complied with:

(A) The Issuer shall certify that it is current in all deposits or credits to the various accounts and subaccounts established hereby and all payments theretofore required to have been deposited or credited by it under the provisions of this Resolution and that no Event of Default shall have occurred and be continuing.

(B) An independent certified public accountant or the Rate Consultant shall certify to the Issuer that either (1) the amount

of the Net Revenues received during the immediately preceding Fiscal Year or any 12 consecutive months selected by the Issuer of the 18 months immediately preceding the issuance of said Additional Bonds, adjusted as hereinafter provided, were equal to at least (a) 105 percent of the Maximum Annual Debt Service during the succeeding five Fiscal Years of the Outstanding Bonds and the Additional Bonds then proposed to be issued, including (b) 100 percent of the maximum annual debt service during the succeeding five Fiscal Years for all Subordinated Indebtedness then outstanding and any amounts (i) required by the terms of Sections 4.07(A) and 4.08(A) hereof to be repaid to the Water Connection Fees Account and Sewer Connection Fees Account during such 12-month period and (ii) required to be paid to the issuer of a Reserve Account Credit Instrument as a result of a draw thereon, or (2) the amount of Net Revenues and Connection Fees, adjusted as hereinafter provided, received by the Issuer during such 12-month period, will be equal to at least (a) one hundred ten percent (110%) of the Maximum Annual Debt Service during the next succeeding five Fiscal Years of the Outstanding Bonds and the Additional Bonds then proposed to be issued, including (b) 100% of the maximum annual debt service during the next succeeding five Fiscal Years for all Subordinated Indebtedness then outstanding and (i) any amounts required by the terms of Sections 4.07(A) and 4.08(A) hereof to be repaid to the Water Connection Fees Account and Sewer Connection Fees Account during such 12-month period and (ii) required to be paid to the issuer of a Reserve Account Credit Instrument as a result of a draw thereon.

(C) For the purpose of determining the Maximum Annual Debt Service under this Section 6.02, the additional parity Variable Rate Bonds then proposed to be issued and on Variable Rate Bonds then Outstanding shall be deemed to be the rate described for Variable Rate Bonds under the definition of "Reserve Account Requirement."

(D) For the purpose of this Section 6.02, the phrase "immediately preceding Fiscal Year or the 12 consecutive months of the 18 months immediately preceding the issuance of said Additional Bonds" shall be sometimes referred to as "12 consecutive months." Such 12 consecutive months may occur during a period of time during which the System was not owned by the Issuer.

(E) The Net Revenues and Connection Fees calculated pursuant to the foregoing Section 6.02(B) may be adjusted by the independent certified public accountant upon the written advice of the Consulting Engineers, at the option of the Issuer, as follows:

(1) If the Issuer, prior to the issuance of the proposed Additional Bonds, shall have increased the rates, fees or other charges for the product, services or facilities of the System, the Net Revenues and Connection Fees for the 12 consecutive months shall be adjusted to show the Net Revenues and Connection Fees which would have been derived from the

System in such 12 consecutive months as if such increased rates, fees or other charges for the product, services or facilities of the System had been in effect during all of such 12 consecutive months.

(2) If the Issuer shall have acquired or has contracted to acquire any privately or publicly owned existing utilities system, the cost of which shall be paid from all or part of the proceeds of the issuance of the proposed Additional Bonds, then the Net Revenues derived from the System during the 12 consecutive months immediately preceding the issuance of said Additional Bonds shall be increased by adding to the Net Revenues for said 12 consecutive months the Net Revenues which would have been derived from said existing utilities system as if such existing utilities system had been a part of the System during such 12 consecutive months. Such Net Revenues shall, to the extent the Issuer has increased its rates as described in paragraph (1) above, be calculated as if such increased rates were in effect as described in paragraph (1). For the purposes of this paragraph, the Net Revenues derived from said existing utilities system during such 12 consecutive months shall be adjusted to determine such Net Revenues by deducting what would have been the Issuer's costs of operation and maintenance of said existing utilities system (the basis of which is certified by the Consulting Engineers) as part of the System from the gross revenues of said system.

(3) If the Issuer, in connection with the issuance of Additional Bonds, shall enter into a contract (with a duration not less than the final maturity of such Additional Bonds) with any public or private entity whereby the Issuer agrees to furnish services in connection with any utilities system, then the Net Revenues of the System during the 12 consecutive months immediately preceding the issuance of said Additional Bonds shall be increased by the least amount which said public or private entity shall guarantee to pay in any one year for the furnishing of said services by the Issuer, after deducting therefrom the proportion of operating expenses and repair, renewal and replacement cost attributable in such year to such services.

(4) If the Issuer has levied Special Assessments against property to be benefited by the improvements, the cost of which shall be paid from the proceeds of the proposed Additional Bonds, then the Special Assessment Proceeds derived from the System during the 12 consecutive months shall be increased by an amount equal to the least amount received in any one year from the levy of said Special Assessments, said amount to be the total received, assuming no prepayments, from the installment payments on the Special Assessments plus the interest paid on the unpaid portion of the Special Assessments.

(5) In the event the Issuer shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional Bonds and shall have established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues and Connection Fees may be adjusted by adding thereto the Net Revenues estimated by the Consulting Engineers to be derived during the first 12 months of operation after completion of the construction or acquisition of said additions, extensions and improvements from the proposed users of the facilities to be financed by Additional Bonds together with other funds on hand or lawfully obtained for such purpose; provided, such customers must represent existing occupied structures that will be added to the System upon completion of the proposed additions, extensions or improvements.

(6) The Net Revenues and Connection Fees shall be adjusted for any period the System or any portion thereof was not owned by the Issuer to reflect government ownership of the System or such portion.

(7) If any customer of the Issuer shall have commenced service by the System during the 12 consecutive months, the Net Revenues shall be adjusted to take into account the Net Revenues which would have been derived during such 12 consecutive months if such customer had been serviced by the System for such entire 12 consecutive month period.

(F) Additional Bonds shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and all of the other covenants and other provisions of this Resolution (except as to details of such Additional Bonds inconsistent therewith) shall be for the equal benefit, protection and security of the Holders of all Bonds issued pursuant to this Resolution. Except as provided in Sections 4.02 and 4.05 hereof, all Bonds, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Pledged Funds and their sources and security for payment therefrom without preference of any Bonds over any other.

(G) In the event any Additional Bonds are issued for the purpose of refunding any Bonds then Outstanding, the conditions of Section 6.02(B) shall not apply, provided that the issuance of such Additional Bonds shall not result in an increase in the average annual debt service on the Outstanding Bonds. The conditions of Section 6.02(B) shall apply to Additional Bonds issued to refund Subordinated Indebtedness and to Additional Bonds issued for refunding purposes which cannot meet the conditions of this paragraph.

(H) If at any time the Issuer shall enter into an agreement or contract for an ownership interest in any public or privately owned water and/or sewer system or for the reservation of capacity therein whereby the Issuer has agreed as part of the cost thereof to pay part of the debt service on the obligations of such public or privately owned water and/or sewer system issued in connection therewith, such payments to be made by the Issuer shall be junior, inferior and subordinate in all respects to the Bonds issued hereunder, unless such obligations (when treated as Additional Bonds) shall meet the conditions of Section 6.02(B), in which case such obligations shall rank on parity as to lien on the Pledged Funds with the Bonds and will thereafter be treated as Additional Bonds for purposes of making any additional determinations of when the conditions of said Section 6.02(B) have been met.

(I) For purposes of making a draw against any Reserve Subaccount Letter of Credit, the Issuer's obligation to reinstate the Reserve Subaccount Letter of Credit shall not be subject to the Additional Bonds test set forth in the Resolution.

SECTION 6.03. BOND ANTICIPATION NOTES. The Issuer may issue notes in anticipation of the issuance of Bonds which shall have such terms and details and be secured in such manner, not inconsistent with this Resolution, as shall be provided by Supplemental Resolution of the Issuer.

SECTION 6.04. ACCESSION OF SUBORDINATED INDEBTEDNESS TO PARITY STATUS WITH BONDS. The Issuer may provide for the accession of Subordinated Indebtedness to the status of complete parity with the Bonds, if (A) the Issuer shall meet all the requirements imposed upon the issuance of Additional Bonds by Sections 6.02(A) and (B) hereof, assuming for purposes of said requirements, that such Subordinated Indebtedness shall be Additional Bonds, (B) the facilities financed by such Subordinated Indebtedness shall be, or become part of, the System, and (C) if such Bonds are to be secured by the Reserve Subaccount, a subaccount in the Reserve Subaccount is established, upon such accession, which shall contain an amount equal to the Reserve Subaccount Requirement in accordance with Section 4.05(B)(4) hereof. If the aforementioned conditions are satisfied, the Subordinated Indebtedness shall be deemed to have been issued pursuant to this Resolution the same as the Outstanding Bonds, and such Subordinated Indebtedness shall be considered Bonds for all purposes provided in this Resolution. Any such accession shall be evidenced by a certificate of the Issuer, which shall be made available to the holders of the Subordinated Indebtedness which is subject to such accession.

ARTICLE VII

DEFAULTS AND REMEDIES

SECTION 7.01. EVENTS OF DEFAULT. The following events shall each constitute an "Event of Default":

(A) Default shall be made in the payment of the principal of, Amortization Installment, redemption premium or interest on any Bond when due; provided however, that no effect shall be given to payments made under a Bond Insurance Policy.

(B) There shall occur the dissolution or liquidation of the Issuer, or the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of bankruptcy, or adjudication of the Issuer as a bankrupt, or assignment by the Issuer for the benefit of its creditors, or appointment of a receiver for the Issuer, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization instituted under the provisions of federal bankruptcy law, as amended, or under any similar act in any jurisdiction which may now be in effect or hereafter enacted.

(C) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution on the part of the Issuer to be performed, and such default shall continue for a period of 30 days after written notice of such default shall have been received from the Holders of not less than 25 percent of the aggregate principal amount of Bonds Outstanding or the Insurer of such amount of Bonds. Notwithstanding the foregoing, the Issuer shall not be deemed to be in default hereunder if such default can be cured within a reasonable period of time and if the Issuer in good faith institutes appropriate curative action and diligently pursues such action until default has been corrected; provided however, that if such default is not cured within 60 days, it shall become an Event of Default.

SECTION 7.02. REMEDIES. Any Holder of Bonds issued under the provisions of this Resolution or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the Laws of the State of Florida, or granted and contained in this Resolution, and may enforce and compel the performance of all duties required by this Resolution or by any applicable statutes to be performed by the Issuer or by any officer thereof; provided, however, that no Holder, trustee or receiver shall have the right to declare the Bonds immediately due and payable.

The Holder or Holders of Bonds in an aggregate principal amount of not less than 25 percent of the Bonds then Outstanding may by a duly executed certificate in writing appoint a trustee for Holders of Bonds issued pursuant to this Resolution with authority to represent such Bondholders in any legal proceedings for the enforcement and protection of the rights of such Bondholders and such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the Clerk. Notice of such appointment, together with evidence of the requisite signatures of the Holders of not less than 25 percent in aggregate principal amount of Bonds Outstanding and the trust instrument under which the trustee shall have agreed to serve, shall be filed with the Issuer and the trustee and notice of such appointment shall be given to all Holders of Bonds in the same manner as notices of redemption are given hereunder. After the appointment of the first trustee hereunder, no further trustees may be appointed; however, the Holders of a majority in aggregate principal amount of all the Bonds then Outstanding may remove the trustee initially appointed and appoint a successor and subsequent successors at any time.

If any remedial action is discontinued or abandoned, the Bondholders and Insurers shall be restored to their respective positions held prior to commencement of such remedial action.

SECTION 7.03. DIRECTIONS TO TRUSTEE AS TO REMEDIAL PROCEEDINGS. The Holders of a majority in principal amount of the Bonds then Outstanding (or any Insurer insuring any then Outstanding Bonds) have the right, by an instrument or concurrent instruments in writing executed and delivered to the trustee, to direct the method and place of conducting all remedial proceedings to be taken by the trustee hereunder with respect to the Series of Bonds owned by such Holders or insured by such Insurer, provided that such direction shall not be otherwise than in accordance with law or the provisions hereof, and that the trustee shall have the right to decline to follow any direction which in the opinion of the trustee would be unjustly prejudicial to Holders of Bonds not parties to such direction.

SECTION 7.04. REMEDIES CUMULATIVE. No remedy herein conferred upon or reserved to the Bondholders is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 7.05. WAIVER OF DEFAULT. No delay or omission of any Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by Section 7.02 to the Bondholders may be exercised from time to time, and as often as may be deemed expedient.

SECTION 7.06. APPLICATION OF MONEYS AFTER DEFAULT. If an Event of Default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for the purpose shall apply all Pledged Funds (except for amounts in the subaccounts of the Reserve Subaccount which shall be applied to the payment of the Series of Bonds for which they were established) as follows and in the following order:

A. To the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver and Registrar hereunder;

B. To the payment of the amounts required for reasonable and necessary Operating Expenses, and for the reasonable renewals, repairs and replacements of the System necessary to prevent loss of Gross Revenues, as certified by the Consulting Engineer;

C. To the payment of the interest and principal or Redemption Price, if applicable, then due on the Bonds, as follows:

(1) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied:

FIRST: to the payment to the Persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Persons entitled thereto, without any discrimination or preference;

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 9.01 of this Resolution), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

THIRD: to the payment of the Redemption Price of any Bonds called for optional redemption pursuant to the provisions of this Resolution.

(2) If the principal of all the Bonds shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or 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 Persons entitled thereto without any discrimination or preference.

In the event a Reserve Subaccount Insurance Policy or Reserve Subaccount Letter of Credit provider shall fail to honor its commitment in respect of a Series of Bonds, the Pledged Funds shall be allocated on a pro rata basis by and among each Series of Bonds Outstanding without regard to the availability of (i) monies in the remaining reserve subaccounts or (ii) Reserve Subaccount Insurance Policies or Reserve Subaccount Letters of Credit issued in respect of the remaining reserve subaccounts.

SECTION 7.07. CONTROL BY INSURER; RIGHTS OF INSURER.

(A) Upon the occurrence and continuance of an Event of Default or any event which with notice or the lapse of time or both would become an Event of Default, an Insurer, so long as such Insurer shall not be in default in its payment obligations under its Bond Insurance Policy, shall be entitled to direct and control the enforcement of all right and remedies with respect to the Bonds it shall insure, including any waiver of an Event of Default and it shall be considered the sole Holder of such Bonds for purposes of exercising remedies. The Issuer shall provide each Insurer immediate notice of any Event of Default described in Section 7.01(A) hereof and notice of any other Event of Default occurring hereunder within 30 days of the occurrence thereof.

(B) Each Insurer shall, to the extent it makes any payment of principal of or interest on any Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy.

(C) Each Insurer shall have the right to advance any payment required to be made by the Issuer in order to prevent an event of default under this Resolution. The Issuer shall be required to reimburse such Insurer, solely from the Pledged Funds, for any such advance.

(D) The rights granted to each Insurer under the Resolution to request, consent to or direct any action are rights granted to such Insurer in consideration of its issuance of the Bond Insurance Policy. Any exercise by an Insurer of such rights is merely an

exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondholders nor does such action evidence any position of such Insurer, positive or negative, as to whether Bondholder consent is required in addition to consent of the Insurer.

ARTICLE VIII
SUPPLEMENTAL RESOLUTIONS

SECTION 8.01. SUPPLEMENTAL RESOLUTION WITHOUT BONDHOLDERS' CONSENT. The Issuer, from time to time and at any time, may adopt such Supplemental Resolutions without the consent of the Bondholders (which Supplemental Resolution shall thereafter form a part hereof) for any of the following purposes:

- (A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Resolution or to clarify any matters or questions arising hereunder.
- (B) to grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.
- (C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed.
- (D) To add to the covenants and agreements of the Issuer in this Resolution other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer.
- (E) To specify and determine the matters and things referred to in Sections 2.01, 2.02 or 2.09 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.
- (F) To authorize Additional Projects or to change or modify the description of any Project.
- (G) To specify and determine matters necessary or desirable for the issuance of Variable Rate Bonds or Capital Appreciation Bonds.
- (H) To provide for the establishment of a subaccount in the Reserve Subaccount which shall equally and ratably secure more than one Series of Bonds issued hereunder; provided the establishment of such subaccount shall not materially adversely affect the security of any Outstanding Bonds.
- (I) To revise the procedures provided in Section 4.05(B) (3) hereof pursuant to which moneys are drawn on a Reserve Account

Credit Instrument and moneys are reimbursed to the provider of such Reserve Account Credit Instrument.

(J) Subject to the prior approval of each Insurer, to make any other change that, in the opinion of the Issuer, would not materially adversely affect the security for the Bonds. In making such determination, the Issuer shall not take into consideration any Bond Insurance Policy.

SECTION 8.02. SUPPLEMENTAL RESOLUTION WITH BONDHOLDERS' AND INSURER'S CONSENT. Subject to the terms and provisions contained in this Section 8.02 and Section 8.01 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Resolution or Resolutions hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 8.02. Any Supplemental Resolution which is adopted in accordance with the provisions of this Section 8.02 shall also require the prior written consent of each Insurer of Bonds which are Outstanding at the time such Supplemental Resolution shall take effect, and such Insurers shall not be taken into account in determining whether the required percentage of Bondholders' consent has been obtained. No Supplemental Resolution may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds, other than the lien and pledge created by this Resolution, which adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing contained in this Section 8.02, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Resolution as authorized in Section 8.01 hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Resolution pursuant to this Section 8.02, the Clerk shall cause the Registrar to give notice of the proposed adoption of such Supplemental Resolution and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the

registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Clerk and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 8.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 8.02.

Whenever the Issuer shall deliver to the Clerk an instrument or instruments in writing purporting to be executed by the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, which instrument or instruments shall refer to the proposed Supplemental Resolution described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Issuer may adopt such Supplemental Resolution in substantially such form, without liability or responsibility to any Holder of any Bond, whether or not such Holder shall have consented thereto.

If the Holders of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the adoption of such Supplemental Resolution shall have consented to and approved the adoption thereof as herein provided, no Holder of any Bond shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Section 8.02, this Resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

SECTION 8.03. AMENDMENT WITH CONSENT OF INSURER ONLY. If all of the Bonds Outstanding hereunder are insured as to payment of principal and interest by an Insurer or Insurers, the Issuer may enact one or more Supplemental Resolutions amending all or any part of Articles I, IV, V, VI and VII hereof with the written consent of said Insurer or Insurers and the acknowledgment by said Insurer or Insurers that its insurance or guaranty policy will remain in full force and effect; provided, however, that such amendment shall not have any adverse affect on the Holders of any Bonds Outstanding. The consent of the Holders of any Bonds shall not be necessary. The foregoing right of amendment, however, does not apply to any amendment with respect to the exclusion, if

applicable, of interest on said Bonds from gross income of the holder for federal income tax purposes nor may any such amendment deprive the Holders of any Bond of right to payment of the Bonds from, and their lien on, the Pledged Funds. Upon filing with the Clerk of evidence of such consent of the Insurer or Insurers as aforesaid, the Issuer may adopt such Supplemental Resolution. After the adoption by the Issuer of such Supplemental Resolution, notice thereof shall be mailed in the same manner as notice of an amendment under Section 8.02 hereof. No provision hereof expressly recognizing or granting rights in or to an Insurer shall be modified without the consent of each Insurer.

SECTION 8.04. TRANSCRIPT OF DOCUMENTS TO INSURERS. The Issuer shall provide each Insurer of Bonds which are Outstanding at the time any Supplemental Resolution is adopted with a complete transcript of all proceedings relating to the execution of any Supplemental Resolution.

SECTION 8.05. COPIES OF AMENDMENTS TO RATING AGENCIES. Copies of any amendment to the Resolution pursuant to this Article VIII shall be provided to Moody's and Standard & Poor's at least 15 days prior to the effective date thereof.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. DEFEASANCE. If (i) the Issuer shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, (ii) the Issuer shall pay all amounts owing to any issuer of any Reserve Subaccount Letter of Credit or Reserve Subaccount Insurance Policy and all amounts owing to any Insurer, and (iii) all provisions regarding any amounts to be rebated to the United States government have been complied with, then the pledge of the Pledged Funds, and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to the Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

Any Bonds or interest installments appertaining thereto, whether at or prior to the maturity or redemption date of such Bonds, shall be deemed to have been paid within the meaning of this Section 9.01 if (A) in case any such Bonds are to be redeemed prior to the maturity thereof, there shall have been taken all action necessary to call such Bonds for redemption and notice of such redemption shall have been duly given or provision shall have been made for the giving of such notice, and (B) there shall have been deposited in irrevocable trust with a banking institution or trust company by or on behalf of the Issuer either moneys in an amount which shall be sufficient, or Refunding Securities certified by an independent nationally recognized certified public accountant to be in such amount that the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with such bank or trust company at the same time, shall be sufficient to pay the principal of or Redemption Price, if applicable, and interest due and to become due on said Bonds on and prior to the redemption date or maturity date thereof, as the case may be. Except as hereafter provided, neither the Refunding Securities nor any moneys so deposited with such bank or trust company nor any moneys received by such bank or trust company on account of principal of or Redemption Price, if applicable, or interest on said Refunding Securities shall be withdrawn or used for any purpose other than, and all such moneys shall be held in trust for and be applied to, the payment, when due, of the principal of or Redemption Price, if applicable, of the Bonds for the payment or redemption of which they were deposited and the interest accruing thereon to the date of maturity or redemption; provided, however, the Issuer may substitute new Refunding Securities and moneys for the deposited Refunding Securities and

moneys or reinvest proceeds of Refunding Securities in new Refunding Securities if the new Refunding Securities and moneys are sufficient, based upon the certification of an independent certified public accountant, to pay the principal of or Redemption Price, if applicable, and interest on the refunded Bonds.

In connection with any such deposit of Refunding Securities with a bank or trust company for purposes of defeasing Bonds, there shall be delivered an opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding under the Resolution. Any report of an independent certified public accountant provided pursuant to this Section and the foregoing legal opinion shall be addressed to the Issuer and each Insurer.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or the redemption date thereof, as the case may be, by the deposit of moneys, or specified Refunding Securities and moneys, if any, in accordance with this Section 9.01, the interest to come due on such Variable Rate Bonds on or prior to the maturity or redemption date thereof, as the case may be, shall be calculated at the Maximum Interest Rate; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than the Maximum Interest Rate for any period, the total amount of moneys and specified Refunding Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds is in order to satisfy this Section 9.01, such excess shall be paid to the Issuer free and clear of any trust, lien, pledge or assignment securing the Bonds or otherwise existing under this Resolution.

In the event the Bonds for which moneys are to be deposited for the payment thereof in accordance with this Section 9.01 are not by their terms subject to redemption within the next succeeding 60 days, the Issuer shall cause the Registrar to mail a notice to the Holders of such Bonds that the deposit required by this Section 9.01 of moneys or Refunding Securities has been made and said Bonds are deemed to be paid in accordance with the provisions of this Section 9.01 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of or Redemption Price, if applicable, and interest on said Bonds.

Nothing herein shall be deemed to require the Issuer to call any of the Outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

In the event that the principal of or Redemption Price, if applicable, and interest due on the Bonds shall be paid by an Insurer or Insurers, such Bonds shall remain Outstanding, shall not be defeased and shall not be considered paid by the Issuer,

and the pledge of the Pledged Funds and all covenants, agreements and other obligations of the Issuer to the Bondholders shall continue to exist and such Insurer or Insurers shall be subrogated to the rights of such Bondholders.

SECTION 9.02. CAPITAL APPRECIATION BONDS. For the purposes of (A) receiving payment of the Redemption Price if a Capital Appreciation Bond is redeemed prior to maturity, or (B) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable under the provisions of this Resolution, or (C) computing the amount of Bonds held by the Holder of a Capital Appreciation Bond in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

SECTION 9.03. SALE OF BONDS. The Bonds shall be issued and sold at public or private sale at one time or in installments from time to time and at such price or prices as shall be consistent with the provisions of the Act, the requirements of this Resolution and other applicable provisions of law.

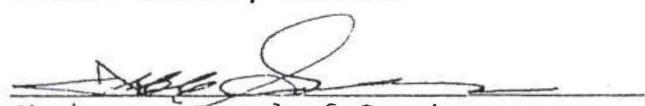
SECTION 9.04. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions of this Resolution shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements and provisions of this Resolution and shall in no way affect the validity of any of the other covenants, agreements or provisions hereof or of the Bonds issued hereunder.

SECTION 9.05. VALIDATION AUTHORIZED. To the extent deemed necessary by Bond Counsel or desirable by Counsel for the Issuer, the Counsel for the Issuer is authorized to institute appropriate proceedings for validation of the Bonds herein authorized pursuant to Chapter 75, Florida Statutes.

SECTION 9.06. EFFECTIVE DATE. This Resolution shall take effect immediately upon its adoption.

ADOPTED this 30th day of November, 1993.

MARION COUNTY, FLORIDA


Chairman, Board of County
Commissioners
Jeff Gann

ATTEST:


Frances E. Fliggin
Clerk - Frances E. Fliggin

EXHIBIT A

DESCRIPTION OF THE INITIAL PROJECT

The acquisition and construction of the water treatment and distribution facilities and the wastewater treatment, transmission and disposal facilities known as the "General Development Utilities, Inc. (GDU) Silver Springs Shores Water and Wastewater System," together with the acquisition and construction of certain capital improvements with respect thereto.