

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT MAKING FINDINGS UNDER SECTION 189.423, FLORIDA STATUTES; FINDING THE TRANSFER OF THE CITY OF RIVIERA BEACH'S UTILITY ASSETS TO THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT TO BE IN THE PUBLIC INTEREST; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, the City of Riviera Beach Utility Special District ("District") has determined that it is in its best interest and the best interest of the public and a valid public purpose to acquire the City of Riviera Beach's (the "City") water and wastewater facilities (the "Utility System"), as the transfer of the Utility System to the District will provide needed funding for needed Utility System improvements to ensure that the customers of the Utility System continue to be provided the best, most cost effective service and assure that proper future expansion of the water, wastewater and reuse facilities will occur to meet the demands of development both within and without the City, and to provide needed funding for capital projects of the City which will benefit the residents of the City and members of the general public within and without the City; and

**WHEREAS**, the District has reviewed and considered, at a minimum, the materials and information set forth in Section 189.423, Florida Statutes (collectively, the "Utility Acts"); and heard public input at a public hearing in conjunction with its determination of whether the proposed transfer of the Utility System is in the public interest.

**NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT AS FOLLOWS:**

**SECTION 1. AUTHORITY FOR THE RESOLUTION.** This Resolution is adopted pursuant to the provisions of the District's Charter, Chapter 189, Florida Statutes, Chapter 166, Florida Statutes, and other applicable provisions of law.

**SECTION 2. PUBLIC INTEREST FINDING.** The District having reviewed and considered the information required under the Utility Acts, having heard comment from the public at a public hearing, and having reviewed all other required information pursuant to the Utility Acts, makes the following statement regarding the acquisition of the Utility System by the District: The District finds that the acquisition of the Utility System by the District is in the public interest. The District will be securing the services of the existing employees and management of the Utility System who have been operating and managing the utility assets and who will continue to provide the District the experience and knowledge to continue providing quality utility service to the customers of the Utility System. The District has the financial ability to provide the service based upon a pro-forma analysis of: the anticipated revenues and expenses of the utility system to be acquired; the District has the ability to establish sufficient rates, fees, charges and to secure necessary financing; and District will have cash reserves to be funded by the bond financing to be provided by the District.

**SECTION 3. EFFECTIVE DATE.** This Resolution shall become effective immediately upon its approval.

**PASSED AND APPROVAL** on this 30th day of August, 2004.

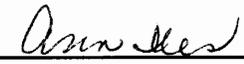
RESOLUTION NO. 01-04  
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APPROVED:

ATTEST:

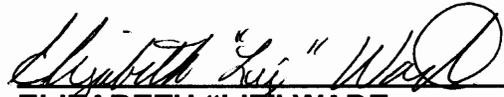
  
CARRIE E. WARD  
MASTER MUNICIPAL CLERK  
DISTRICT CLERK

  
DAVID G. SCHNYER  
CHAIRPERSON

  
ANN ILES  
VICE-CHAIRPERSON

  
DONALD R. WILSON  
BOARD MEMBER

  
JUDY L. DAVIS  
BOARD MEMBER

  
ELIZABETH "LIZ" WADE  
BOARD MEMBER

MOTIONED BY: J. Davis

SECONDED BY: E. Wade

D. SCHNYER: aye

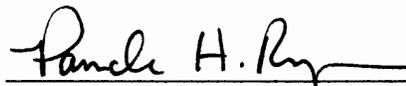
A. ILES: aye

D. WILSON: absent

J. DAVIS: aye

E. WADE: aye

REVIEWED AS TO LEGAL SUFFICIENCY

  
PAMALA HANNA RYAN, DISTRICT ATTORNEY

DATE: 8/25/04

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT ADOPTING THE INITIAL UTILITY RATES, FEES, CHARGES, FURTHER ADOPTING THE CITY OF RIVIERA BEACH'S POLICIES AND PROCEDURES FOR THE UTILITY SPECIAL DISTRICT; ESTABLISHING AN IMPACT FEE TRUST ACCOUNT; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, the City of Riviera Beach Utility Special District (District) Charter requires the adoption of the utility rates, fees, charges, policies and procedures of the City of Riviera Beach, Florida (City), in place on the date of closing of the acquisition of the City's utility assets by the District, and the District has heard public input at a public hearing in conjunction with its adoption of said utility rates, fees, charges, policies and procedures.

**NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT AS FOLLOWS:**

**SECTION 1. AUTHORITY FOR THE RESOLUTION.** This Resolution is adopted pursuant to the provisions of the District's Charter, Chapter 189, Florida Statutes, Chapter 166, Florida Statutes, and other applicable provisions of law. To the extent that any provision of this Resolution conflicts with the above applicable laws, the applicable laws shall take precedent.

**SECTION 2. ADOPTION OF UTILITY RATES, FEES, CHARGES, POLICIES AND PROCEDURES.** The District adopts the utility rates, fees, and charges as set forth on Exhibit "A" to this Resolution. The District further adopts the utility policies and procedures of the City of Riviera Beach, Florida, in place on the date of closing of the acquisition of the City's utility assets by the District, as the utility policies and procedures of the District.

**SECTION 3. IMPACT FEE TRUST FUND.** The District establishes an impact fee trust account for water and wastewater connection fee payment collections by the District. Funds withdrawn from this account, plus interest, if any, shall be used solely for the purpose of making emergency repairs, acquiring, extending, oversizing or constructing new additions to the District's facilities, payment of debt service obligations relating to such purposes, and compliance with bond covenants. Funds may not be used for maintenance or operation or renewal or replacement of the District's facilities, provided to the extent that capital projects comprise components for expansion as well as non-expansion needs, then such funds may be used for the component related to expansion. For purposes of investment of fund balances, the District may commingle the impact fee trust funds with other funds of the District, provided that a strict accounting of such commingled funds and interest allocations among such funds is made by the District to assure compliance with the impact fee trust limitations.

**SECTION 4. EFFECTIVE DATE.** This Resolution shall become effective immediately upon its approval.

**PASSED AND ADOPTED** this 30th day of August, 2004.

RESOLUTION NO. 02-04

PAGE 2

APPROVED:

ATTEST:



CARRIE E. WARD  
MASTER MUNICIPAL CLERK  
DISTRICT CLERK



DAVID G. SCHNYER  
CHAIRPERSON



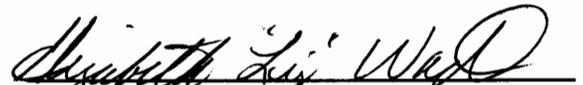
ANN ILES  
VICE-CHAIRPERSON



DONALD R. WILSON  
BOARD MEMBER



JUDY L. DAVIS  
BOARD MEMBER



ELIZABETH "LIZ" WADE  
BOARD MEMBER

MOTIONED BY: E. Wade

SECONDED BY: J. Davis

D. SCHNYER: aye

A. ILES: aye

D. WILSON: absent

J. DAVIS: aye

E. WADE: aye

REVIEWED AS TO LEGAL SUFFICIENCY

  
PAMALA HANNA RYAN, DISTRICT ATTORNEY

DATE: 8/25/04

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT APPROVING THE ASSET PURCHASE AGREEMENT BETWEEN THE CITY OF RIVIERA BEACH, FLORIDA, AND THE DISTRICT; AUTHORIZING THE APPROPRIATE DISTRICT OFFICIALS TO EXECUTE ANY AND ALL DOCUMENTS NECESSARY TO IMPLEMENT THE ASSET PURCHASE AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREIN; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, the City of Riviera Beach Utility Special District (District) has determined that acquisition of the utility assets of the City of Riviera Beach (City) is in the public interest.

**NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF RIVIERA BEACH, FLORIDA, AS FOLLOWS:**

**SECTION 1. AUTHORITY FOR THE RESOLUTION.** This Resolution is adopted pursuant to the provisions of the District's Charter, Chapter 189, Florida Statutes, Chapter 166, Florida Statutes, and other applicable provisions of law. To the extent that any provision of this Resolution conflicts with the above applicable laws, the applicable laws shall take precedent.

**SECTION 2. APPROVAL OF ASSET PURCHASE AGREEMENT AND AUTHORIZATION TO EXECUTE DOCUMENTS.** The Asset Purchase Agreement between the District and the City (the Purchase Agreement) is approved, a copy of which is attached hereto and made a part of this resolution. The Chairperson or Vice - Chairperson and the Clerk or Deputy Clerk of the District are, and each of them is, authorized and directed, in the name and on behalf of the District, to execute and deliver the Purchase Agreement and to implement the transaction set forth in the Purchase Agreement, in substantially the form and on the terms set forth in the Purchase Agreement presented to the Board of Directors, with such modifications as such officer and the District legal Counsel may determine necessary or advisable, such determination to be conclusively evidenced by her execution and delivery thereof. The same officers of the District are, and each of them is, authorized and empowered and directed, in the name and on behalf of the District, to take such further action (including, without limitation, the payment of all expenses and fees), to execute and deliver any and all agreements, including the license agreement attachment attached hereto, instruments, certificates, applications, consents and other documents, and to make all filings that any of such officers deems necessary, appropriate or convenient to effectuate the purpose and intent of the foregoing resolution, the authority for the taking of such action, the execution and delivery of such agreements, instruments, certificates, applications, consents and other documents and the making of such filings to be conclusively evidenced thereby.

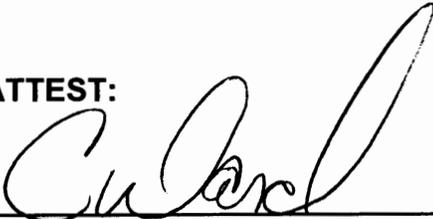
**SECTION 3. EFFECTIVE DATE.** This Resolution shall become effective immediately upon its approval.

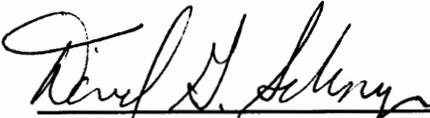
**Passed and Approved this 30th day of August, 2004.**

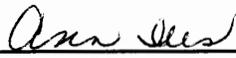
RESOLUTION NO. 03-04  
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APPROVED:

ATTEST:

  
CARRIE E. WARD  
MASTER MUNICIPAL CLERK  
DISTRICT CLERK

  
DAVID G. SCHNYER  
CHAIRPERSON

  
ANN ILES  
VICE-CHAIRPERSON

absent  
DONALD R. WILSON  
BOARD MEMBER

  
JUDY L. DAVIS  
BOARD MEMBER

  
ELIZABETH "LIZ" WADE  
BOARD MEMBER

MOTIONED BY: E. Wade

SECONDED BY: J. Davis

D. SCHNYER: aye

A. ILES: aye

D. WILSON: absent

J. DAVIS: aye

E. WADE: aye

REVIEWED AS TO LEGAL SUFFICIENCY

  
PAMALA HANNA RYAN, DISTRICT ATTORNEY

DATE: 8/25/04

RESOLUTION NO. 04-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT APPROVING THE UTILITY SERVICES AGREEMENT BETWEEN THE CITY OF RIVIERA BEACH, FLORIDA, AND THE DISTRICT; AUTHORIZING THE APPROPRIATE DISTRICT OFFICIALS TO EXECUTE ANY AND ALL DOCUMENTS NECESSARY TO IMPLEMENT THE UTILITY SERVICES AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

**WHEREAS**, the City of Riviera Beach Utility Special District (District) and the City of Riviera Beach, Florida, have entered into an Asset Purchase Agreement in which the parties agree to enter into a Utility Service Agreement.

**NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT AS FOLLOWS: FLORIDA, AS FOLLOWS:**

**SECTION 1. AUTHORITY FOR THE RESOLUTION.** This Resolution is adopted pursuant to the provisions of the District's Charter, Chapter 189, Florida Statutes, Chapter 166, Florida Statutes, and other applicable provisions of law. To the extent that any provision of this Resolution conflicts with the above applicable laws, the applicable laws shall take precedent.

**SECTION 2. APPROVAL OF ASSET PURCHASE AGREEMENT AND AUTHORIZATION TO EXECUTE DOCUMENTS.** The Asset Purchase Agreement between the District and the City (the Purchase Agreement) is approved, a copy of which is attached hereto and made a part of this resolution. The Chairperson or Vice - Chairperson and the Clerk or Deputy Clerk of the District are, and each of them is, authorized and directed, in the name and on behalf of the District, to execute and deliver the Purchase Agreement and to implement the transaction set forth in the Purchase Agreement, in substantially the form and on the terms set forth in the Purchase Agreement presented to the Board of Directors, with such modifications as such officer and the District legal Counsel may determine necessary or advisable, such determination to be conclusively evidenced by her execution and delivery thereof. The same officers of the District are, and each of them is, authorized and empowered and directed, in the name and on behalf of the District, to take such further action (including, without limitation, the payment of all expenses and fees), to execute and deliver any and all agreements, instruments, certificates, applications, consents and other documents, and to make all filings that any of such officers deems necessary, appropriate or convenient to effectuate the purpose and intent of the foregoing resolution, the authority for the taking of such action, the execution and delivery of such agreements, instruments, certificates, applications, consents and other documents and the making of such filings to be conclusively evidenced thereby.

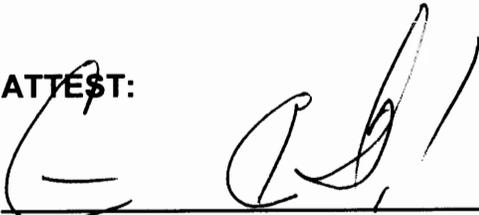
**SECTION 3. EFFECTIVE DATE.** This Resolution shall become effective immediately upon its approval.

**PASSED AND APPROVED** this 30th day of August, 2004.

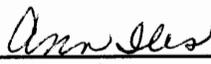
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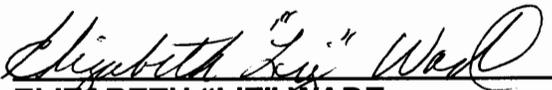
  
CARRIE E. WARD  
MASTER MUNICIPAL CLERK  
DISTRICT CLERK

  
DAVID G. SCHNYER  
CHAIRPERSON

  
ANN ILES  
VICE-CHAIRPERSON

  
DONALD R. WILSON  
BOARD MEMBER

  
JUDY L. DAVIS  
BOARD MEMBER

  
ELIZABETH "LIZ" WADE  
BOARD MEMBER

MOTIONED BY: E. Wade

SECONDED BY: J. Davis

D. SCHNYER: aye

A. ILES: aye

D. WILSON: absent

J. DAVIS: aye

E. WADE: aye

REVIEWED AS TO LEGAL SUFFICIENCY

  
PAMALA HANNA RYAN, DISTRICT ATTORNEY

DATE: 8/25/04

RESOLUTION NO. 05-04

**A RESOLUTION OF THE BOARD OF DIRECTORS OF  
THE CITY OF RIVIERA BEACH UTILITY SPECIAL  
DISTRICT ADOPTING THE INITIAL BUDGET FOR THE  
UTILITY SPECIAL DISTRICT; AND PROVIDING AN  
EFFECTIVE DATE.**

**WHEREAS**, the City of Riviera Beach Utility Special District (District) Charter requires the adoption of an Annual Utility Budget to be in place on the date of closing of the acquisition of the City of Riviera Beach's (City) utility assets by the District.

**NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF  
THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT AS FOLLOWS:**

**SECTION 1. AUTHORITY FOR THE RESOLUTION.** This Resolution is adopted pursuant to the provisions of the District's Charter, Chapter 189, Florida Statutes, Chapter 166, Florida Statutes, and other applicable provisions of law. To the extent that any provision of this Resolution conflicts with the above applicable laws, the applicable laws shall take precedent.

**SECTION 2. ADOPTION OF DISTRICT BUDGET.** The District adopts the annual budget attached to and made a part of this Resolution.

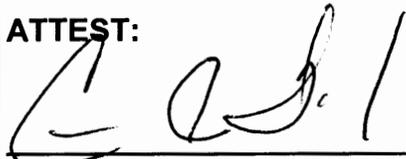
**SECTION 3. EFFECTIVE DATE.** This Resolution shall become effective immediately upon its approval.

**PASSED AND APPROVED** this 30th day of August, 2004.

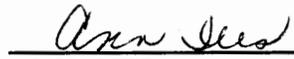
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ATTEST:

  
CARRIE E. WARD  
MASTER MUNICIPAL CLERK  
DISTRICT CLERK

  
DAVID G. SCHNYER  
CHAIRPERSON

  
ANN ILES  
VICE-CHAIRPERSON

  
DONALD R. WILSON  
BOARD MEMBER

  
JUDY L. DAVIS  
BOARD MEMBER

  
ELIZABETH "LIZ" WADE  
BOARD MEMBER

MOTIONED BY: J. Davis

SECONDED BY: E. Wade

D. SCHNYER: aye

A. ILES: aye

D. WILSON: absent

J. DAVIS: aye

E. WADE: aye

REVIEWED AS TO LEGAL SUFFICIENCY

  
PAMALA HANNA RYAN, DISTRICT ATTORNEY

DATE: 8/25/04

RESOLUTION NO. 06-04

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT APPROVING THE DESIGNATED REGISTERED AGENT AND REGISTERED OFFICE FOR THE UTILITY SPECIAL DISTRICT; AND PROVIDING AN EFFECTIVE DATE.**

**WHEREAS**, the City of Riviera Beach Utility Special District (District), created by Ordinance No. 2972, of the City of Riviera Beach, Florida (City), on June 16, 2004, hereby designates its Registered Agent and Registered Office, pursuant to Section 189.416, Florida Statutes; and

**WHEREAS**, the Utility Special District Charter requires the appointment of a designated Registered Agent and Registered Office for the Utility Special District to be in place on the date of closing of the acquisition of the City's utility assets by the District; and

**WHEREAS**, the proposed designated Registered Agent and Registered Office are as follows:

Ms. Pamala H. Ryan, Esq.  
City Attorney  
City of Riviera Beach Utility Special District  
600 West Blue Heron Boulevard  
Riviera Beach, FL 33404

**NOW, THEREFORE BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT AS FOLLOWS:**

**SECTION 1. AUTHORITY FOR THE RESOLUTION.** This Resolution is approved pursuant to the provisions of the District's Charter, Chapter 189, Florida Statutes, Chapter 166, Florida Statutes, and other applicable provisions of law. To the extent that any provision of this Resolution conflicts with the above applicable laws, the applicable laws shall take precedent.

**SECTION 2. APPROVAL OF DESIGNATED REGISTERED AGENT AND REGISTERED OFFICE FOR FISCAL YEAR 2003/2004.** The District approves the Designated Registered Agent as Ms. Pamala H. Ryan, Esq., City Attorney and the Designated Registered Office as the City of Riviera Beach Utility Special District, 600 West Blue Heron Boulevard, Riviera Beach, FL 33404 for Fiscal Year 2003/2004, and ever year thereafter until otherwise designated.

**SECTION 3. EFFECTIVE DATE.** This Resolution shall become effective immediately upon its approval.

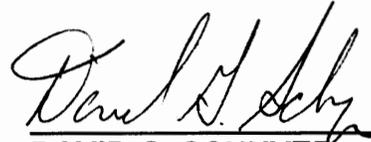
**PASSED AND APPROVED** this 30th day of August, 2004.

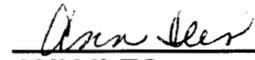
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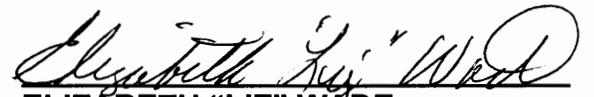
  
CARRIE E. WARD  
MASTER MUNICIPAL CLERK  
DISTRICT CLERK

  
DAVID G. SCHNYER  
CHAIRPERSON

  
ANN ILES  
VICE-CHAIRPERSON

  
DONALD R. WILSON  
BOARD MEMBER

  
JUDY L. DAVIS  
BOARD MEMBER

  
ELIZABETH "LIZ" WADE  
BOARD MEMBER

MOTIONED BY: E. Wade

SECONDED BY: J. Davis

D. SCHNYER: aye

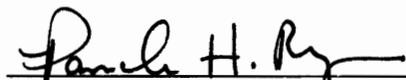
A. ILES: aye

D. WILSON: absent

J. DAVIS: aye

E. WADE: aye

REVIEWED AS TO LEGAL SUFFICIENCY

  
PAMALA HANNA RYAN, DISTRICT ATTORNEY

DATE: 8/25/04

**CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT**

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**WATER AND SEWER UTILITY  
REVENUE BOND RESOLUTION**

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**Adopted August 30, 2004**

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**RESOLUTION NO. 07-04**

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT AUTHORIZING THE ISSUANCE, FROM TIME TO TIME, OF CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT WATER AND SEWER REVENUE BONDS FOR THE PURPOSE OF FINANCING OR REFINANCING THE ACQUISITION OF THE WATER AND SEWER SYSTEM OF THE CITY OF RIVIERA BEACH, FLORIDA AND FOR THE PURPOSE OF FINANCING OR REFINANCING ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO SUCH SYSTEM; PROVIDING FOR THE TERMS AND PAYMENT FOR ALL CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT WATER AND SEWER REVENUE BONDS ISSUED HEREUNDER; PROVIDING FOR THE RIGHTS, REMEDIES AND SECURITY OF THE HOLDERS OF SAID CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT WATER AND SEWER REVENUE BONDS; MAKING CERTAIN COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR CERTAIN OTHER MATTERS IN CONNECTION THEREWITH; AND PROVIDING FOR AN EFFECTIVE DATE.

**WHEREAS**, the City of Riviera Beach Utility Special District (together with its permitted successors and assigns, the "District") is a public body corporate organized as a dependent special district within the meaning of Chapter 189, Florida Statutes, as amended and supplemented (herein, the "Special District Act"); and

**WHEREAS**, pursuant to the provisions of the Special District Act, Ordinance No. 2972 (herein, the "Creation Ordinance") enacted by the City Council of the City of Riviera Beach, Florida (herein, the "City Council") as the governing body of the City of Riviera Beach, Florida, a municipal corporation of the State of Florida (herein, together with its permitted successors and assigns, the "City"), on June 16, 2004, adopted the Utility Special District Charter for the District (such Charter, as amended and supplemented from time to time in accordance with applicable law, is herein referred to as the "District Charter"); and

**WHEREAS**, the City and the District have entered into that certain Asset Purchase Agreement (herein, the "Asset Purchase Agreement") whereby the City has determined it to

be in the best economic interests of the residents of the City to sell and convey all of its right, title and interests in the City's water and sewer system (as more particularly described herein, the "System") and the District has agreed to purchase the System and assume the City's Existing Liabilities (as defined herein) incurred in connection with such System; and

**WHEREAS**, the Board of Directors of the City of Riviera Beach Utility Special District, as the governing body of the District (together, with its successors and assigns, the "Board"), hereby determines that the purchase of the System and all assets relating thereto is in the best economic interest of the District and the residents of the City and constitutes the District's mandate under the District Charter; and

**WHEREAS**, in order to effect the purchase of the System and all assets relating thereto, and to make additions, extensions and improvements to the System, from time to time, the Board hereby finds it necessary to adopt this Resolution and to authorize the issuance, from time to time, of City of Riviera Beach Utility Special District Revenue Bonds ("Bonds"), pursuant to the provisions of this Resolution and subsequent proceedings of the Board, without limitation as to amount but subject to the provisions and limitations set forth herein; and

**WHEREAS**, the Board hereby authorizes the issuance of its first Series (as herein defined) of Bonds pursuant to the provisions of this Resolution, to be designated "City of Riviera Beach Utility Special District Water and Sewer Revenue Bonds, Series 2004 (the "Series 2004 Bonds"); and

**WHEREAS**, the net proceeds of the Series 2004 Bonds will be used to (i) pay to the City the current purchase price of the System; a portion of such purchase price received by the City will be immediately used, together with other legally available moneys, to pay and

defeasement of the City's Existing Water and Sewer Revenue Bonds (as herein defined) and (ii) finance all or a portion of the Cost (as herein defined) of the 2004/2005 Project (as herein defined); and

**WHEREAS**, unless provided herein or in subsequent proceedings of the Board, the Series 2004 Bonds and any other Bonds issued from time to time by the District pursuant to the terms and provisions of this Resolution shall be secured equally by a first lien on the Pledged Funds (as herein defined); and

**WHEREAS**, effective July 3, 1995, Rule 15c2-12 (herein, the "Rule") of the Securities and Exchange Commission ("SEC") provides that it is unlawful for a broker/dealer or municipal securities dealer to purchase or sell municipal securities, which includes the Bonds, unless the issuer, which includes the District, has undertaken in a written agreement (herein, the "Undertaking") to provide to specified information repositories annual financial information and operating data relevant to such municipal securities and notice of certain specified material events; and

**WHEREAS**, such Undertaking is set forth in this Resolution.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT, AS FOLLOWS:**

**ARTICLE I  
STATUTORY AUTHORITY, DEFINITIONS AND FINDINGS**

**SECTION 1.1 AUTHORITY FOR THIS RESOLUTION.** This Resolution is adopted pursuant to the Act.

**SECTION 1.2 DEFINITIONS.** In addition to the capitalized terms defined elsewhere in this Resolution, as used herein, unless the context otherwise expressly requires, the following capitalized terms shall have the following meanings:

**“ACCRETED VALUE”** shall mean, as of any date of computation with respect to any Capital Appreciation Bond, the amount set forth as of such date in the supplemental resolution authorizing such Capital Appreciation Bond plus, with respect to matters related to the payment upon redemption or other payment of such Capital Appreciation Bonds, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Interest Payment Date, calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months.

**“ACQUISITION AND CONSTRUCTION FUND”** shall mean the Acquisition and Construction Fund created and established pursuant to Section 4.4 hereof.

**“ACT”** shall mean the Florida Constitution, Chapter 166, Florida Statutes, as amended and supplemented, the Special District Act, as amended and supplemented, the Creation Ordinance, the District Charter, as amended and supplemented and other applicable provisions of law.

**“ADDITIONAL BONDS”** shall mean additional debt obligations issued or incurred by the District in compliance with and subject to the terms, conditions and limitations contained herein. The obligation of the District to pay Termination Payments

and/or Risk Management Payments, may, if determined by subsequent proceedings of the Board, constitute Additional Bonds.

**“AGRF”** shall mean certain fixed costs of the System incurred by the District to preserve unused System capacity for future customers of the System which is an acronym for “accrued guaranteed revenue fees.”

**“AMORTIZATION INSTALLMENT”** shall mean the funds to be deposited in the Debt Service Fund (herein created and established) in a given Fiscal Year for the payment at maturity or redemption of a portion of a Series of Term Bonds, as established hereby or by resolution of the Board on or before the delivery of that Series of Term Bonds.

**“ANNUAL BUDGET”** shall mean the annual budget for the System prepared by the District for each Fiscal Year in accordance with Section 4.20 hereof and in accordance with the laws of the State of Florida.

**“ANNUAL DEBT SERVICE REQUIREMENT”** shall mean, at any time, the amount required to be deposited in the then current Fiscal Year into the Debt Service Fund, as provided in this Resolution; provided, however, that such amount shall be reduced by any accrued or capitalized interest for that year deposited in the Debt Service Fund, or any earnings or investment income in the then current Fiscal Year on moneys and investments on deposit in any fund or account created and established under this Resolution and transferred to the Debt Service Fund, as provided in this Resolution; and provided further, however, that in computing such Annual Debt Service Requirement for any future period (other than in connection with determining the Debt Service Reserve Requirement), 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 110% of the greater of (a) the daily average interest rate on such Variable

Rate Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Bonds shall have been Outstanding, or (b) the rate of interest on such Variable Rate Bonds on the date of calculation. If any Series of Bonds has 25% or more of aggregate principal amount of such Series coming due in any one year, the Annual Debt Service Requirement shall be determined for such Series during such period of time as if the principal of and interest on such Series were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of 25 years from the date of calculation. For the purpose of this definition, the amount to be deposited to the aforementioned Debt Service Fund with respect to Capital Appreciation Bonds, Capital Appreciation and Income Bonds, or, if applicable, Termination Payments and Risk Management Payments shall be the amounts set forth in subsequent proceedings of the Board.

**“AUTHORIZED DEPOSITORY”** shall mean any bank, trust company, national banking association, savings and loan association, savings bank or other banking association selected by the District as a depository, which is authorized under Florida law to be a depository of municipal funds and which has qualified with all applicable state and federal requirements concerning the receipt of District funds.

**“APPRECIATED VALUE”** shall mean (i) as of any date of computation with respect to any Capital Appreciation and Income Bonds up to the Interest Commencement Date set forth in subsequent proceedings of the Board providing for the issuance of such Bonds, the amount set forth as of such date in the supplemental resolution authorizing such Capital Appreciation and Income Bonds plus, if such date of computation shall not be an Interest Payment Date, a portion of the difference between the Appreciated Value as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of

computation is prior to the first Interest Payment Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Interest Payment Date calculated based upon an assumption that Appreciated Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, and (ii) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

**“ASSET PURCHASE AGREEMENT”** shall mean that certain Asset Purchase Agreement between the City of Riviera Beach and the City of Riviera Beach Utility Special District, as such agreement may be amended and supplemented from time to time pursuant to the provisions thereof.

**“AVERAGE MONTHLY COST OF OPERATION AND MAINTENANCE”** shall mean an amount equal to one-twelfth of the Cost of Operation and Maintenance shown in the then current Annual Budget of the District.

**“BENEFICIAL OWNER”** shall mean, except with respect to Section 4.30 of this Resolution, during any period the Bonds are registered under the Book-Entry System, any purchaser of a Bond and others who acquire a beneficial ownership interest in a Bond held by the Securities Depository. In determining the Beneficial Owner of any Bond, the District, the Paying Agent, the Registrar and the Credit Facility Issuer, if any, may rely exclusively upon written representations made, and information given to the District, the Paying Agent, the Registrar or the Credit Facility Issuer, if any, by the Securities Depository or its Participants with respect to any Bond held by the Securities Depository in which a beneficial ownership interest is claimed. With respect to Replacement Bonds, the District, the Paying Agent, the Registrar and the Credit Facility Issuer, if any, shall consider the owner of any such

Replacement Bond as registered on the registration books of the District maintained by the Registrar to be the Beneficial Owner thereof.

**“BENEFICIAL OWNER”** shall mean, for purposes of Section 4.30 of this Resolution only, any person which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of any Bonds for federal income tax purposes.

**“BOARD”** shall mean the Board of Directors of the City of Riviera Beach Utility Special District serving as the governing body of the District, together with its successors and assigns.

**“BOND COUNSEL”** shall mean Greenberg Traurig, P.A. and Locke Law, P.A. or such other firm or firms of nationally recognized attorneys-at-law selected by the District and experienced in the financing and refinancing of capital projects for governmental units through the issuance of tax-exempt revenue bonds.

**“BOND INSURANCE POLICY”** shall mean an insurance policy issued for the benefit of the Holders of any Bonds, pursuant to which the Bond Insurer shall be obligated to pay when due the principal of and interest on such Bonds to the extent of any deficiency in the amounts in the funds and accounts created under this Resolution for the purpose of paying debt service on the Bonds, in the manner and in accordance with the terms provided in such Bond Insurance Policy.

**“BOND INSURER”** shall mean the issuer of a Bond Insurance Policy and its successors.

Interest Commencement Date specified in the supplemental resolution authorizing such Bonds, and the Appreciated Value for such Bonds is compounded periodically on certain designated dates (as determined by subsequent proceedings of the Board) prior to the Interest Commencement Date for such Capital Appreciation and Income Bonds, all as so designated by subsequent proceedings of the Board relating to the issuance thereof, and which may be either Serial Bonds or Term Bonds.

**“CAPITAL IMPROVEMENT FUND”** shall mean the Capital Improvement Fund created and established pursuant to Section 4.9 hereof.

**“CHAIRPERSON”** shall mean the Chairperson of the Board or his or her designee.

**“CHIEF FINANCIAL OFFICER”** shall mean the chief financial officer of the District as defined in Section 218.403, Florida Statutes, which shall be the same person serving as chief financial officer of the City unless determined otherwise by subsequent proceedings of the Board.

**“CITY”** shall mean the City of Riviera Beach, Florida, a municipal corporation of the State of Florida, together with its permitted successors and assigns.

**“CITY BOND RESOLUTION”** shall mean Resolution No. 134-94, adopted by the City Council on July 20, 1994, as amended or supplemented to date.

**“CITY COUNCIL”** shall mean the City Council of the City of Riviera Beach, Florida, the governing body of the City.

**“CODE”** shall mean the Internal Revenue Code of 1986, as amended, and all subsequent tax legislation duly enacted by the Congress of the United States to the extent applicable to any Series of Bonds issued pursuant to this Resolution. Each reference to a

**“BONDHOLDER”** or **“HOLDER OF BONDS”** or **“OWNER”** or **“REGISTERED OWNER”** or any similar term shall mean any person who shall be the owner of any Bond or Bonds Outstanding under the terms of this Resolution.

**“BONDS”** shall mean any bonds, notes, commercial paper, capital leases or other evidences of indebtedness (other than subordinated debt issued under the terms and provisions of this Resolution, unless the context clearly requires otherwise), as the case may be, issued, authenticated and delivered under and pursuant to this Resolution, including Additional Bonds hereafter issued in the manner hereinafter provided.

**“BOOK-ENTRY SYSTEM”** shall mean the system under which the District may issue any Series of Bonds without the necessity of physical certificates evidencing ownership of such Bonds, and maintain the registration for such Bonds in book-entry form only.

**“BUSINESS DAY”** shall mean any day other than a Saturday, Sunday, legal holiday or a day on which banking institutions in the State of Florida are authorized by law to close.

**“CAPITAL APPRECIATION BONDS”** shall mean those Bonds issued under this Resolution, as to which interest is compounded periodically on each of the applicable periodic dates designated for compounding, and payable in an amount equal to the then current Accreted Value only at the maturity, earlier redemption or other payment date therefor, all as so designated by subsequent proceedings of the Board relating to the issuance thereof, and which may be either Serial Bonds or Term Bonds.

**“CAPITAL APPRECIATION AND INCOME BONDS”** shall mean any Bonds issued under this Resolution, as to which accruing interest is not paid prior to the

section of the Code herein shall be deemed to include, if applicable, final, temporary or proposed regulations, revenue rulings and procedures issued or amended with respect thereto.

**“COMPLETION DATE”** shall mean for any Project, the date on which such Project is completed as evidenced by a certificate of the Engineer of Record.

**“CONSULTANT”** shall mean one or more or combination of engineering firms or qualified engineers, including but not limited to the Engineer of Record, or other appropriate entities retained by the District to perform the acts and carry out the duties provided for such Consultant in this Resolution.

**“COST”** or **“COSTS OF THE PROJECT”** when used in connection with a Project, shall mean (i) the District’s cost of construction; (ii) costs of acquisition by or for the District of such Project; (iii) costs of land and interests thereon and the costs to the District incidental to such acquisition; (iv) the cost of any indemnity and/or surety bonds and premiums for insurance during construction; (v) all interest due to be paid on the Bonds relating to the Project during the period of acquisition and construction of such Project and for a reasonable period subsequent to completion of acquisition and construction as the Board may determine by subsequent proceedings; (vi) engineering, legal and other consulting fees and expenses; (vii) costs and expenses of the financing incurred for such Project, including audits, fees and expenses of any initial Paying Agent, Registrar, consultants, attorneys, engineers, credit enhancers or depository; (viii) payments, when due (whether at the maturity of principal or the due date of interest or upon redemption) on any interim or temporary indebtedness incurred for such Project; (ix) costs of machinery, equipment, supplies and spare parts required by the District for the commencement of operation of such Project or continuation of operation of such Project; and (x) any other costs properly attributable to such

Project or to the issuance of Bonds which finance or refinance such Project, as determined by generally accepted accounting principles applicable to such Project, and shall include reimbursement to the District for any such items of cost paid by the District prior to issuance of the Bonds issued to finance such Project. Additional items of Cost shall be set forth in Section 4.2 hereof. The acquisition of the City's water and sewer system shall constitute a Project within the meaning of this Resolution.

**“COST OF OPERATION AND MAINTENANCE”** shall mean the current expenses, paid or accrued, of operation, maintenance and repair of the System and its Facilities, as calculated in accordance with generally accepted accounting principles, consistently applied, and shall include, without limiting the generality of the foregoing, administrative expenses relating to the System, purchase of water and wastewater disposal services (if the same may be treated as an operating cost under generally accepted accounting principles), engineering and other professional services, Paying Agent, Registrar and other fiduciary fees, credit enhancement fees, arbitrage rebate payments and penalties, other fees, fines and penalties, insurance premiums and charges for the accumulation of appropriate reserves for self-insurance, payments in lieu of taxes, required payments to pension, retirement, health and hospitalization funds, taxes or franchise fees, and any other cost or expense identified as a “Cost of Operation and Maintenance” by resolution of the Board, which costs and expenses are not necessarily annually recurrent but which are reasonably expected to be incurred on a periodic basis in accordance with generally accepted accounting principles, consistently applied. The Cost of Operation and Maintenance shall not include (i) deposits made to the Renewal and Replacement Fund and expenditures made therefrom, or any other reserve for renewals and replacements, extraordinary repairs, any allowance for

depreciation or amortization, or any costs and expenses for new construction; (ii) the payments on the Bonds and any other notes, bonds and similar obligations of the District subordinate to the Bonds, and (iii) payments made by the District under leases that are capitalized in accordance with generally accepted accounting principles.

**“CREATION ORDINANCE”** shall mean Ordinance No. 2972 enacted by the City Council on June 16, 2004.

**“CREDIT FACILITY”** or **“CREDIT FACILITIES”** shall mean, either individually or collectively, as appropriate, any Bond Insurance Policy, surety bond, letter of credit, line of credit, guaranty, or such other instrument or instruments that would enhance the credit of the Bonds. The term Credit Facility shall not mean a Reserve Product.

**“CREDIT FACILITY ISSUER”** shall mean the provider of a Credit Facility.

**“DEBT SERVICE FUND”** means the Debt Service Fund created and established pursuant to Section 4.9 of this Resolution.

**“DEBT SERVICE RESERVE REQUIREMENT”** shall mean, with respect to each Series of Bonds, unless provided otherwise by subsequent proceedings of the Board, an amount equal to the lesser of (i) the maximum amount of principal of and interest on the Bonds of such Series becoming due in the current or any succeeding Fiscal Year, or (ii) one hundred twenty-five percent (125%) of the average annual amount of principal of and interest on such Bonds, or (iii) ten percent (10%) of the principal amount of the Bonds of such Series or the issue price of such Bonds, if the Bonds of such Series have more than a de minimis amount of original issue discount or premium (as such terms are used under the Code for such purpose). All or a portion of such Debt Service Reserve Requirement may be satisfied by obtaining a Reserve Product with the requisite coverage.

**“DEFEASANCE OBLIGATIONS”** shall mean, to the extent permitted by law and (other than with respect to the obligations described in clause (a) below) acceptable, at the time of defeasance, to the Credit Facility Issuer, if the principal of and interest on the defeased Bonds is secured by a Credit Facility and such Credit Facility Issuer is not in default under such Credit Facility or, if not so secured by a Credit Facility, acceptable, at the time of defeasance, to the Rating Agency or Agencies, if any, then rating the defeased Bonds:

(a) U. S. Obligations which are not redeemable prior to maturity;

(b) 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 (i) which are not callable prior to maturity or as to which irrevocable instructions have been given to the trustee of 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, (ii) which are secured as to principal and interest and redemption premium, if any, by a fund consisting only of cash or bonds or other obligations of the character described in clause (a) hereof which fund may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate, and (iii) as to which the principal of and interest on the bonds and obligations of the character described in clause (a) hereof, which have been deposited in such fund along with any cash on deposit in such fund, are sufficient to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this clause (b) on the maturity date or dates thereof or on the

redemption date or dates specified in the irrevocable instructions referred to in subclause (i) of this clause (b), as appropriate; and

(c) Evidences of ownership of proportionate interests in future interest or principal payments on obligations described in (a) held by a bank or trust company as custodian.

**“DISTRICT”** shall mean the City of Riviera Beach Utility Special District, together with its permitted successors and assigns.

**“DISTRICT CHARTER”** shall mean the Charter of the City of Riviera Beach Utility Special District including any amendments and supplements made thereto in accordance with the provisions thereof, constituting the enabling legislation for the existence and operation of the District.

**“DISTRICT CLERK”** shall mean the Clerk of the Board, which person shall be the City Clerk.

**“ENGINEER OF RECORD”** means, for any Project, the engineering firm or firms engaged by the District to design and monitor the construction of such Project, which shall be duly licensed under the laws of the State of Florida to perform the services for which engaged.

**“ESCROW AGREEMENT”** shall mean that certain Escrow Deposit Agreement to be entered into among the City, the District, and the escrow agent named therein whereby certain funds of the City on deposit under the City Bond Resolution and a portion of the proceeds of the Series 2004 Bonds will be deposited thereunder and used to pay and defease the City’s Existing Water and Sewer Revenue Bonds.

**“EXISTING LIABILITIES”** shall mean the City’s obligations and liabilities existing under executory contracts of the City and directly related to the operation of and maintenance of the City’s water and sewer system which the District has agreed to assume or satisfy on the closing date referred to in the Asset Purchase Agreement. Existing Liabilities do not include the City’s Existing Water and Sewer Revenue Bonds.

**“EXISTING WATER AND SEWER REVENUE BONDS”** shall mean the City’s Water and Sewer Revenue Bonds, Series 1997, outstanding in the aggregate principal amount of \$6,690,000 on the date of adoption of this Resolution which the City will pay and defease pursuant to the terms of the Escrow Agreement.

**“FACILITIES”** shall mean the District’s water production, transmission, treatment and distribution facilities and property, and the District’s wastewater treatment, collection and disposal facilities and property, including reuse and reclaimed water facilities, as they may be modified, improved or expanded from time to time, which are owned, leased, operated, managed and/or used, from time to time, by the District to provide public water and wastewater services. Facilities shall include all property, real or personal, tangible or intangible, now or hereafter owned, leased, operated or managed by the District in connection with the provision of public water and wastewater services, and any other facilities acquired by the District from time to time for the provision of any other utility services; provided however that any revenues or income derived from the operation of such other utility services shall not constitute Gross Revenues of the System unless so designated by subsequent proceedings of the Board.

**“FISCAL YEAR”** shall mean that period commencing on October 1 and continuing to and including the next succeeding September 30, or such other annual period as may be lawfully prescribed as the fiscal year of the District.

**“FITCH”** shall mean Fitch Investors Service, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the District

**“GROSS REVENUES”** or **“REVENUES”** shall mean all rates, fees, and charges, and all other income or earnings derived by the District from the ownership, operation, leasing or use of the System, or any part thereof including Guaranteed Revenues and including moneys received for AGRF if not part of Guaranteed Revenues, moneys received by the District as Termination Payments or Risk Management Payments, the proceeds of any business interruption insurance carried by the District, and any income from the investment of moneys in the funds and accounts created hereunder and required to be deposited into the Revenue Fund or Debt Service Fund, but excluding moneys on deposit in the Acquisition and Construction Fund, the Capital Improvement Fund and the Rebate Fund, but shall not include (i) proceeds from the sale of any Bonds or other obligations of the District, (ii) Impact Fees, (iii) customer deposits, (iv) moneys received by the District for capital projects from federal, state or local governmental grants or stipends, (v) proceeds from hazard insurance, condemnation awards or proceeds from the sale of all or a part of the System, (vi) Special Assessments, or (vii) revenues or income received in connection with a Special Purpose Project.

**“GUARANTEED REVENUES”** shall mean moneys required to be paid to the District by developers pursuant to written agreements under which developers guarantee revenues for given periods in consideration for the reservation of water and/or sewer capacity in the System for a designated number of lots or units prior to the actual connection of active customers. Guaranteed Revenue may also include payments for AGRF.

**“IMPACT FEES”** shall mean all capital expansion fees, improvement fees or other similar fees and charges that may be separately imposed by the District as a nonuser capacity charge allocable to the cost of expanding, oversizing, separating or constructing new additions to the System, regardless of whether such cost was incurred before or after the date of payment of such charge. Unless provided by subsequent resolution of the Board with respect to a Series of Bonds, Impact Fees are not pledged as security for the Bonds.

**“INTEREST COMMENCEMENT DATE”** shall mean, with respect to any particular Capital Appreciation and Income Bond, the date specified in the resolution providing for the issuance of such Bonds (which date must be prior to the maturity date for such Bonds) after which interest accruing on such Bonds shall be payable semiannually (or at such times as the Board shall determine by subsequent proceedings), with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

**“INTEREST PAYMENT DATE”** shall mean such dates of each Fiscal Year on which interest or principal is, or interest and principal are, payable on Bonds (other than Capital Appreciation Bonds and Capital Appreciation and Income Bonds prior to the applicable Interest Commencement Date) that are then Outstanding.

**“INVESTMENT OBLIGATIONS”** shall mean, to the extent permitted by law (i) U.S. Obligations, and (ii) all other investments permitted under the laws of Florida and consistent with the investment policies of the City, and if required as a condition of obtaining a Credit Facility acceptable to the Credit Facility Issuer which additional Investment Obligations will be set forth in a supplemental resolution relating to a Series of Bonds secured by a Credit Facility.

**“LIQUIDITY FACILITY”** shall mean any surety bond, letter of credit, line of credit, guaranty, or such other instrument that would provide liquidity to purchase Bonds that have been tendered, whether on an optional or mandatory basis, for purchase and not remarketed, and the provider of such Liquidity Facility enjoys the highest short-term rating at the time such Liquidity Facility is delivered to the District by any Rating Agency then rating the Bonds.

**“MAXIMUM ANNUAL DEBT SERVICE REQUIREMENT”** shall mean, at any time, the maximum Annual Debt Service Requirement required to be deposited in the then current or any succeeding Fiscal Year into the Debt Service Fund, as provided in this Resolution; provided, however, that such amount shall be reduced by any estimated earnings or investment income from investments in any of the funds or accounts created and established under this Resolution, which are required to be deposited in the Debt Service Fund pursuant to the terms of this Resolution. The stated principal amount of Term Bonds maturing in any Fiscal Year which were subject to mandatory redemption, in part, prior to their stated dates of maturity by operation of Amortization Installments shall not be included in determining the Maximum Annual Debt Service Requirement in the final Fiscal Year of maturity if such prior Amortization Installments have been paid by the District.

(2) Bonds for the payment or redemption of which, pursuant to the provisions hereof, cash funds or Defeasance Obligations or any combination thereof shall have been theretofore irrevocably set aside in a special account with the Paying Agent or an Authorized Depository acting as an escrow agent (whether upon or prior to the maturity or redemption date of any such Bonds) in an amount which, together with earnings on such Defeasance Obligations, will be sufficient to pay debt service on such Bonds, including any redemption premium upon earlier redemption;

(3) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Registrar pursuant to any provision of this Resolution;

(4) Bonds held or purchased by the District unless the District intends by written communication to the Registrar that such Bonds shall remain Outstanding.

**“PARTICIPANTS”** shall mean brokers, dealers, banks and other financial institutions and other persons for whom, from time to time, the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

**“PAYING AGENT”** shall mean the District or any Authorized Depository designated by the District to serve as a Paying Agent for any one or more Series of Bonds issued hereunder that shall have agreed to arrange for the timely payment of the principal of, interest on and redemption premium, if any, with respect to the Bonds to the registered owners thereof, from funds made available therefor by the District, and any successors designated pursuant to this Resolution.

**“PLEGGED FUNDS”** shall mean (1) Net Revenues, (2) until applied in accordance with the provisions of this Resolution, all moneys, including investments thereof,

**“MAXIMUM INTEREST RATE”** shall mean, with respect to any particular Series of Variable Rate Bonds issued pursuant to the terms and provisions of this Resolution, the maximum rate of interest such Bonds may bear at any particular time, which rate shall not exceed the rate of interest allowed under State law and shall be determined for each Series of Variable Rate Bonds by subsequent proceedings of the Board.

**“MOODY’S”** shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

**“NET REVENUES”** shall mean with respect to any period of time the Gross Revenues remaining after deducting the Cost of Operation and Maintenance for such period and deposits, if any, into the Rate Stabilization Fund.

**“NRMSIR”** shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. A list of the names and addresses of each of the current NRMSIR may be obtained by calling the United States Securities and Exchange Commission’s Fax on Demand Service from a fax machine phone line at (202) 942-8088 and requesting document numbers 0206 and 0207, respectively, or by visiting its website at <http://www.sec.gov/info/municipal/nrmsir.htm>.

**“OUTSTANDING”** or **“BONDS OUTSTANDING”** or **“OUTSTANDING BONDS”** shall mean all Bonds which have been issued pursuant to this Resolution except:

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

(2) Bonds for the payment or redemption of which, pursuant to the provisions hereof, cash funds or Defeasance Obligations or any combination thereof shall have been theretofore irrevocably set aside in a special account with the Paying Agent or an Authorized Depository acting as an escrow agent (whether upon or prior to the maturity or redemption date of any such Bonds) in an amount which, together with earnings on such Defeasance Obligations, will be sufficient to pay debt service on such Bonds, including any redemption premium upon earlier redemption;

(3) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Registrar pursuant to any provision of this Resolution;

(4) Bonds held or purchased by the District unless the District intends by written communication to the Registrar that such Bonds shall remain Outstanding.

**“PARTICIPANTS”** shall mean brokers, dealers, banks and other financial institutions and other persons for whom, from time to time, the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository.

**“PAYING AGENT”** shall mean the District or any Authorized Depository designated by the District to serve as a Paying Agent for any one or more Series of Bonds issued hereunder that shall have agreed to arrange for the timely payment of the principal of, interest on and redemption premium, if any, with respect to the Bonds to the registered owners thereof, from funds made available therefor by the District, and any successors designated pursuant to this Resolution.

**“PLEGGED FUNDS”** shall mean (1) Net Revenues, (2) until applied in accordance with the provisions of this Resolution, all moneys, including investments thereof,

in the funds and accounts established hereunder, except (A) the Rebate Fund, and (B) the Rate Stabilization Fund. Additionally, each account in the Reserve Fund shall only be pledged to the payment of the Series of Bonds for which such account was established unless provided otherwise by subsequent proceedings of the Board.

**“PROJECT”** shall mean the construction or acquisition of additions, extensions and improvements to various components of the System, including repairs and replacements, including Projects financed by Special Assessment Bonds or Special Purpose Bonds, as described from time to time by resolution of the District. This term is to be broadly construed as including any lawful undertaking which will accrue to the benefit of the System, including payments due under prior agreements for the acquisition of all or a portion of the System, 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. The term “Project” includes the acquisition of the City’s water and sewer system and may include working capital and costs or judgments associated with litigation involving the District or the System.

**“RATE STABILIZATION FUND”** shall mean the Rate Stabilization Fund created and established pursuant to Section 4.9 of this Resolution.

**“RATING AGENCY”** or **“AGENCIES”** shall mean Moody’s, Fitch and/or S&P, whichever shall have a rating then in effect with respect to the Bonds.

**“REBATE FUND”** shall mean the Rebate Fund created and established pursuant to Section 4.9 of this Resolution.

**“REGISTRAR”** shall mean the District or any agent designated from time to time by the District, by resolution, to maintain the registration books for the Bonds issued hereunder or to perform other duties with respect to registering the transfer of Bonds.

**“RENEWAL AND REPLACEMENT FUND”** means the Renewal and Replacement Fund created and established pursuant to Section 4.9 hereof.

**“RENEWAL AND REPLACEMENT FUND REQUIREMENT”** shall mean five percent (5%) of the Gross Revenues for the preceding Fiscal Year or such other amount as may be designated by certificate of the Consultant from time to time to be adequate for the purposes described in clause (ii) of Section 4.10(F) hereof.

**“REPLACEMENT BONDS”** shall mean certificated Bonds, authenticated and delivered pursuant to the terms and provisions of this Resolution, when the District or the Securities Depository discontinues the Book-Entry System.

**“RESERVE FUND”** shall mean the Reserve Fund created and established pursuant to Section 4.9 hereof.

**“RESERVE PRODUCT”** shall mean bond insurance, a surety bond or a letter of credit or other credit facility used in lieu of a cash deposit in the Reserve Fund and meeting the terms and conditions of Section 4.10(C) of this Resolution. Any Reserve Product which is bond insurance or a surety bond shall not expire or be cancellable by the Reserve Product Provider prior to the full payment of the principal of and interest on the Series of Bonds for which such Reserve Product is to be utilized.

**“RESERVE PRODUCT PROVIDER”** shall mean a reputable and nationally recognized bond insurance provider or a bank or other financial institution providing a Reserve Product, whose bond insurance policies insuring, or whose letters of credit, surety

bonds or other credit facilities securing, the payment, when due, of the principal of and interest on bond issues by public entities results in such issues (as of the date of issuance of the Series of Bonds for which the Reserve Product is to be utilized) being rated in the highest rating category by Fitch, S&P or Moody's.

**“REVENUE FUND”** shall mean the Revenue Fund created and established pursuant to Section 4.9 hereof.

**“RISK MANAGEMENT PAYMENTS”** shall mean, after netting, the amount either received by the District from a counterparty or payable by the District to a counterparty pursuant to the terms of an interest rate swap agreement, hedge agreement, swaption or similar risk management facility. Risk Management Payments do not include Termination Payments.

**“S&P”** shall mean Standard & Poor's Credit Market Services, a division of the McGraw Hill Companies, organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities ratings agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the District.

**“SERIAL BONDS”** shall mean the Bonds of an issue other than Term Bonds which shall be stated to mature annually or semiannually.

**“SERIES”** shall mean any portion of the Bonds of an issue authenticated and delivered in a single transaction, payable from an identical source of revenue and identified pursuant to the Supplemental Resolution authorizing such Bonds as a separate Series of Bonds, regardless of variations in maturity, interest rate, Amortization Installments or other

provisions, and any Bonds thereafter authenticated and delivered in lieu of or in substitution of a Series of Bonds issued pursuant to this Resolution.

**“SPECIAL ASSESSMENT BONDS”** shall mean Bonds payable principally from Special Assessments.

**“SPECIAL ASSESSMENTS”** shall mean all net proceeds derived by the District from non ad valorem assessments levied against property benefited by the acquisition and/or construction of a Project financed by Special Assessment Bonds, whether levied or collected pursuant to Chapter 170, Florida Statutes, Chapter 197, Florida Statutes, or otherwise. Special Assessments include all interest and penalties and moneys received upon foreclosure of the liens of such Special Assessments.

**“SPECIAL PURPOSE BONDS”** shall mean Bonds issued to finance or refinance a Special Purpose Project pursuant to Section 5.5 hereof.

**“SPECIAL PURPOSE PROJECT”** shall mean a Project, the revenues and expenses of which, as determined by the Board, are allocated solely to the financing and operations of such Project.

**“STATE”** shall mean the State of Florida.

**“SUBORDINATED INDEBTEDNESS”** shall mean bonds, notes or other forms of indebtedness, the payment of the principal of which or interest or redemption premium, if any, on which are payable solely from moneys which may from time to time be on deposit in the Subordinated Indebtedness Fund under this Resolution and which is expressed by the Board in the resolution authorizing the issuance of the such indebtedness to be subordinate to the Bonds.

**“SUBORDINATED INDEBTEDNESS FUND”** shall mean the Subordinated Indebtedness Fund created and established pursuant to Section 4.9 hereof.

**“SUPPLEMENTAL RESOLUTION”** shall mean any resolution of the District amending or supplementing this Resolution in accordance with the terms and provisions hereof.

**“SYSTEM”** shall mean the entire water supply, treatment and distribution system and the entire wastewater collection, treatment and disposal system, including the Facilities, and all parts and components thereof or interests therein, owned, operated or used by the District, and all such parts and components hereafter constructed, contracted for or acquired, the improvements, extensions and additions thereto to be constructed or acquired either from the proceeds of the Bonds authorized by this Resolution or from any other sources, together with all land and interests therein, plants, buildings, machinery, franchises, pipes, fixtures, equipment, contract rights and all property, real or personal, tangible or intangible, now or hereafter owned, operated or used by the District in connection therewith.

**“TAX CERTIFICATE”** shall mean the applicable Arbitrage Certificate executed by the District on the date of initial issuance and delivery of any Series of Bonds, the interest on which is intended to be excludable from gross income for federal income tax purposes, as such Arbitrage Certificate may be amended from time to time, and which serves as a source of guidance for achieving compliance with the Code.

**“TERM BONDS”** shall mean the Bonds of a Series which shall be stated to mature on one date and for which Amortization Installments have been established.

**“TERMINATION PAYMENT”** shall mean, as applicable, the payment or payments the District is required to make to a counterparty to end its obligation to make Risk

Management Payments to such counterparty or the payment or payments a counterparty is required to pay to the District to end its obligation to make Risk Management Payments to the District. Termination Payments received by the District shall constitute Gross Revenues but shall not be taken into account in connection with the issuance of Additional Bonds. Termination Payments the District is required to make shall, as determined by subsequent proceedings of the Board, either constitute Additional Bonds or Subordinated Indebtedness.

**“2004/2005 PROJECT”** shall mean the capital projects or portions thereof, acquired, constructed or installed to provide certain additions, extensions and improvements to the System and financed with a portion of the proceeds of the Series 2004 Bonds.

**“U.S. OBLIGATIONS”** shall mean the direct obligations of, or obligations on which, the timely payment of principal and interest are unconditionally guaranteed by the United States of America, and if determined by subsequent proceedings of the Board, certificates which evidence ownership of the right to the payment of the principal of, or interest on, such obligations.

**“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.

Words importing the singular number shall include the plural number in each case and vice versa, and words importing persons shall include, but not be limited to, firms, partnerships, limited liability companies and corporations.

**SECTION 1.3 RESOLUTION CONSTITUTES A CONTRACT.** In consideration of the acceptance of the Bonds authorized to be issued hereunder by those who shall hold the same from time to time, this Resolution shall be deemed to be and shall

constitute a contract between the District and such Bondholders, and the covenants and agreements herein set forth to be performed by the District shall be for the equal benefit, protection and security of the Holders of any and all of such Bonds and, if applicable, the applicable Credit Facility Issuer, all of which shall be of equal rank and without preference, priority, or distinction of any of the Bonds over any other thereof except as expressly provided herein or in a Supplemental Resolution relating to a Series of Bonds.

**ARTICLE II**  
**AUTHORIZATION, TERMS, EXECUTION AND REGISTRATION OF BONDS**

**SECTION 2.1 AUTHORIZATION OF BONDS.** Subject and pursuant to the provisions of this Resolution, obligations of the District are hereby authorized to be issued from time to time for the purpose of financing or refinancing additions, extensions and improvements to the System. The Bonds authorized by this Resolution may be issued all at one time or in part, from time to time, as the Board may in its discretion hereafter determine by subsequent resolution and, subject to the requirements of Section 4.14 of Article IV of this Resolution, shall not be limited in amount, except as herein provided or as may be limited by applicable law. Each Series of Bonds shall be designated and shall be distinguishable from the Bonds of all other Series by such means as the District deems appropriate.

Subject and pursuant to the provisions of this Resolution, the District hereby authorizes the first Series of Bonds to be known as “City of Riviera Beach Utility Special District Water and Sewer Revenue Bonds, Series 2004,” in the initial aggregate principal amount of not exceeding THIRTY-SIX MILLION DOLLARS (\$36,000,000) (the “Series 2004 Bonds”) for the purpose of (i) paying to the City the current acquisition price for its water and sewer system, a portion of which will be deposited pursuant to the terms of the Escrow Deposit Agreement, which together with other legally available moneys will be used

to pay and defease the City's existing water and sewer revenue bonds, (ii) financing the Cost of the acquisition and construction of the Cost of the 2004/2005 Project, (iii) funding a Debt Service Reserve Account or providing the moneys to pay the premium on a Reserve Product, all as determined by subsequent proceedings of the Board, and (iv) paying the cost of issuing the Series 2004 Bonds, including the cost of a Credit Facility, if any.

**SECTION 2.2 DESCRIPTION OF BONDS.** The Series 2004 Bonds (and any other Series of Bonds unless determined otherwise by subsequent proceedings of the Board) shall initially be issued in registered form, shall be in the denomination of \$5,000 each, or any integral multiple thereof; provided, however (i) if such Bonds are Capital Appreciation Bonds, then in \$5,000 maturity amounts or in \$5,000 multiples thereof, and (ii) if such Bonds are Capital Appreciation and Income Bonds, such Bonds may be issued in any denomination, as long as their Appreciated Value at maturity shall be \$5,000 or any integral multiple of \$5,000; and such Bonds shall mature on such dates in such years and in such amounts, all as provided by subsequent proceedings of the Board. Principal shall be payable at the designated office of the applicable Paying Agent. The Bonds shall be numbered in such manner as may be prescribed by the Registrar or the District. The Bonds shall bear interest at not exceeding the maximum rate or rates permitted by law, payable by check or draft made payable to the Holder of Bonds and mailed on the Interest Payment Date to the address of such Holder of Bonds, as such name and address shall appear on the registration books of the District maintained by the Registrar at the close of business on the fifteenth day of the calendar month preceding each Interest Payment Date or the fifteenth day prior to the date notice of redemption is given, whether or not such 15th day is a Saturday, Sunday or holiday (herein the "Record Date"); provided, however, that payment of interest on

the Bonds may, at the option and the expense of any Holder of Bonds of a Series in an aggregate principal amount of at least \$1,000,000 (or all Bonds of a Series, if less than \$1,000,000 principal amount of such Bonds shall be Outstanding and held by one (1) Holder) be transmitted by wire transfer to the Holder, to the bank account number on file with the applicable Paying Agent as of the Record Date, provided such banking institution is within the continental United States. The Bonds authenticated prior to the first Interest Payment Date shall be dated and bear interest from the date determined by subsequent proceedings of the Board. The Series 2004 Bonds (and any other Series of Bonds unless determined otherwise by subsequent proceedings of the Board) authenticated subsequent to the first Interest Payment Date shall bear interest from the next preceding Interest Payment Date on which such interest has been paid, unless such Bond is registered on an Interest Payment Date or during the period between a Record Date to the next succeeding Interest Payment Date, then from such Interest Payment Date if interest is then paid, as the case may be; provided, however, that if and to the extent there is a default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be paid to the persons in whose name Bonds are registered on the registration books of the District maintained by the Registrar at the close of business on the fifteenth day prior to a subsequent Interest Payment Date established by notice mailed by the Registrar to the registered owner not less than the tenth day preceding such subsequent Interest Payment Date. Such interest shall be payable semiannually on April 1 and October 1 of each year (unless the Board shall by subsequent proceedings establish different Interest Payment Dates for any Series of Bonds), except that (i) interest on any Capital Appreciation Bonds shall be paid only at maturity or upon redemption prior to maturity in the amount determined by reference to the Accreted Value,

and (ii) interest on a Capital Appreciation and Income Bond shall be payable semiannually on April 1 and October 1 of each year (unless the Board shall by subsequent proceedings establish different Interest Payment Dates for any Series of Bonds), but only after the Interest Commencement Date.

The Bonds shall be payable, with respect to interest, principal and premium, if any, in any coin or currency of the United State of America which at the time of payment is legal tender for the payment of public and private debts.

The Bonds issued hereunder may be Serial Bonds or Term Bonds and such Bonds may be Variable Rate Bonds, and such Bonds issued hereunder may be Capital Appreciation Bonds and Capital Appreciation and Income Bonds, all as determined by subsequent proceedings of the Board.

The payment of principal of and interest on the Bonds may, in addition to the Net Revenues, be secured by a Bond Insurance Policy or other Credit Facility, all as shall be determined by subsequent proceedings of the Board.

**SECTION 2.3 EXECUTION OF BONDS.** The Bonds shall be executed in the name of the District by the signature of the Chairperson, or such other member of the Board designated by subsequent proceedings of the Board, and its official seal shall be affixed thereto or imprinted or reproduced thereon and attested by the District Clerk. The signatures of said Chairperson, or such other member of the Board designated by subsequent proceedings of the Board, and the District Clerk on the Bonds may be manual or facsimile signatures. In case any one or more of the officers who shall have signed or sealed any of the Bonds shall cease to be such officer of the District before the Bonds so signed and sealed shall 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 District by such person who at the actual time of the execution of such Bond shall hold the proper office, although at the date such Bonds shall be actually delivered such person may not have held such office or may not have been so authorized.

The Bonds shall bear thereon a certificate of authentication, in the form set forth in this Resolution, executed manually by the Registrar. Only such Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this Resolution, and no Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by the Registrar. Such certificate of the Registrar upon any Bond executed on behalf of the District shall be conclusive evidence that the Bond so authenticated has been duly authenticated and delivered under this Resolution and that the Holder thereof is entitled to the benefits of this Resolution.

If any Series of Bonds are validated as directed by the Board, the validation certificate on the Bonds shall be signed with the manual or facsimile signatures of the present or any future Chairperson or District Clerk, as aforesaid, and the District may adopt and use for that purpose the facsimile signature of any person who shall have been such Chairperson and District Clerk at any time on or after the date of the Bonds, notwithstanding that he or she may have ceased to be such Chairperson or District Clerk at the time when said Bonds shall be actually delivered.

**SECTION 2.4 NEGOTIABILITY, REGISTRATION AND CANCELLATION.** This section is subject to the last paragraph of this section. At the option of the registered Holder thereof and upon surrender thereof at the designated office of

the Registrar with a written instrument of transfer satisfactory to the Registrar duly executed by the registered Holder or his duly authorized attorney, and upon payment by such Holder of any charges which the Registrar may make as provided in this Section, the Bonds may be exchanged for Bonds of the same Series, interest rate and maturity of any other authorized denominations.

The Registrar shall, on behalf of the District, keep books for the registration of Bonds and for the registration of transfers of Bonds. The Bonds shall be transferable by the Holder thereof in person or by his or her attorney duly authorized in writing only upon the registration books of the District kept by the Registrar and only upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the Holder or his duly authorized attorney. Upon the transfer of any such Bond, the District shall issue in the name of the transferee a new Bond or Bonds.

The District, the Paying Agent and the Registrar shall deem and treat the person in whose name any Bond shall be registered upon the books kept by the Registrar as the absolute Holder of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond as the same become due and for all other purposes. All such payments so made to any such Holder or upon his or her 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 District, the Paying Agent nor the Registrar shall be affected by any notice to the contrary.

In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the District shall execute and the Registrar shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. All Bonds surrendered in any such

exchanges or transfers shall forthwith be delivered to the Registrar and canceled by the Registrar in the manner provided in this Section. There shall be no charge for any such exchange or transfer of Bonds, but the District or the Registrar may require the payment of a sum sufficient to pay any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the District nor the Registrar shall be required (a) to transfer or exchange Bonds for a period commencing on a Record Date for any Series of Bonds and ending on the next ensuing Interest Payment Date for such Bonds or 15 days next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption, or (b) to transfer or exchange any Bonds called for redemption. However, if less than all of a Term Bond is redeemed or defeased, the District shall execute and the Registrar shall authenticate and deliver, upon the surrender of such Term Bond, without charge to the Bondholder, for the unpaid balance of the principal amount of such Term Bond so surrendered, a registered Term Bond in the appropriate denomination and interest rate.

All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Registrar when such payment or redemption is made, and such Bonds, together with all Bonds purchased by the District and intended by the District to be cancelled, shall thereupon be promptly canceled. Bonds so canceled may at any time be destroyed by the Registrar, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers describing the Bonds so destroyed, and one executed certificate shall be filed with the District and the other executed certificate shall be retained by the Registrar.

The Board may, by subsequent proceedings, provide for the registration of the Bonds of any Series by adopting the Book-Entry System for such Series. Bonds held by the

Securities Depository while the Bonds are registered under the Book-Entry System shall be registered in the name of the Securities Depository or its nominee, and beneficial ownership of such Bonds shall be transferred in accordance with the procedures of the Securities Depository and its Participants.

**SECTION 2.5 BONDS MUTILATED, DESTROYED, STOLEN OR LOST.** In case any Bond shall become mutilated, destroyed, stolen or lost, the District may execute and the Registrar shall authenticate and deliver a new Bond of like date, maturity, denomination and interest rate as the Bond so mutilated, destroyed, stolen or lost; provided that, in the case of any mutilated Bond, such mutilated Bond shall first be surrendered to the District and, in the case of any lost, stolen or destroyed Bond, there shall first be furnished to the District and the Registrar (if not the District) evidence of such loss, theft, or destruction satisfactory to the District and the Registrar (if not the District), together with indemnity satisfactory to them. In the event any such Bond shall be about to mature or have matured or have been called for redemption, instead of issuing a duplicate Bond, the District may pay the same without surrender thereof. The District and the Registrar may charge the Holder of such Bond their reasonable fees and expenses in connection with this transaction. Any Bond surrendered for replacement shall be canceled in the same manner as provided in Section 2.4 of this Article II.

Any such duplicate Bonds issued pursuant to this Section shall constitute additional contractual obligations on the part of the District, whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment with all other Bonds issued hereunder.

**SECTION 2.6 PREPARATION OF DEFINITIVE BONDS;**

**TEMPORARY BONDS.** The definitive Bonds shall be lithographed or printed on steel engraved borders unless the District is utilizing the Book-Entry System, in which case, such definitive Bonds may be typewritten. Until the definitive Bonds are prepared, the Chairperson and the District Clerk may execute and the Registrar shall authenticate, in the same manner as is provided in Section 2.3 of this Article II, and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds, one or more printed or typewritten temporary fully registered Bonds, substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in authorized denominations or any integral multiple thereof, and with such omissions, insertions and variations as may be appropriate to such temporary bonds. The District, at its own expense, shall prepare and execute and, upon the surrender at the designated office of the Registrar of such temporary Bonds for which no payment or only partial payment has been provided, for exchange and the cancellation of such surrendered temporary Bonds, the Registrar shall authenticate and, without charge to the Holder thereof, deliver in exchange therefor, at the designated office of the Registrar, definitive Bonds of the same aggregate principal amount, interest rate 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.

**SECTION 2.7 FORM OF BONDS.** The text of the Bonds shall be of substantially the following tenor, with such omissions, insertions and variations as may be necessary and desirable:

(Form of Bond)\*

- \* The text of the Bonds shall be of substantially the tenor set forth below. Provisions of the Bonds may be set forth on the back of the Bonds and shall for all purposes have the same effect as if set forth on the front of the Bonds.

(Face of Bond with certain provisions applicable to a Capital Appreciation Bond or a Capital Appreciation and Income Bond as indicated)

No. R

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
 STATE OF FLORIDA  
 CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT  
 WATER AND SEWER REVENUE \_\_\_\_\_ BOND  
 SERIES

Interest  
Rate  
CUSIP

Maturity  
Date

Dated  
Date

Registered Owner:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS, that the City of Riviera Beach Utility Special District (the "District"), a Florida dependent special district of the City of Riviera Beach, Florida for value received, hereby promises to pay, from the Pledged Funds hereinafter mentioned, to the Registered Owner or registered assigns on the Maturity Date specified above, upon the presentation and surrender hereof at the designated principal office of \_\_\_\_\_, as paying agent (said \_\_\_\_\_ and any bank or trust company becoming successor paying agent being herein called the "Paying Agent"), the Principal Amount stated hereon with interest thereon at the Interest Rate stated above (calculated on the basis of a 360-day year consisting of twelve 30-day months), payable on the first day of \_\_\_\_\_ and \_\_\_\_\_ of each year commencing \_\_\_\_\_ until the District's obligation with respect to the payment of such Principal Amount shall be discharged. Interest on this Bond is payable by check or draft of the Paying Agent made

payable to the registered owner and mailed on the Interest Payment Date to the address of the registered owner as such name and address shall appear on the registration books of the District maintained by \_\_\_\_\_, as registrar (said \_\_\_\_\_, and any bank or trust company becoming successor registrar, being herein called the "Registrar") on the fifteenth day of the calendar month preceding each interest payment date or the fifteenth day prior to the date notice of redemption is given, whether or not such fifteenth day is a Saturday, Sunday or holiday (herein the "Record Date"); provided, however, that payment of interest on the Bonds may pursuant to the provisions of the Resolution, at the option and expense of any Holder of Bonds in an aggregate principal amount of at least \$1,000,000, be transmitted by wire transfer to the Holder to the bank account number on file with the Paying Agent as of the Record Date. Such interest shall be payable from the most recent interest payment date next preceding the date of registration to which interest has been paid, unless the date hereof is an \_\_\_\_ 1 or \_\_\_\_\_ 1 to which interest has been paid, in which case from such \_\_\_\_ 1 or \_\_\_\_\_ 1, or unless the date hereof is prior to \_\_\_\_\_, 20\_\_, in which case from \_\_\_\_\_, 20\_\_, or unless the date hereof is between a Record Date and the next succeeding interest payment date, in which case from such interest payment date; provided, however, that if and to the extent there is a default in the payment of the interest due on such interest payment date, such defaulted interest shall be paid to the persons in whose name Bonds are registered on the registration books of the District maintained by the Registrar at the close of business on the fifteenth day prior to a subsequent interest payment date established by notice mailed by the Registrar to the registered owner not less than the tenth day preceding such subsequent interest payment date. The Principal Amount and accrued interest thereon is payable in any coin or currency of

the United States of America, which, on the date of payment thereof, shall be legal tender for the payment of public and private debts.

[The following is applicable to Capital Appreciation Bonds only]

No. R

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF FLORIDA  
CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT  
WATER AND SEWER REVENUE \_\_\_\_\_ BOND  
SERIES

Interest  
Rate  
CUSIP

Maturity  
Date

Dated  
Date

Registered Owner:

Principal Amount: \$\_\_\_\_\_ per \$5,000 Amount due at Maturity

Amount Due at Maturity:

KNOW ALL MEN BY THESE PRESENTS, that the City of Riviera Beach Utility Special District (the "District"), a Florida dependent special district of the City of Riviera Beach, Florida for value received, hereby promises to pay, from the Pledged Funds hereinafter mentioned, to the Registered Owner or registered assigns on the Maturity Date specified above, upon the presentation and surrender hereof at the designated principal office of \_\_\_\_\_, as paying agent (said \_\_\_\_\_, and any bank or trust company becoming successor paying agent, being herein called the "Paying Agent"), the Amount Due at Maturity (stated above), constituting the Principal Amount per \$5,000 Amount Due at Maturity (stated above) and interest thereon at the Interest Rate (stated above) from the Dated Date (stated above) compounded on \_\_\_\_\_ and thereafter on \_\_\_\_\_ and \_\_\_\_\_, of each year until

payment of said maturity amount or upon earlier redemption, as set forth herein, payment to be made at the Accreted Value as of the date of redemption or other date of payment. The "Accreted Value" of this Bond shall mean, as of any date of computation, an amount equal to the principal amount hereof, plus the compounded interest accrued hereon to the \_\_\_\_ 1 or \_\_\_\_ 1 next preceding the date of computation or the date of computation if a \_\_\_\_ 1 or \_\_\_\_ 1, plus, if such date of computation shall not be a \_\_\_\_ 1 or \_\_\_\_ 1, a portion of the difference between the Accreted Value as of the immediately preceding \_\_\_\_ 1 or \_\_\_\_ 1 (or the Dated Date if the date of computation is prior to \_\_\_\_ 20\_, and the Accreted Value as of the immediately succeeding \_\_\_\_ 1 or \_\_\_\_ 1, calculated based upon the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months. The Accreted Value per \$5,000 maturity amount of this Bond on each \_\_\_\_ 1 or \_\_\_\_ 1 is set forth in a table attached hereto. The table should not be construed as a representation as to the market value of this Bond at any time in the future but may bear a relationship to the amount of tax-exempt interest and taxable gain with respect to this Bond if sold prior to maturity.

[The following is applicable to Capital Appreciation  
and Income Bonds only]

No. R

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF FLORIDA  
CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT  
WATER AND SEWER REVENUE \_\_\_\_\_ BOND  
SERIES

<u>Interest</u> <u>Rate</u> <u>CUSIP</u>	<u>Maturity</u> <u>Date</u>	<u>Dated</u> <u>Date</u>
--	--------------------------------	-----------------------------

Registered Owner:

Principal Amount: \$\_\_\_\_\_ per \$5,000 Amount Due At Maturity

Amount Due at Maturity:

Interest Commencement Date:

KNOW ALL MEN BY THESE PRESENTS, that the City of Riviera Beach Utility Special District (the "District"), a Florida dependent special district of the City of Riviera Beach, Florida for value received, hereby promises to pay, from the Net Revenues hereinafter mentioned, to the Registered Owner or registered assigns on the Maturity Date specified above, upon presentation and surrender hereof at the designated principal office of \_\_\_\_\_, as paying agent (said \_\_\_\_\_, and any bank or trust company becoming successor paying agent, being herein called the "Paying Agent"), the Amount Due at Maturity (stated above), constituting the Principal Amount (stated above) per \$5,000 Amount Due at Maturity and interest thereon at the Interest Rate (stated above) from the Dated Date (stated above)

compounded on each \_\_\_\_ 1 and \_\_\_\_ 1, during the period from the Dated Date (stated above) to \_\_\_\_, (the "Interest Commencement Date"). The District further promises to pay to the Registered Owner hereof by check or draft of the Paying Agent made payable to the registered owner and mailed to such registered owner at the address shown on the registration books of the District kept for that purpose at the designated principal office of \_\_\_\_\_, as registrar (said \_\_\_\_\_, and any bank or trust company becoming successor registrar, being herein called the "Registrar") as of the fifteenth day of the month preceding such interest payment date, interest on the Amount Due at Maturity from the Interest Commencement Date, at the rate per annum equal to the Interest Rate (stated above), payable on the first day of \_\_\_\_ and \_\_\_\_ in each year (commencing \_\_\_\_ 1), until the District's obligation with respect to the payment of such Amount Due at Maturity shall be discharged. Upon earlier redemption or other payment prior to the Interest Commencement Date, as set forth herein, payment shall be made at the Appreciated Value as of the date of redemption or other payment of this Bond. The "Appreciated Value" of this Bond shall mean (i) as of any date of computation up to and including, \_\_\_\_ 1, 20\_\_, an amount equal to the Principal Amount hereof plus the interest accrued thereon to the \_\_\_\_ 1 or \_\_\_\_ 1 next preceding the date of computation or the date of computation if a \_\_\_\_ 1 or \_\_\_\_ 1, plus, if such date of computation shall not be a \_\_\_\_ 1 or \_\_\_\_ 1, a portion of the difference between the Appreciated Value as of the immediately preceding \_\_\_\_ 1 or \_\_\_\_\_ 1 (or the Dated Date if the date of computation is prior to \_\_\_\_\_ 1, 20\_\_) and the Appreciated Value as of the immediately succeeding \_\_\_\_ 1 or \_\_\_\_ 1, calculated based upon an assumption that Appreciated Value accrues during any semiannual period in equal daily amounts on the basis of a year of twelve 30-day months, and (ii) after the Interest Commencement Date, the

Appreciated Value at the Interest Commencement Date. The Appreciated Value per \$5,000 Amount Due at Maturity of this Bond on each \_\_\_\_\_ 1 and \_\_\_\_\_ 1 is set forth in a table attached hereto. The table should not be construed as a representation as to the market value of this Bond at any time in the future but may bear a relationship to the amount of tax-exempt interest and taxable gain with respect to this Bond if sold prior to Interest Commencement Date. Upon redemption or other payment subsequent to the Interest Commencement Date and prior to the Maturity Date in accordance with the provisions set forth herein, payment of this Bond shall be made in an amount equal to the Amount Due at Maturity plus any applicable premiums plus accrued and unpaid interest on such Amount Due at Maturity.

(THE FOLLOWING IS APPLICABLE TO ALL BONDS)

This Bond is one of an authorized issue of Bonds of the District designated as its City of Riviera Beach Utility Special District, Water and Sewer Revenue \_\_\_\_\_ Bonds, Series \_\_\_\_ (herein called the "Bonds"), in the initial aggregate principal amount of \$\_\_\_\_\_ of like date, tenor, and effect, except as to number, date of maturity and interest rate, issued for the purpose of paying the cost of the Project (as defined in the Resolution hereinafter referred to) or the refunding of certain obligations of the District known as \_\_\_\_\_ under the authority of and in full compliance with the Act, and resolutions duly adopted by the governing body of the District, on \_\_\_\_\_, and \_\_\_\_\_, as amended and supplemented (herein referred to as the "Resolution"), and is subject to all the terms and conditions of the Resolution. Any term not otherwise defined in this Bond shall have the meaning ascribed to such term in the Resolution.

It is further agreed between the District and the Holder of this Bond that this Bond and the obligation evidenced thereby shall not constitute a lien upon the System, or any part thereof, or on any other property of or in the District, but shall constitute a lien only on the Net Revenues and Pledged Funds derived from the operation of the District's System in the manner provided herein and in the Resolution.

The lien of the Holders of the Bonds, of the issue of which this Bond is one, on the Net Revenues derived from the operation of the System shall rank equally with the lien on such Net Revenues of any pari passu Additional Bonds hereinafter issued by the District within the terms, restrictions and limitations contained in the Resolution. The Holders of the

Bonds of the issue of which this Bond is one, and of the Holders of any pari passu Additional Bonds hereinafter issued by the District within the terms, restrictions, and limitations contained in the Resolution, shall jointly have a lien on the Net Revenues derived from the operation of the System, which lien shall be prior and superior to all other liens or encumbrances on such Net Revenues.

The District has covenanted in the Resolution that in each Fiscal Year it will fix, establish and maintain such rates and collect such fees, rentals or other charges for the services and facilities of its System and revise the same from time to time whenever necessary, as will always provide in each Fiscal Year, Net Revenues which shall be adequate to pay at least One Hundred Fifteen percent (115%) of the Annual Debt Service Requirement (as defined in the Resolution) for the Bonds and any pari passu Additional Bonds hereafter issued; and that such Net Revenues shall be sufficient to make all of the payments required by the terms of the Resolution, and that such rates, fees, rentals or other charges shall not be so reduced as to be insufficient for such purposes.

[INSERT REDEMPTION PROVISIONS]

Pari passu Additional Bonds may be issued by the District, from time to time, upon the conditions and within the limitations and in the manner provided in the Resolution.

The original registered owner, and each successive registered owner of this Bond, shall be conclusively deemed to have agreed and consented to the following terms and conditions:

(1) The Registrar shall maintain the registration books of the District for the registration of Bonds and for the registration of transfers of Bonds as provided in the Resolution. The Bonds shall be transferable by the registered owner thereof, in person

or by his attorney duly authorized in writing only, upon the registration books of the District maintained by the Registrar and only upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Bond, the District shall issue in the name of the transferee a new Bond or Bonds.

(2) The District, the Paying Agent and the Registrar shall deem and treat the person in whose name any Bond shall be registered upon the registration books kept by the Registrar as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond as the same becomes due, and for all other purposes. All such payments so made to any such registered owner 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 District, the Paying Agent, nor the Registrar shall be affected by any notice to the contrary.

(3) At the option of the registered owner thereof and upon surrender hereof at the designated principal office of the Registrar with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney and upon payment by such registered owner of any charges which the Registrar or the District may make as provided in the Resolution, the Bonds may be exchanged for Bonds of the same interest rate and maturity of any other authorized denominations.

(4) In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the District shall execute and the Registrar shall authenticate

and deliver Bonds in accordance with the provisions of the Resolution. There shall be no charge for any such exchange or transfer of Bonds, but the District or the Registrar may require payment of a sum sufficient to pay any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the District nor the Registrar shall be required (a) to transfer or exchange Bonds for a period commencing on a Record Date and ending on the next ensuing interest payment date for such Bonds or 15 days next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption, or (b) to transfer or exchange any Bonds called for redemption. However, if less than all of a Bond is redeemed or defeased, the District shall execute and the Registrar shall authenticate and deliver, upon the surrender of such Bond, without charge to the Bondholder for the unpaid balance of the principal amount of such Bond so surrendered, a registered Bond in the appropriate denomination and interest rate.

This Bond shall not be valid or obligatory for any purpose until the certificate of authentication set forth hereon shall have been duly executed by the Registrar.

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 this Bond, and of the issue of Bonds of which this Bond is one, is in full compliance with all constitutional or statutory limitations or provisions.

[The following paragraph is applicable to Capital  
Appreciation Bonds only].

The Capital Appreciation Bonds, of which this Bond is one, pay principal and compound accrued interest only at maturity or upon prior redemption. For the purposes of (i) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, or (ii) computing the amount of Bonds held by the registered owner of a Capital Appreciation Bond in giving to the District any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, or (iii) computing the amount of Bonds to be redeemed and the selection of Bonds to be redeemed, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value.

[The following paragraph is applicable only to Capital  
Appreciation and Income Bonds]

For the purposes of (i) receiving payment of the redemption price if a Capital Appreciation and Income Bond is redeemed prior to maturity, or (ii) computing the amount of Bonds held by the registered owner of a Capital Appreciation and Income Bond in giving to the District any notice, consent, request, or demand pursuant to the Resolution for any purpose whatsoever, or (iii) computing the amount of Bonds to be redeemed and the selection of Bonds to be redeemed, the principal amount of a Capital Appreciation and Income Bond shall be deemed to be its Appreciated Value.

IN WITNESS WHEREOF, the City of Riviera Beach Utility Special District has issued this Bond and has caused the same to be executed by the manual or facsimile signature of the Chairperson, and the seal of the District to be affixed hereto or lithographed or imprinted or reproduced hereon, and attested by the manual or facsimile signature of the District Clerk, all as of the Dated Date.

CITY OF RIVIERA BEACH UTILITY  
SPECIAL DISTRICT

(SEAL)

By \_\_\_\_\_

Chairperson

Attest:

\_\_\_\_\_  
District Clerk

(FORM OF CERTIFICATE OF AUTHENTICATION)

Date of Authentication:

This Bond is one of the Bonds delivered pursuant to the within mentioned Resolution.

\_\_\_\_\_ as Registrar

By: \_\_\_\_\_ Authorized Officer

(FORM OF VALIDATION CERTIFICATE)

[INSERT IF BONDS ARE VALIDATED]

This Bond is one of a series of Bonds which were validated by judgment of the Circuit Court in and for Palm Beach County, Florida, rendered on the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_ Chairperson

\_\_\_\_\_ District Clerk

[For Capital Appreciation Bonds Only]

ACCREDITED VALUE PER \$5,000 MATURITY AMOUNT

<u>Date</u>	<u>Accreted Value</u>	<u>Date</u>	<u>Accreted Value</u>
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[For Capital Appreciation and Income Bonds Only]

APPRECIATED VALUE PER \$5,000 MATURITY AMOUNT

<u>Date</u>	<u>Appreciated Value</u>	<u>Date</u>	<u>Appreciated Value</u>
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[Form of Abbreviations]

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 the applicable laws or regulations

TEN COM - as tenants in common  
TEN ENT - as tenants by the entireties  
JT TEN - as joint tenants with the right of survivorship and not as tenants in common

UNIFORM TRANS MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

under Uniform Transfers to Minors

Act \_\_\_\_\_  
(State)

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

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned \_\_\_\_\_  
\_\_\_\_\_ (the "Transferror"), hereby sells, assigns and transfers unto  
\_\_\_\_\_ (the "Transferee")

PLEASE INSERT SOCIAL SECURITY OR FEDERAL  
EMPLOYER IDENTIFICATION NUMBER OF TRANSFEEE

\_\_\_\_\_

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints  
\_\_\_\_\_ as attorney to register the transfer of the  
within Bond on the books kept for registration and registration of transfer thereof, with full  
power of substitution in the premises.

Date: \_\_\_\_\_  
Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange, a member firm or any other recognized national securities exchange or a commercial bank or trust company

NOTICE: No transfer will be re registered and no new Bond will be issued in the name of the Transferee, unless the signature(s) to this assignment correspond(s) with the name 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 Federal Employer Identification Number of the Transferee is supplied.

[End of Bond Forms]

**SECTION 2.8 BOOK-ENTRY SYSTEM.** As long as any Series of Bonds are registered under the Book-Entry System, the District and the Registrar shall comply with the terms of the agreement entered into with the Securities Depository (the “Book-Entry Agreement”) with respect to such Series. However, the Book-Entry System through the Securities Depository may be terminated upon the happening of any of the following:

(A) The Securities Depository or the District, based upon advice from the Securities Depository, advises the Registrar that the Securities Depository is no longer willing or able to properly discharge its responsibilities under the Book-Entry Agreement and the Registrar and the District are unable to locate a qualified successor clearing agency satisfactory to the Registrar and the District; or

(B) The District, pursuant to the procedures of the Securities Depository, elects to terminate the Book-Entry System by notice to the Securities Depository, the Registrar and the Credit Facility Issuer, if any.

Upon the occurrence of any event described above, (i) the District shall, if necessary, adopt a resolution supplemental to this Resolution to add to the provisions of this Resolution any provisions deemed reasonably necessary or required by the District or the Registrar, and approved in writing by the Credit Facility Issuer, if any, with respect to Replacement Bonds (including but not limited to the provision for the cost and expenses for the printing thereof) and to account for the fact that, thereafter, the Bonds will no longer be registered under the Book-Entry System, and (ii) the Registrar shall notify the Securities Depository and the Credit Facility Issuer, if any, of the occurrence of such event and of the availability of definitive or temporary Replacement Bonds to Beneficial Owners requesting the same, in an aggregate

Outstanding amount representing the interest of each such Beneficial Owner, making such adjustments and allowances as it may find necessary or appropriate as to accrued interest and previous payments of principal. Definitive Replacement Bonds shall be issued only upon surrender to the Registrar of the Bond of each maturity by the Securities Depository, accompanied by registration instructions for the definitive Replacement Bonds for such maturity from the Securities Depository. Neither the District nor the Registrar shall be liable for any delay in delivery of such instructions and conclusively may rely on, and shall be protected in relying on, such instructions.

Whenever the Bonds are registered under the Book-Entry System and notice or other communication to the Bondholders is required under this Resolution, unless and until definitive Replacement Bonds shall have been issued with respect to the Bonds, the District or the Registrar, as the case may be, shall give to the Securities Depository one copy of each such notice and communication specified herein or required by this Resolution to be given to the Beneficial Owners of the Bonds.

### **ARTICLE III REDEMPTION**

**SECTION 3.1 PROVISIONS FOR REDEMPTION.** Each Series of Bonds may be subject to redemption prior to their maturity at the option of the District at such times, at such prices and in such manner as shall be established by Supplemental Resolution adopted with respect to any Series of Bonds on or before the time of delivery of such Bonds; provided, however, that provisions satisfactory to any Reserve Product Provider be made for paying all fees, charges, expenses and all other sums due hereunder prior to any optional redemption hereunder. Unless otherwise provided by such Supplemental Resolution, the Bonds shall be redeemed only in the principal amount of \$5,000 each and integral multiples thereof. 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 forty-five (45) days prior to the redemption date by the Registrar from the Outstanding Bonds of the maturity or maturities designated by the District 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 or other authorized denominations. If less than all of the Outstanding Bonds of a single maturity are to be redeemed, the Registrar shall promptly notify the District 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 3.2 NOTICE OF REDEMPTION.** Unless provided otherwise by Supplemental Resolution, notice of redemption shall be given by the deposit in the U.S. mails of a copy of said redemption notice, postage prepaid, at least thirty (30) and not more than sixty (60) days before the redemption date to all registered owners of the Bonds or portions of Bonds to be redeemed at their addresses as they appear on the registration books to be maintained in accordance with the provisions hereof. Failure to give any such notice to a registered owner of a Bond, or any defect therein, shall not affect the validity of the proceedings for redemption of any Bond or portion thereof with respect to which no failure or defect occurred.

Each notice shall set forth the date fixed for redemption for each Bond being redeemed, the redemption price to be paid, the date of publication, if any, of a notice of redemption, the name and address of the Registrar and, if less than all of the Bonds then

Outstanding shall be called for redemption, the Series, the distinctive numbers and letters, including CUSIP numbers, if any, of such Bonds to be redeemed and, in the case of Bonds to be redeemed in part only, the portion of the principal amount thereof to be redeemed. If any Bond is to be redeemed in part only, the notice of redemption which relates to such Bond shall also state that on or after the redemption date, upon surrender of such Bond, a new Bond or Bonds in a principal amount equal to the unredeemed portion of such Bond will be issued.

In the case of an optional redemption of the Bonds of a Series, any notice of redemption may state that (i) it is conditioned upon the deposit of moneys with the Paying Agent or an Authorized Depository, no later than the redemption date, in an amount equal to the amount necessary to effect the redemption; or (ii) the District retains the right to rescind such notice of redemption on or prior to the scheduled redemption date (in either case, a "Conditional Redemption"), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded as described herein. Any notice of Conditional Redemption shall be captioned "Conditional Notice of Redemption." Any Conditional Redemption may be rescinded at any time prior to the redemption date if the District's Finance Director delivers a written direction to the Paying Agent directing the Paying Agent to rescind the redemption notice. The Paying Agent shall give prompt notice of such rescission to the affected Bondholders. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and neither the rescission nor the failure by the District to make such funds available shall constitute a breach under this Resolution. The Paying Agent shall give immediate notice to the securities information repositories and the affected Bondholders that the redemption did not occur and that the Series 2004 Bonds called for redemption and not so paid remain Outstanding.

Any notice mailed as provided in this section shall be conclusively presumed to have been duly given, whether or not the owner of such Bond receives such notice.

In addition to the mailing of the notice described above, each notice of redemption and payment of the redemption price shall meet the requirements of this paragraph; provided, however, that failure of such notice or payment 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 in this Section 3.2.

Each notice of redemption shall be sent at least thirty-five (35) days before the redemption date by registered or 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 and Philadelphia Depository Trust Company, Philadelphia, Pennsylvania) and, on the date notice of redemption is given, to one or more national information services that disseminate notices of redemption of obligations such as the Bonds.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

**SECTION 3.3 EFFECT OF NOTICE OF REDEMPTION.** Notice having been given in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become and be due and payable at the redemption price provided for redemption of

such Bonds or portions of Bonds on such date. On the date so designated for redemption, moneys for payment of the redemption price being held in separate accounts by the Paying Agent in trust for the registered owners of the Bonds or portions thereof to be redeemed, all as provided in this Resolution, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be entitled to any lien, benefit or security under this Resolution, and the Registered Owners of such Bonds or portions of Bonds shall have no right in respect thereof except to receive payment of the redemption price thereof and, to the extent provided in Section 3.4 of this Resolution, to receive Bonds for any unredeemed portions of the Bonds.

**SECTION 3.4 REDEMPTION OF PORTION OF REGISTERED BONDS.** Subject to the provisions of Section 2.8 hereof, in case part but not all of an Outstanding fully registered Bond shall be selected for redemption, the Registered Owners thereof shall present and surrender such Bond to the District or its designated Paying Agent for payment of the principal amount thereof so called for redemption, and the District shall execute and deliver to or upon the order of such Registered Owner, without charge therefor, for the unredeemed balance of the principal amount of the Bond so surrendered, a Bond or Bonds fully registered as to principal and interest.

**SECTION 3.5 BONDS CALLED FOR REDEMPTION NOT DEEMED OUTSTANDING.** Bonds or portions of Bonds that have been duly called for redemption under the provisions of this Article III, and with respect to which amounts sufficient to pay the principal of, premium, if any, and interest to the date fixed for redemption shall be delivered to and held in separate accounts by an escrow agent, any Authorized Depository or any Paying Agent in trust for the Registered Owners thereof, as provided in this Resolution,

shall not be deemed to be Outstanding under the provisions of this Resolution and shall cease to be entitled to any lien, benefit or security under this Resolution, except to receive the payment of the redemption price on or after the designated date of redemption from moneys deposited with or held by the escrow agent, Authorized Depository or Paying Agent, as the case may be, for such redemption of the Bonds and, to the extent provided in Section 3.4 of this Resolution, to receive Bonds for any unredeemed portions of the Bonds.

**ARTICLE IV  
COVENANTS, FUNDS AND APPLICATION THEREOF**

**SECTION 4.1 BONDS NOT TO BE INDEBTEDNESS OF THE DISTRICT OR CITY.** The Bonds shall not be and shall not constitute an indebtedness of the District or the City within the meaning of any constitutional, statutory, charter or other limitation of indebtedness, but shall be payable solely from the Pledged Funds which consists primary of the Net Revenues derived from the operation of the System, as provided in this Resolution. No Holder or Holders of any Bonds issued hereunder shall ever have the right to compel the exercise of the ad valorem taxing power of the City, or taxation in any form of any real property therein to pay the Bonds or the interest thereon. The District has no taxing power. The Bondholders shall have no lien upon the System or any Facilities or any property of the District or the City.

**SECTION 4.2 BONDS SECURED BY PLEDGE OF PLEDGED FUNDS.** The payment of the principal of and interest on all of the Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on and pledge of the Pledged Funds which consists primary of the Net Revenues derived from the operation of the System. Except as provided below, the Net Revenues derived from the operation of the System in an amount sufficient to pay the principal of and interest on the Bonds herein authorized and to make the

payments into the Debt Service Fund, hereinafter created and established, and all other payments provided for in this Resolution are hereby irrevocably pledged to the payment of the principal of and interest on the Bonds authorized herein, and other payments provided for herein, as the same become due and payable. Unless otherwise provided by subsequent proceedings of the Board, any cash or Investment Obligations on deposit in an account created and established under this Resolution within the Reserve Fund for one or more Series of Bonds or any Reserve Product on deposit in an account created and established under this Resolution within the Reserve Fund solely for any one or more Series of Bonds but not for all Series of Bonds, shall only be available to pay debt service on such one or more Series of Bonds. In addition, the District, by subsequent proceedings of the Board, may elect to pledge Special Assessments for the payment of principal of and interest on the Bonds authorized under this Resolution. If the District makes such election, the Special Assessments so pledged shall be treated for all purposes under this Resolution as Net Revenues. Payment of the principal of and interest on the Bonds may also be secured by a Credit Facility, and liquidity for Variable Rate Bonds that are subject to tender for purchase may be provided by a Liquidity Facility, all as shall be determined by subsequent proceedings of the Board.

**SECTION 4.3 APPLICATION OF BOND PROCEEDS.** Except as otherwise provided hereby, the proceeds, including accrued interest and premium, if any, received from the sale of the Bonds of any Series shall be applied by the District simultaneously with the delivery of such Bonds in accordance with the provisions of a Supplemental Resolution of the District in conformity with this Resolution to be adopted at or before the delivery of such Series of Bonds.

All moneys received by the District from the sale of the Series 2004 Bonds, issued pursuant to this Resolution, shall be disbursed as follows:

(A) The accrued interest, if any, derived from the sale of the Series 2004 Bonds shall be deposited into the Debt Service Fund hereinafter created and established under this Resolution, and used for the purpose of paying interest on the Series 2004 Bonds, as the same becomes due and payable.

(B) From the proceeds of the Series 2004 Bonds, there may be deposited into a Series 2004 Account of the Reserve Fund, hereinafter created and established under this Resolution, an amount equal to the Debt Service Reserve Requirement for the Series 2004 Bonds, as shall be determined by subsequent proceedings of the Board. In lieu of depositing all or a part of such amounts, the District may deposit into the Series 2004 Account of the Reserve Fund a Reserve Product with the requisite coverage.

(C) An amount equal to the costs of issuance of the Series 2004 Bonds, including, without limitation, any premiums for Bond Insurance and any Reserve Product premiums or fees, shall be deposited into the Series 2004 Costs of Issuance Subaccount of the Construction Fund hereinafter created and established under this Resolution and be applied by the District to pay when due the costs of issuance of the Series 2004 Bonds. Any balance in such Series 2004 Costs of Issuance Subaccount after the payment of the costs of issuance of the Series 2004 Bonds shall be deposited into the Debt Service Fund.

(D) If applicable, an amount determined by the Chief Financial Officer to be necessary to fund the Cost of the 2004/2005 Project shall be deposited into the Construction Fund. Such deposit shall be disbursed and applied in accordance with Section 4.4 hereof.

(E) The balance of the proceeds of the Series 2004 Bonds shall be immediately deposited in trust for the City pursuant to a trust arrangement acceptable to the District and Bond Counsel for full payment of the current purchase price of the System (herein, the "Acquisition Price"). Notwithstanding the foregoing, the City shall immediately deposit, or cause there to be deposited, a portion of Acquisition Price, together with moneys legally available under the City Bond Resolution, pursuant to the terms and provisions of the Escrow Agreement, which as verified by an independent certified public accountant retained by the City will, when invested in U.S. Obligations, together with any uninvested moneys, be sufficient to pay and defease the Existing Water and Sewer Revenue Bonds.

The proceeds of the sale of the Series 2004 Bonds, other than the amount constituting the Acquisition Price, shall be and constitute trust funds for the purposes hereinabove provided, and there is hereby created a lien upon such moneys, until so applied, in favor of the Holders of said Bonds.

**SECTION 4.4 ACQUISITION AND CONSTRUCTION FUND.** The "Water and Sewer Revenue Bond Acquisition and Construction Fund" (herein the "Construction Fund") is hereby created and established. There shall be paid into the Construction Fund funds which, together with investment earnings thereon, will be sufficient to pay the Costs of each Project to be funded hereunder as designated by Supplemental Resolution of the District.

The District shall establish a separate account in the Construction Fund for the Project or Projects to be financed by each Series of Bonds issued hereunder and two separate sub-accounts therein, one for the deposit of an amount of proceeds or other funds of the District equal to the capitalized interest for such Series of Bonds, and the other for the deposit of an

amount of proceeds to be applied to pay the costs of issuance of such Series of Bonds. In addition, the District may establish separate accounts or sub-accounts for separate Projects or portions thereof. Each such account and sub-account in the Construction Fund shall be kept separate and apart from all other accounts and sub-accounts of the District, and the funds on deposit therein shall be withdrawn, used and applied by the District solely for the payment of the Costs of such Project or Projects and purposes incidental thereto as hereinabove described and as provided in Section 4.6 hereof. Capitalized interest, if any, deposited to a sub-account in the Construction Fund and any income therefrom shall be transferred, to the extent necessary, to the Debt Service Fund to pay interest on the related Series of Bonds. Any moneys on deposit in a sub-account in the Construction Fund not necessary for the purpose deposited may be used in the same manner as other funds on deposit in the other sub-accounts in the same account in the Construction Fund. All such moneys shall be and constitute trust funds for such purposes, and shall be delivered to and held by the Chief Financial Officer (or his or her designated Authorized Depository) who shall act as trustee of such funds for the purposes of this Resolution. There is hereby created a lien upon such funds in favor of the Holders of the Series of Bonds to which such account is related until applied as herein provided. There is hereby created and established a Series 2004 Costs of Issuance Subaccount within the Construction Fund to pay the costs of issuing the Series 2004 Bonds.

Any funds on deposit in the Construction Fund that, in the opinion of the District, are not immediately necessary for expenditure, as hereinabove provided, shall be held and shall be invested, in the manner provided by law, in Investment Obligations pursuant to Section 4.10 hereof. All income derived from investments of funds in an account or sub-account in the Construction Fund shall be deposited in such account or sub-account to which such

investment income is attributable, except to the extent any such income, pursuant to the terms of the applicable Tax Certificate, is required to be deposited to the Rebate Fund hereinafter created and established pursuant to this Resolution.

Any liquidated damages or settlement payments received by the District as a result of the breach by any contractor, subcontractor or supplier working or supplying goods for any Project, of any representation, warranty or performance guaranty, and all insurance and condemnation proceeds received with respect to damages to or the taking of the Projects during construction may be deposited into the appropriate account or accounts in the Construction Fund to ensure completion of such Project, or, if a Consultant shall certify that the failure to complete a Project and the modification of a Project or the acquisition or construction of a different Project will not have an adverse effect on the District's ability to meet its rate covenant and other obligations hereunder, such moneys shall be deposited in the Debt Service Fund for the redemption of Bonds, as shall be determined by the subsequent proceedings of the Board.

The District covenants to commence each Project authorized hereunder, promptly upon the delivery of the Series of Bonds issued to pay the Cost thereof, and to thereafter work with due diligence to complete each such Project. The District may, however, abandon or defer any Project if it first obtains the written opinion of the Consultant that such abandonment or deferral (and the use of the remaining proceeds set aside for the construction of such Project to acquire or construct a different Project or redeem Bonds according to the following paragraph) will not have an adverse effect on the District's ability to meet its rate covenant and other obligations hereunder (taking into account, if applicable, the effect of issuing such Additional Bonds as may be necessary to pay the cost of completing such

Project). To the extent the Costs of a Project are to be paid in part from other revenues of the District (for example, from the Capital Improvement Fund or the Renewal and Replacement Fund), or from other sources (for example, from county funding or state or federal grants and loans), the District shall take all legally available actions to ensure the receipt of such funds and shall cause such funds to be deposited into the Construction Fund or otherwise set aside in a separate fund or account and used for the purposes herein provided. For the purposes of this Section 4.4, “deferral” of a Project shall refer to situations where the District shall not have formally taken action to abandon or cancel a Project, but shall have determined not to currently proceed with such Project and not to finance such Project with funds then held in the Acquisition and Construction Fund.

The date of completion of any Project shall be determined by the Engineer of Record which shall certify such fact in writing to the Board. Such certificate shall identify those Costs of construction and acquisition not paid as of the date of such certificate, if any. Upon completion of each Project, or upon the abandonment or deferral thereof pursuant to the foregoing, any amounts then remaining in the corresponding account in the Construction Fund and not reserved by the District for the payment of any remaining part of the Cost of construction and acquisition thereof or for the payment of the Cost of another Project, shall be transferred as follows:

(i) first, to the applicable account of the Reserve Fund to the full extent necessary, either to reinstate the applicable Reserve Product on deposit therein or to deposit additional moneys so that such deposit, together with such moneys already on deposit therein, equal to the applicable Debt Service Reserve Requirement.

(ii) second, to the Debt Service Fund in amounts determined by subsequent proceedings of the Board

(iii) third, to the Renewal and Replacement Fund, if the amount on deposit therein is less than the Renewal and Replacement Fund Requirement.

(iv) fourth, the balance, if any, to the Capital Improvement Fund hereinafter created and established and used for any of the purposes enumerated herein.

**SECTION 4.5 AUTHORIZATION OF PROJECTS.** Any Projects to be financed with proceeds of Additional Bonds shall be more particularly defined and described by Supplemental Resolution of the District, the description of which Projects may be modified as provided in the resolution authorizing the Additional Bonds financing such Projects.

**SECTION 4.6 COST OF PROJECTS.** Proceeds received from the sale of any Series of Bonds are hereby authorized to be used to pay the Costs of the Projects, including without limitation, reimbursement to the District in connection with items previously incurred, and such other Costs which shall be necessary and incidental to the Project and the placing the same in operation.

**SECTION 4.7 COVENANTS OF THE DISTRICT.** As long as any of the principal of or interest on any of the Bonds shall be Outstanding and unpaid, or until there shall have been set apart in the Debt Service Fund, and in the respective accounts, if any, in the Reserve Fund herein created and established, a sum sufficient to pay, when due, the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, or until the provisions of Section 4.11 of this Resolution, have been complied with, the

District covenants with the Bondholders of any and all of the Bonds issued pursuant to this Resolution as follows:

(A) Unless the District elects to issue any one or more Series of Bonds under the terms and provisions of this Resolution, the interest on which shall be includable in the gross income of the Holders thereof for federal income tax purposes, the District covenants as to any other Series of Bonds issued pursuant to this Resolution to comply with each applicable requirement of the Code, and any successor provisions thereto, in order to maintain the exclusion of the interest on the Bonds from gross income for federal income tax purposes pursuant to Section 103(a) of the Code. In furtherance of the covenant contained in the preceding sentence, the District agrees to comply with the provisions of the applicable Tax Certificate.

(B) The District shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(f) of the Code from amounts on deposit in the Rebate Fund created and established under this Resolution and from other moneys lawfully available therefor, if necessary.

(C) Notwithstanding any other provision of this Resolution to the contrary, as long as necessary in order to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes, the covenants contained in this Section 4.7 shall survive the payment of the Bonds, including any payment or defeasance thereof pursuant to Section 4.11 of this Resolution.

(D) Notwithstanding any other provision of this Resolution to the contrary, upon the District's failure to observe or refusal to comply with the covenants contained in this

Section, the Bondholders, or any trustee acting on their behalf, shall be entitled to the rights and remedies provided to Bondholders under this Resolution.

**SECTION 4.8 RATES.** The District will fix, establish and maintain such rates and collect such fees, rentals or other charges for the services and Facilities of its System, and revise the same from time to time whenever necessary, as will always provide in each Fiscal Year Net Revenues (excluding earnings and investment income derived from the investment of moneys on deposit in the remaining funds and accounts created and established under this Resolution and any Special Assessments, if the Board has elected, by subsequent proceeding, to include the same as Net Revenues), which shall be adequate to pay at least one hundred fifteen percent (115%) of the Annual Debt Service Requirement for the Bonds; provided that such Net Revenues shall be sufficient to make all of the payments required by the terms of this Resolution; and provided further however, that such rates, fees, rentals or other charges shall not be so reduced as to be insufficient for the purposes provided for in this section.

For purposes of this Section, Annual Debt Service Requirement shall include amounts necessary to reimburse each Credit Facility Issuer, provider of a Liquidity Facility and Reserve Product Provider hereunder as provided herein.

**SECTION 4.9 CREATION AND ESTABLISHMENT OF VARIOUS FUNDS AND ACCOUNTS.** There are hereby created and established the following funds and accounts to be known as: the "Water and Sewer Revenue Fund" (the "Revenue Fund"); the "Water and Sewer Debt Service Fund" (the "Debt Service Fund"); the "Water and Sewer Reserve Fund" (the "Reserve Fund"); the "Water and Sewer Renewal and Replacement Fund" (the "Renewal and Replacement Fund"); the "Water and Sewer Rate Stabilization Fund" (the "Rate Stabilization Fund"); the "Water and Sewer Capital Improvement Fund" (the "Capital

Improvement Fund”) and within such Capital Improvement Fund, an “Impact Fee Account”; the “Water and Sewer Subordinated Indebtedness Fund” (the “Subordinated Indebtedness Fund”); and the “Water and Sewer Rebate Fund” (the “Rebate Fund”). Such funds and accounts shall constitute trust funds for the purposes herein provided, shall be delivered to and held by the Chief Financial Officer (or an Authorized Depository designated by the Chief Financial Officer), in each case who shall act as trustee of such funds for the purposes hereof, shall (except for the Rebate Fund and the Impact Fee Account, unless determined otherwise by subsequent proceedings of the Board with respect to a Series of Bonds) be subject to a lien and charge in favor of the Holders and registered owners of the Bonds, and shall at all times be kept separate and distinct from all other funds of the District and used only as herein provided. The District reserves the right, but shall not be obligated, to create and establish separate accounts in the Reserve Fund for any Series of Bonds issued pursuant to the terms and provisions of this Resolution. Except as provided in the next succeeding sentence, each such account within the Reserve Fund shall constitute separate security for the Series of Bonds for which it relates, and the moneys or securities therein or derived from a Reserve Product therein shall not be available to pay debt service on any other Series of Bonds unless expressly so provided by subsequent proceedings of the Board. Notwithstanding the foregoing, if the District establishes a separate account within the Reserve Fund for a particular Series of Bonds, the District may, if determined by subsequent proceedings of the Board, upon the issuance of one or more additional Series of Bonds, utilize such account within the Reserve Fund for such one or more Series of Bonds, provided that the moneys or Reserve Product on deposit therein shall equal the Debt Service Reserve Requirement established for each such Series of Bonds. The Debt Service Reserve Requirement

established for the first such Series of Bonds for which a separate account within the Reserve Fund was created shall be the Debt Service Reserve Requirement for any subsequent Series of Bonds whenever the District determines to use the original account within the Reserve Fund for such subsequent Series of Bonds. Unless provided otherwise by subsequent proceedings of the Board, the method to determine the combined Debt Service Reserve Requirement shall be determined by adding the Outstanding principal amount of the original Series of Bonds with the principal amount of the Bonds of the Series proposed to share in the original account within the Reserve Fund and then determine the Debt Service Reserve Requirement on a combined basis.

In the event the District should issue a Series of Bonds, the interest on which is included in the gross income of the Holders thereof for federal income tax purposes (herein, "Taxable Bonds"), the District shall take such steps, including the creation of separate subaccounts which in the opinion of Bond Counsel is necessary to preserve the exclusion from gross income of interest on all other Series of Bonds.

**SECTION 4.10 DISPOSITION OF GROSS REVENUES; INVESTMENTS.**

Commencing on the day following the delivery of the first Series of Bonds issued hereunder, except as otherwise provided herein, all Gross Revenues shall be deposited by the District into the Revenue Fund immediately upon receipt. Moneys in the Revenue Fund shall first be used to pay the Cost of Operation and Maintenance. Moneys in the Revenue Fund shall next be disposed of on or before the 20th day of each month, only in the following order of priority:

(A) Gross Revenues, if the Board determines it to be in the best interest of the District, shall next be used, in the manner and in the amounts provided below, for deposit into the Rate Stabilization Fund. Prior to any deposits to the Rate Stabilization Fund, the

Board shall cause the appropriate Consultant to produce a report (the "Consultant's Report") which, based on the average of the annual Cost of Operation and Maintenance of the System for each of the last (3) Fiscal Years, estimates what the annual increase in the Cost of Operation and Maintenance will be for the System for the fourth Fiscal Year commencing after the date of such Consultant's Report and the next two (2) succeeding Fiscal Years thereafter (herein referred to as the "Rate Stabilization Withdrawal Cycle"). In addition to taking into account historical information regarding the Cost of Operation and Maintenance for the purpose of such Consultant's Report, the Consultant shall determine increases to the annual Cost of Operation and Maintenance during the next succeeding Rate Stabilization Withdrawal Cycle by also taking into account (i) known additions, extensions and improvements to the System which will or would expect to result in an increase in the annual Cost of Operation and Maintenance, and (ii) a reasonable inflation factor for each of the three (3) Fiscal Years during the Rate Stabilization Withdrawal Cycle. The total amount set forth in such Consultant's Report representing increases to the Cost of Operation and Maintenance during the next succeeding Rate Stabilization Withdrawal Cycle shall be referred to as the "Rate Stabilization Deposit Amount." During each of the next thirty-six (36) months prior to the commencement of the Rate Stabilization Withdrawal Cycle (herein referred to as the "Rate Stabilization Deposit Cycle"), the District shall deposit into the Rate Stabilization Fund, each month, 1/36 of the amount that, when added to amounts already on deposit, or to be deposited into the Rate Stabilization Fund with respect to any Fiscal Year in the Rate Stabilization Withdrawal Cycle pursuant to a prior Consultant's Report, including any investment earnings thereon, will equal the Rate Stabilization Deposit Amount. The Rate Stabilization Withdrawal Cycle and Rate Stabilization Deposit Cycle may be decreased to a

term of less than three (3) Fiscal Years or increased to a term longer than three (3) Fiscal Years, by subsequent proceedings of the Board. Moneys on deposit in the Rate Stabilization Fund may be withdrawn at such times as the District shall determine to be necessary during the Rate Stabilization Withdrawal Cycle to pay such increases to the Cost of Operation and Maintenance which would otherwise be payable from increased rates. Pending such withdrawal, moneys on deposit therein may be invested in Investment Obligations. Moneys on deposit in the Rate Stabilization Fund may not be used to pay debt service on the Bonds.

(B) Net Revenues shall next be used, to the full extent necessary, for deposit into the Debt Service Fund beginning, with respect to interest on a Series of Bonds, with the twentieth (20th) day of the first full calendar month following the date on which any or all of the Bonds of such Series are delivered to the purchaser thereof and beginning with respect to principal or Accreted Value on the Bonds, on the twelfth (12th) month prior to the first Amortization Installment, or first maturity of such Bonds, such sums as shall be sufficient to pay one-sixth (1/6th) of the interest becoming due on the Bonds on the next semiannual Interest Payment Date and one-twelfth (1/12) of the principal amount or Accreted Value of the Serial Bonds which will mature and become due on the next annual maturity date and sufficient to pay one-sixth (1/6th) or one-twelfth (1/12th), as applicable, of the Amortization Installment of Term Bonds; provided, however, that such monthly deposits for interest shall not be required to be made into the Debt Service Fund to the extent that money is on deposit therein or moneys are allocated thereto under the appropriate capitalized interest sub-account within the Construction Fund for such purpose; and provided further, that in the event the District has issued Variable Rate Bonds pursuant to the provisions of this Resolution, Net Revenues shall be deposited at such other or additional times and amounts as

necessary to pay the interest and principal becoming due on such Variable Rate Bonds on the next Interest Payment Date, all in the manner provided in the Supplemental Resolution authorizing such Variable Rate Bonds.

The income and investment earnings derived from the moneys and investments on deposit in the Debt Service Fund shall be retained therein. Any investment earnings on deposit in the Reserve Fund or any accounts therein in excess of the applicable Debt Service Reserve Requirement shall be deposited in the Debt Service Fund, and such income and investment earnings shall be credited against the amount of Net Revenues required to be deposited in the Debt Service Fund.

In the event that the period to elapse between the date of the delivery of a Series of Bonds and the next Interest Payment Date will be less or more than six (6) months, then such monthly payments shall be increased or decreased accordingly in sufficient amounts to provide the required semiannual interest on the next Interest Payment Date.

The moneys in the Debt Service Fund allocated to pay Amortization Installments (or any special subaccount created therein for Term Bonds of a particular maturity by subsequent proceedings of the Board) shall be used solely for the purchase or redemption of the Term Bonds payable therefrom. The District may purchase any of the Term Bonds at prices not greater than par and accrued interest and may purchase Capital Appreciation Bonds or Capital Appreciation and Income Bonds (if such Capital Appreciation Bonds or Capital Appreciation and Income Bonds are Term Bonds) at prices not greater than the Accreted Value or Appreciated Value, as the case may be, as of the date of purchase. If, by the application of moneys in the Debt Service Fund allocated to pay Amortization Installments or in the Capital Improvement Fund, as hereinafter provided, the District shall

purchase or call for redemption in any year Term Bonds in excess of the Amortization Installment for such year, such excess of Term Bonds so purchased or redeemed shall at the option of the District either be credited on a pro rata basis over the remaining Amortization Installment payment dates or credited against the following year's Amortization Installment requirement.

Notwithstanding anything in this subsection (B) to the contrary, if principal, interest or premium payments have been made on behalf of the District by a Credit Facility Issuer or an issuer of a Liquidity Facility, moneys on deposit in the Debt Service Fund and allocable to such Bonds shall be paid to such Credit Facility Issuer or issuer of a Liquidity Facility having theretofore made a corresponding payment on the Bonds.

(C) To the extent not funded from Bond proceeds or covered by a Reserve Product, Net Revenues shall next be used on a pro rata basis, to the full extent necessary, for deposits into each of the accounts within the Reserve Fund, such sums as shall be sufficient, taking into account moneys on deposit therein, to equal the applicable Debt Service Reserve Requirement for each Series of Bonds; provided, however, that no payments shall be required to be made into the applicable accounts within the Reserve Fund whenever and as long as the amount deposited therein shall be equal to the Debt Service Reserve Requirement for such one or more Series of Bonds to which each such account within the Reserve Fund relates; provided further, however, that if Net Revenues are insufficient to make the required deposits into the applicable accounts within the Reserve Fund, such Net Revenues, which are available, will be deposited therein on a pro rata basis.

Notwithstanding the foregoing provisions, in lieu of the deposits of Net Revenues into any one or more of the accounts within the Reserve Fund, the District may

cause to be deposited into any one or more of the accounts within the Reserve Fund for the benefit of the Holders of the applicable Series of Bonds for which such account within the Reserve Fund has been created a Reserve Product in an amount equal to the difference between the Debt Service Reserve Requirement for such Series of Bonds and the sums then on deposit in the applicable account within the Reserve Fund, if any, which Reserve Product shall be payable (upon the giving of notice as required thereunder) on any Interest Payment Date on which a deficiency exists which cannot be cured by funds in any other account held pursuant to this Resolution and available for such purpose under the terms and order of priority as established by this Resolution. In addition, the District, at any time by subsequent proceedings of the Board, may provide a Reserve Product for all or part of the moneys on deposit in any of the accounts within the Reserve Fund. Under such circumstances, the principal amount of the Reserve Product and the moneys on deposit in such account, if any, within the Reserve Fund, shall be in an amount equal to the Debt Service Reserve Requirement for such one or more Series of Bonds for which such account within the Reserve Fund was created. If a disbursement is made from a Reserve Product, provided pursuant to this paragraph, the District shall be obligated to reinstate the maximum limits of such Reserve Product following such disbursement at the time or times required by the Reserve Product Provider, or, with the consent of the Reserve Product Provider of such Reserve Product, to replace such Reserve Product by depositing into the applicable account within the Reserve Fund from the Net Revenues, as herein provided, immediately following the receipt of the consent of the Reserve Product Provider of such Reserve Product, funds in the maximum amount originally payable under such Reserve Product, or any combination of such alternatives. If a disbursement is made from more than one Reserve Product or from moneys

on deposit in more than one account within the Reserve Fund, the District shall be required to reinstate each Reserve Product or make deposits therein, as described above, on a pro rata basis. In the event an account within the Reserve Fund is funded, both with cash (including Investment Obligations of such cash) and a Reserve Product in the aforementioned manner, and it is necessary to make payments attributable to debt service on any one of the Series of Bonds for which such account within the Reserve Fund relates into the Debt Service Fund when moneys in the Revenue Fund, the Renewal and Replacement Fund and Capital Improvement Fund (excluding moneys on deposit in the Impact Fee Account therein, unless determined otherwise by subsequent proceedings of the Board with respect to a Series of Bonds) are insufficient therefor, the District covenants to deposit the cash (including Investment Obligations of such cash) on deposit in such account within the Reserve Fund into the Debt Service Fund prior to making any disbursements made from such Reserve Product.

Whenever there is on deposit in an account within the Reserve Fund an amount in excess of the Debt Service Reserve Requirement for any one or more of the Series of Bonds for which such account relates, the amount of such excess may or shall, as applicable, be reduced in the following manner: (a) if there is on deposit in the account within the Reserve Fund a Reserve Product, as provided herein, the principal amount thereof may be reduced by the amount of such excess; and (b) if there is on deposit in such account, cash (or Investment Obligations of such cash), the District shall reduce the amount of cash or Investment Obligations of such cash in such account within the Reserve Fund in an amount equal to such excess. The cash or Investment Obligations of such cash so withdrawn under clause (b) above shall be deposited in the Revenue Fund, the Renewal and Replacement Fund or the Capital Improvement Fund, as shall be determined at the option of the Board, and used

for the purposes provided therein. Notwithstanding the foregoing, interest earnings in any account within the Reserve Fund in excess of the applicable Debt Service Reserve Requirement shall be deposited into the Debt Service Fund. The District shall not be required to reduce the balance in any account within the Reserve Fund pursuant to this paragraph more often than after each Interest Payment Date.

Unless provided otherwise, each account within the Reserve Fund shall be used only for the purpose of making payments into the Debt Service Fund, as such payments relate to debt service on any of the Series of Bonds for which such account within the Reserve Fund was created when the moneys in the Revenue Fund, the Renewal and Replacement Fund and Capital Improvement Fund (excluding moneys on deposit in the Impact Fee Account therein, unless determined otherwise by subsequent proceedings of the Board with respect to a Series of Bonds) are insufficient therefor; provided, however, that moneys on deposit in an account within the Reserve Fund may, upon final maturity of the Series of Bonds for which such account within the Reserve Fund was created, be used to pay principal of and interest on such Series of Bonds.

(D) Net Revenues shall next be used, first, for the repayment of any obligations owed to the Reserve Product Providers (pro rata, if necessary).

(E) Then, by deposit into the Subordinated Indebtedness Fund, an amount which will enable the District to pay the principal, premium, if any, and interest payable on any Subordinated Indebtedness as the same shall become due in accordance with the instrument pursuant to which such Subordinate Indebtedness is issued. Notwithstanding such deposits, Holders of the Bonds shall have a first lien on the moneys and Investment Obligations on deposit in the Subordinated Indebtedness Fund.

(F) Then, by deposit into the Renewal and Replacement Fund, an amount equal to one-twelfth (1/12) of the Renewal and Replacement Fund Requirement, plus an amount equal to any unrestored withdrawal made to cure deficiencies in the Debt Service Fund, as described below:

The moneys in the Renewal and Replacement Fund shall be used only (i) at any time for the purpose of curing deficiencies in the Debt Service Fund or the Reserve Fund, or both or (ii) when no such deficiencies exist, as needed for the purpose of paying the cost of the replacement of capital assets of the System, including land, or any unusual repairs or maintenance items of a type not recurring annually or at shorter intervals. If the funds on deposit in the Renewal and Replacement Fund exceed the Renewal and Replacement Fund Requirement and so long as no deficiencies described in clause (i) above exist, such excess funds may be deposited into the Revenue Fund or the Capital Improvement Fund, as determined by subsequent proceedings of the Board.

(G) Thereafter, the balance of any Revenues remaining in the Revenue Fund shall be deposited in the Capital Improvement Fund and used by the District to make any payments to the City required under the Asset Purchase Agreement for future connections to the System and then to make (1) additions, extensions and improvements to the System, (2) to pay the costs of replacement or renewal of capital assets of the System or extraordinary repairs thereto, (3) to purchase or redeem Bonds prior to maturity, (4) to pay any Termination Payments, or (5) for any lawful District purpose, including, but not limited to, paying any portion of the Cost of Operation and Maintenance; provided, however, that none of such Net Revenues shall ever be used for the purposes provided in this subsection (G) unless all payments required in subsections (A) through (F) above, including any deficiencies for prior

payments, have been made in full to the date of such use; provided further, however, that the moneys in the Capital Improvement Fund shall be used for payment into the Debt Service Fund and the Reserve Fund (pro rata, if necessary) whenever the moneys in the Revenue Fund are insufficient therefor. If the District commits for any Fiscal Year to pay any portion of the Cost of Operation and Maintenance from moneys in the Capital Improvement Fund, the rates, fees and charges for the services and Facilities of the System will be adjusted accordingly. In addition, no moneys on deposit in the Capital Improvement Fund shall be used for the purposes described in clauses (1), (2), (3) or (5) above, unless all Termination Payments have been made; provided, however, that in no event shall the amount in the Revenue Fund be reduced below an amount equal to the Average Monthly Cost of Operations and Maintenance for two months, plus such other sums as are necessary to pay the Cost of Operation and Maintenance. All Impact Fees shall be deposited in the Impact Fee Account of the Capital Improvement Fund and used only in the manner permitted by applicable law.

Notwithstanding the foregoing, to the extent amounts on deposit in the Rebate Fund are insufficient to pay the amounts then due in accordance with the applicable Tax Certificate, the District shall use Net Revenues to fund any such deficiency prior to making the deposits required above.

The Debt Service Fund, the Reserve Fund and all accounts therein, the Renewal and Replacement Fund, the Capital Improvement Fund (excluding moneys on deposit in the Impact Fee Account therein, unless determined otherwise by subsequent proceedings of the Board with respect to a Series of Bonds) and all other special funds and accounts created and established by this Resolution, other than the Rate Stabilization Fund and Rebate Fund, shall constitute trust funds for the Holders of the Bonds, except that any

account within the Reserve Fund shall only constitute a trust fund for the Holders of the one or more Series of Bonds for which such account within the Reserve Fund relates. The amounts required to be accounted for in each of the funds and accounts designated herein (other than the Rebate Fund) may be deposited in a single bank account maintained by the District, provided that adequate accounting procedures are maintained to reflect and control the restricted allocations of the amounts on deposit therein for the various purposes of such funds and accounts as herein provided. The designation and establishment of funds and accounts in and by this Resolution (other than the Rebate Fund) shall not be construed to require the establishment of any completely independent funds and accounts but rather is intended solely to constitute an allocation of certain revenues and assets of the System for certain purposes and to establish such certain priorities for application of certain revenues and assets as herein provided.

Moneys on deposit in the Revenue Fund, the Capital Improvement Fund, the Rate Stabilization Fund, the Subordinated Indebtedness Fund, the Rebate Fund, and the Renewal and Replacement Fund may be invested in the U. S. Obligations or any other Investment Obligations maturing not later than such date or dates as the District shall determine.

Subject to the requirements under the Code and the Tax Certificate, all income and earnings received from the investment and reinvestment of money on deposit in the Capital Improvement Fund, the Renewal and Replacement Fund, and the Revenue Fund shall be transferred to or retained in the Revenue Fund, as the case may be, and used in the same manner as other moneys on deposit therein.

All income and earnings received from the investment and reinvestment of moneys on deposit in the Rate Stabilization Fund shall be retained in such fund and used in the same manner as other moneys on deposit therein. All income and earnings received from the investment and reinvestment of moneys on deposit in the Rebate Fund shall be retained in such fund and used in the same manner as other moneys on deposit therein.

The value of Investment Obligations on deposit in the funds and accounts created and established under this Resolution, other than any account within the Reserve Fund, shall be the lower of par, or if purchased at other than par, amortized value. Amortized value, when used with respect to securities purchased at a premium above or a discount below par, shall mean the value at any given date obtained by dividing the total premium or discount at which such securities were purchased by the number of interest payment dates remaining to maturity on such securities after such purchase, and by multiplying the amount so calculated by the number of interest payment dates having passed since the date of purchase; and (i) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price. The method of determining the value of Investment Obligations on deposit in any of the accounts within the Reserve Fund and for any other investment made hereunder for federal income tax purposes, shall be determined by the applicable provisions of the Code and the Tax Certificate.

**SECTION 4.11 DISCHARGE AND SATISFACTION OF BONDS.** The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Bonds in any one or more of the following ways:

(A) by paying the principal of and interest on Bonds when the same shall become due and payable; or

(B) by depositing in the Debt Service Fund or in such other accounts held by an Authorized Depository which are irrevocably pledged to the payment of the Bonds, as the District may hereafter create and establish by resolution, certain moneys which together with other moneys lawfully available therefor and deposited therein shall be sufficient at the time of such deposit to pay the Bonds, the interest thereon and the redemption premium, if any, as the same become due on said Bonds on or prior to the redemption date or maturity date thereof; or

(C) by depositing in the Debt Service Fund, or such accounts held by an Authorized Depository which are irrevocably pledged to the payment of the Bonds as the District may hereafter create and establish by resolution, moneys which, together with other moneys lawfully available therefor, and deposited therein when invested in Defeasance Obligations will provide moneys which shall be sufficient to pay the Bonds, the interest thereon and the redemption premium, if any, as the same shall become due on said Bonds on or prior to the redemption date or maturity date thereof.

(D) Notwithstanding the foregoing, all references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any Series of Bonds, any portion of a Series of Bonds, any maturity or maturities of a Series of Bonds, any portion of a maturity of a Series of Bonds or any combination thereof.

Notwithstanding the foregoing, in the event that the payment or deposit in the amount and manner provided in this Resolution has been made by the Credit Facility Issuer under the terms of its Credit Facility, the Credit Facility Issuer shall be subrogated to the

rights of the Holders of the Bonds and the liability of the District, with respect thereto, shall not be discharged or extinguished.

For the purposes of determining the amount of interest on Variable Rate Bonds whether discharged and satisfied under the provisions of subsections (B) and (C) above, the amount required for the interest thereon shall be calculated at the Maximum Interest Rate permitted by the terms of the provisions of the proceedings which authorized the issuance of such Variable Rate Bonds.

Upon such payment or deposit in the amount and manner provided in this Section, the Bonds shall no longer be deemed to be Outstanding for the purposes of this Resolution and all liability of the District with respect to such Bonds shall cease, terminate and be completely discharged and extinguished, and the Holders thereof shall be entitled to payment solely out of the moneys or securities so deposited.

In the case of Bonds which by their terms may be redeemed prior to their stated maturity or are deemed paid within the meaning of this Section, the District shall give the Registrar, in form satisfactory to the Registrar, irrevocable instructions:

- (1) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date;
- (2) requiring the Registrar to call for redemption pursuant to the terms of such Bonds any Bonds to be redeemed prior to maturity pursuant to (1) hereof; and
- (3) requiring the Registrar to mail, as soon as practicable, a notice to the owners of such Bonds that the deposit required by this Section has been made and that such Bonds are deemed to have been paid in accordance with

this Section and stating the maturity or redemption date upon which money is to be available for the payment of the principal or redemption price, if applicable, on such Bonds as specified in (1) hereof. Notwithstanding the foregoing, the discharge and satisfaction of the Bonds shall not be conditioned on the giving of such notices.

Notwithstanding anything contained in this Section to the contrary, the covenants, liens and pledges contained in this Resolution shall not be fully discharged and satisfied until all Termination Payments and all obligations owed to Reserve Product Providers have been satisfied.

**SECTION 4.12 SALE OF THE SYSTEM.** Except as otherwise provided herein, the System may be sold, leased or otherwise disposed of, only as a whole or substantially as a whole, and only if the net proceeds to be realized, together with other moneys lawfully available for such purpose, if any, shall be sufficient to retire all of the Bonds issued pursuant to this Resolution and to pay all interest thereon to their respective dates of maturity or earlier redemption dates in the manner provided in Section 4.11 of this Article IV. The proceeds from such sale, lease or other disposition of the System and such other available moneys shall be applied in the manner provided in Section 4.11 of this Article IV, and shall be used solely for the purposes of paying the principal of the Bonds, the interest thereon and redemption premiums, if any, as the same shall become due on the Bonds on or prior to the redemption date or the maturity date thereof as shall be hereafter determined by subsequent proceedings of the Board.

Except as herein provided, prior to any sale, lease or other disposition of any part of the System or any portion thereof, which is presently being used in connection with the

operations of the System or is contemplated to be used within the next Fiscal Year for the operations of the System (herein referred to as "Property In Use"), if the amount to be received from such sale, lease or other disposition of any part of the System is not in excess of \$300,000, the duly authorized person in charge of the System shall make a finding in writing determining that such property comprising a part of such System is no longer necessary or useful or profitable in the operation thereof or that other properties of the System can be substituted for such Property In Use and the Board approves and concurs in the finding of such duly authorized person, and authorizes such sale, lease or other disposition of said property. Such proceeds shall be deposited in the Debt Service Fund to the extent of any deficiencies therein and then, as determined by subsequent proceedings of the Board, into the Renewal and Replacement Fund or Capital Improvement Fund and used in the manner provided therein. Notwithstanding the foregoing, such moneys deposited in the Renewal and Replacement Fund pursuant to this Section 4.12 shall not be counted as satisfying the Renewal and Replacement Fund Requirement. For the purpose of this paragraph, only a lease with a term greater than one year will be considered a "lease" within the meaning of this paragraph. In determining whether the amount received is "not in excess of \$300,000," when the sale, lease or other disposition results in lease payments or other payments over time, the District shall annualize the largest amount of such payments over a twelve (12) month period and treat such annualized amount as the consideration received from such disposition.

If the amount to be received from such sale, lease or other disposition of said Property In Use shall be in excess of \$300,000, the duly authorized person in charge of such System, shall first make a finding in writing determining that such property comprising a part of such System is no longer necessary or useful or profitable in the operation thereof, which

finding shall be approved by the Consultant, or that other properties of the System can be substituted for such Property In Use, as certified in writing by the Consultant and the Board approves and concurs, evidenced by a duly adopted resolution, in the findings of such duly authorized person, and authorizes such sale, lease or other disposition of said property. Such proceeds shall, to the extent permitted under the Code, be deposited into the Debt Service Fund and used in the manner provided therein, and to the extent such deposits would adversely affect the exclusion from gross income of interest on any Series of Bonds, such amounts shall be deposited in the Capital Improvement Fund and used solely to purchase and retire Bonds. For the purpose of this paragraph, only a lease with a term greater than one year will be considered a "lease" within the meaning of this paragraph. In determining whether the amount received is "in excess of [\$300,000,]" when the "sale, lease or other disposition" results in lease payments or other payments over time, the District shall annualize the largest amount of such payments over a twelve (12) month period and treat such annualized amount as the consideration received from such disposition.

Any disposition of Property In Use shall be for fair and reasonable consideration, as determined by the Board.

In connection with such sale, lease or disposition of any part of the System or any portion thereof, which is not presently being used in connection with the operations of the System or is not contemplated to be used in the future for operations of the System (herein referred to as "Property Not In Use"), as determined by the Board upon the advice of the Consultant, the Board shall then, by subsequent proceedings, authorize the disposition of such Property Not In Use. Except as provided in the next succeeding paragraph, any disposition of Property Not In Use shall be for fair and reasonable consideration, as determined by a finding

in writing by the Board upon the advice of the Consultant. The proceeds from the disposition of any Property Not In Use shall be deposited in the Capital Improvement Fund.

Notwithstanding any provision in this Resolution to the contrary, the District may, by subsequent proceedings of the Board, use or permit the use thereof, as the case may be (other than by a fee simple disposition), or lease, for any City or not-for-profit purpose, any part of the System, provided such use or lease does not interfere with the operations of the System. Such use or lease of any part of the System may be for nominal consideration.

**SECTION 4.13 ISSUANCE OF OBLIGATIONS.** The District will not issue any obligations payable from the Net Revenues or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to, being on a parity with or being subordinate to the lien of any Bonds issued pursuant to this Resolution, upon the Net Revenues, except under the conditions and in the manner provided herein. Any obligations issued by the District other than in accordance with Section 4.14 hereof and payable from the Pledged Funds, shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to lien on, and source of and security for payment from the Pledged Funds.

**SECTION 4.14 ISSUANCE OF PARITY OBLIGATIONS.** Except as otherwise provided in this section, no Series of Additional Bonds may be issued under this Resolution unless the District shall first have complied with the requirements of this section.

(A) There shall have been obtained and filed with the Board a certificate signed by a Consultant which may include an independent certified public accountant (who may rely on a certificate of the Engineer of Record with regard to the matters set forth in (1) and (2) below and who may rely on the audited financial statements of the District or a

certificate from the District's independent certified public accountant with regard to the actual Gross Revenues, Cost of Operation and Maintenance and Special Assessments, if any, of the District and the matters set forth in (6) below), which shall state and certify the following:

(1) With respect to any Project, the cost of which is to be paid in whole or in part from the proceeds of such Additional Bonds, the date on which such Project is expected to commence, the anticipated construction and disbursement schedule with respect thereto and the date on which such Project is expected to be placed in service;

(2) The cost of such Project, itemizing separately the expected financing costs of such Bonds issued to pay the cost thereof, the required deposits, if any, into the Reserve Fund from Bond proceeds and any capitalized interest to be funded from Bond proceeds;

(3) The actual Cost of Operation and Maintenance of the System, as determined under generally accepted auditing procedures (the "Historical Cost of Operation and Maintenance"), for any twelve (12) consecutive months out of the eighteen (18) consecutive months immediately preceding the date of issue of the proposed Additional Bonds (the "Audit Period") and the anticipated annual Cost of Operation and Maintenance of the System, taking into account increases in the Cost of Operation and Maintenance that are estimated to occur as a result of the Project to be financed with the proceeds of the proposed Additional Bonds and, if applicable, giving credit against such increases for moneys on deposit in the Rate Stabilization Fund (the "Adjusted Cost of Operation and Maintenance") in the Fiscal Year in which such

Additional Bonds are proposed to be issued and in each successive Fiscal Year thereafter, to and including the Fiscal Year in which such Project is estimated to be placed in operation (the "Applicable Fiscal Years").

(4) The actual Gross Revenues received by the District during the Audit Period and the annual Gross Revenues expected to be received by the District in each of the Applicable Fiscal Years taking into account increases in Gross Revenues as a result of (i) new customers of the System attributable to an existing water or waste water system to be acquired with such Additional Bonds, had the acquisition occurred at the beginning of the Audit Period, (ii) new customers of the System that by ordinance, resolution, agreement, law or regulation will be required to connect to the System during any of the Applicable Fiscal Years or which the Engineer of Record projects will, as a result of the proposed Project, by virtue of their proximity to the service provided by the Project or otherwise, connect to the System during any of the Applicable Fiscal Years, and (iii) any changes in the rate schedules for customers and users of the System which the District shall then have in effect, or has enacted by ordinance or resolution on or before the date of such certificate and which will be in effect during the Applicable Fiscal Years, or any of them, had such rate changes been effective on the first day of the Audit Period (such Gross Revenues as so adjusted being referred to herein as the "Adjusted Gross Revenues")

(5) The aggregate amount of funds, if any, to be transferred from available moneys of the District and from grants, contributions in aid of

construction and investment income, if any, that the District reasonably expects to receive or make available to pay the Cost of such Project;

(6) The amount of the Maximum Annual Debt Service Requirement for any Fiscal Year thereafter on account of all Bonds then outstanding under this Resolution and the Additional Bonds proposed to be issued hereunder; and

(7) Based upon the foregoing, such Consultant is of the opinion that the sum of the Adjusted Gross Revenues less Adjusted Cost of Operation and Maintenance in each of the Applicable Fiscal Years will be at least equal to one hundred fifteen percent (115%) of the Maximum Annual Debt Service Requirement referred to in subsection (6) above.

Provided, however, that if the sum of the Gross Revenues for the Audit Period less the Cost of Operation and Maintenance for such Audit Period equals at least one hundred fifteen percent (115%) of the Maximum Annual Debt Service Requirement referred to in subsection (6) above, Additional Bonds may be issued without the necessity of performing the calculations described in subsections (3) and (4) above.

For purposes of this Section 4.14, the assumed interest rate on both Variable Rate Bonds Outstanding on the date of calculation and the interest rate on Variable Rate Bonds proposed to be issued shall be deemed to be the interest rate quoted as the 30-year Revenue Bond Index no more than two weeks prior to the date of calculation as published in THE BOND BUYER, or if that index is no longer published, the interest rate no more than two weeks prior to the date of calculation as published in an index that an independent

consultant qualified in matters related to the indexing of variable rate bonds deems substantially equivalent.

(B) There shall be obtained and filed with the Board a certificate from the Engineer of Record for the Project that the balance of the funds in the special account in the Construction Fund created for such Project, together with net proceeds from such Additional Bonds and the other funds referred to in subparagraph (A)(5) above, will be sufficient to pay the Cost of such Project remaining unpaid.

(C) In addition to the foregoing, the District may issue at any time and from time to time Additional Bonds for the purpose of refunding any Series of Bonds, or any maturity of Bonds within a Series, without the necessity of complying with the requirements contained in subparagraph (B) above. In addition, such refunding bonds may be issued without the necessity of complying, with the requirements contained in subparagraph (A) above, provided that prior to the issuance of such Bonds there shall be filed with the Board a certificate from an independent certified public accountant to the effect that the net proceeds from such Additional Bonds will be sufficient to cause the lien created by this Resolution with respect to the Bonds to be refunded to be discharged and either (i) the present value of the Annual Debt Service Requirement with respect to such Additional Bonds is less than the present value with respect to the Bonds which would have been Outstanding had the same not been refunded pursuant to this Section , or (ii) the Annual Debt Service Requirement with respect to such Additional Bonds in each Fiscal Year following the issuance thereof shall be equal to or less than one hundred five percent (105%) of the Annual Debt Service Requirement for such Fiscal Year with respect to the Bonds which would have been Outstanding in that Fiscal Year had the same not been refunded pursuant to this Section. For

purposes of this Section 4.14, the assumed interest rate on Variable Rate Bonds to be refunded shall be the same as the assumed rate used for the rate covenant as described in Section 4.8 hereof. In addition, prior to the issuance of such Bonds, there shall be filed with the Board, an opinion of Bond Counsel to the effect that (i) the proceeds from the sale of such Additional Bonds have been set aside in irrevocable escrow for the payment of the Bonds to be refunded in the manner described in Section 4.11 hereof, and (ii) the issuance of such Additional Bonds and the use of the proceeds thereof as described above will not have the effect of causing the interest on any Bond then Outstanding (including the Bonds to be refunded), other than Taxable Bonds, to become included in gross income for federal income tax purposes.

(D) The Chief Financial Officer of the District shall certify that the District is not in default in the performance of any of the covenants and obligations assumed by it under this Resolution, as the same may have been theretofore amended, and that all payments herein required to have been made into the funds and accounts provided herein shall have been made in full.

(E) Counsel to the District shall submit an opinion to the Board to the effect that the issuance of such Bonds has been duly authorized and that all conditions precedent to the delivery of such Bonds have been fulfilled.

(F) Each Supplemental Resolution authorizing the issuance of such Bonds will recite that all of the covenants herein contained will be fully applicable to such Bonds as if originally issued hereunder.

Additional Bonds issued pursuant to the terms and conditions of this Section 4.14 shall be deemed on a parity with all Bonds then Outstanding, and all of the covenants and other provisions of this Resolution shall be for the equal benefit, protection and security

of the holders of any Bonds originally authorized and issued pursuant to this Resolution and the holders of any Bonds evidencing additional obligations subsequently created within the limitations of and in compliance with this Section 4.14; provided, however, that the right of a counter-party to receive any Risk Management Payments in excess of the rate of interest borne by the Bonds to which the related risk management facility relates shall not be deemed to be on a parity with the rights of the holders of the Bonds and shall be subordinate thereto, unless such excess interest payments are included in the calculation of the Maximum Annual Debt Service Requirement pursuant to this Section 4.14. Bonds shall be issued only for the purpose of financing one or more Projects, or for the purpose of refunding any obligations theretofore issued for such purposes.

**SECTION 4.15 SUBORDINATED INDEBTEDNESS.** In addition to the Bonds authorized pursuant to the provisions of Section 4.14, and to the extent permitted by the laws of the State from time to time in effect, the District may issue Subordinated Indebtedness; provided, however, that any Subordinated Indebtedness shall be payable solely out of moneys deposited into the Subordinated Indebtedness Fund created hereunder.

**SECTION 4.16 REMEDIES.** Any Holder of Bonds issued under this Resolution, or any trustee acting for such Bondholders in the manner hereinafter provided, 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 District or by any officer thereof, including the fixing, charging and collecting of rates, fees or other charges for the services and Facilities of the System.

In the event that default shall be made in the payment of the interest on or the principal of any of the Bonds issued pursuant to this Resolution, as the same shall become due, or in the making of the payments into any reserve or sinking fund or any other payments required to be made by this Resolution, or in the event that the District or any officer, agent or employee thereof shall fail or refuse to comply with the provisions of this Resolution, or shall default in any covenant made herein, and in the further event that any such default shall continue for a period of sixty (60) days, any Holder of such Bonds, or any trustee appointed to represent Bondholders as hereinafter provided, shall be entitled as of right to the appointment of a receiver for the Gross Revenues of the System in an appropriate judicial proceeding in a court of competent jurisdiction, whether or not such Holder or trustee is also seeking or shall have sought to enforce any other right or exercise any other remedy in connection with Bonds issued pursuant to this Resolution.

The receiver so appointed shall forthwith, directly or by his agents and attorneys, enter into and upon and take possession of the System, and each and every part thereof, and shall hold, operate and maintain, manage and control the System, and each and every part thereof, and in the name of the District shall exercise all the rights and powers of the District with respect to the System as the District itself might do. Such receiver shall collect and receive all Gross Revenues and maintain and operate the System in the manner provided in this Resolution, and comply under the jurisdiction of the court appointing such receiver, with all of the provisions of this Resolution.

Whenever all that is due upon Bonds issued pursuant to this Resolution, and interest thereon, and under any covenants of this Resolution, for reserve, sinking fund or other funds, and upon any other obligations and interest thereon having a charge, lien or

encumbrance upon the Gross Revenues of the System shall have been paid and made good, and all defaults under the provisions of this Resolution shall have been cured and made good, possession of the System shall be surrendered to the District upon the entry of an order of the court to that effect. Upon any subsequent default, any Holder of Bonds issued pursuant to this Resolution, or any trustee appointed for Bondholders as hereinafter provided, shall have the right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver shall, in the performance of the powers hereinabove conferred upon him or her, be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby and a successor receiver appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the District and for the joint protection and benefit of the District and Holders of Bonds issued pursuant to this Resolution. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, except as provided herein, but the authority of such receiver shall be limited to the possession, operation and maintenance of the System for the sole purpose of the protection of both the District and the Bondholders.

The Holder or Holders of Bonds in an aggregate principal amount of not less than fifty-one per centum (51%) of Bonds issued under this Resolution 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. Such certificate shall be executed by such Bondholders or their duly authorized attorneys or representatives, and shall be filed in the office of the District Clerk.

Any exercise of a remedy set forth in this Section 4.16 shall be subject to the consent of the Credit Facility Issuer, if any, and the Credit Facility Issuer shall have the right, acting alone, to exercise said remedies as long as it has not defaulted in its obligations under its Credit Facility. If there are more than one Credit Facility Issuer providing Credit Facilities for the Bonds, only the consent of the Credit Facility Issuers providing Credit Facilities for more than fifty percent (50%) of the Bonds Outstanding shall be required.

**SECTION 4.17 REPRESENTATIONS OF THE DISTRICT.** The District makes the following representations on which the Bondholders are hereby entitled to rely:

(A) Adoption of this Resolution and the compliance by the District with the requirements hereof will not conflict with or result in a breach of or a default under any law, ordinance, resolution, agreement or instrument to which the District is now a party or by which it is bound.

(B) The District is duly authorized and empowered to acquire and operate the System and comply with the terms of this Resolution under the laws, rulings, regulations and ordinances of the United States, the State and the departments, agencies and political subdivisions thereof.

(C) As of the date of issuance of the Series 2004 Bonds, there will exist no default under this Resolution, or any condition or event which would constitute, or with the passage of time or the giving of notice, or both, would constitute a default hereunder.

(D) There are no pending, or to the knowledge of the District, threatened actions or proceedings before any court of the State or any federal court in the State or any administrative agency which are likely in any case or in the aggregate to materially adversely affect the financial condition or operations of the District or its obligations under this Resolution, nor is the District aware of any facts or circumstances that would give rise to any such actions or proceedings.

**SECTION 4.18 PUNCTUAL PAYMENT.** The District covenants and agrees with the Bondholders that it will punctually pay or cause to be paid the principal of, premium, if any, and interest on the Bonds and that it will be unconditionally and irrevocably obligated, so long as any of the Bonds are Outstanding and unpaid, to take all lawful action necessary or required during each Fiscal Year so long as any of the Bonds are Outstanding and unpaid, to pay from the funds pledged hereunder, in accordance with the provisions hereof (i) all Reserve Fund deposits provided herein for such year, (ii) the Annual Debt Service Requirement that shall become due on the Bonds in such Fiscal Year, and (iii) all other payments required by this Resolution, and that the funds pledged hereunder shall not, in the aggregate, be reduced so as to be insufficient to provide adequate Revenues for such purposes. Such covenant and agreement of the District shall be cumulative and shall continue until such funds in amounts sufficient to make all payments required hereunder have been actually paid as herein provided.

**SECTION 4.19 MAINTENANCE OF SYSTEM.** The District will maintain the System and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for such equipment, maintenance and

repairs and for renewals and replacements thereof as may be proper for its economical operation and maintenance.

The System shall be inspected and its operations reviewed at least once every three (3) years by a Consultant, and immediately following such inspection a written report on the condition of the System and manner of operations shall be filed with the District.

A copy of the report as it relates to the funds and accounts created hereunder shall be available for inspection at the offices of the District, and mailed to any Bondholder requesting the same upon payment for the cost of reproduction and postage.

If the report shows that the System is not in good condition, then to the extent funds in the Renewal and Replacement Fund are available, the District shall immediately make or cause to be made such repairs as shall be necessary to place it in good condition.

If the report shows that the operations are not in conformity with any provisions hereof, the District shall immediately take such reasonable steps as are necessary to comply with such provisions.

**SECTION 4.20 OPERATING BUDGET.** Before the first day of each Fiscal Year the Board shall prepare, approve and adopt in the manner prescribed by law, a detailed Annual Budget of the Gross Revenues, and Cost of Operation and Maintenance for such Fiscal Year. Such Annual Budget shall provide for Gross Revenues sufficient to comply with the District's obligations hereunder. After the Annual Budget has been established for a Fiscal Year, the total Cost of Operation and Maintenance shall not be increased by the Board beyond the budgeted amount by more than ten percent (10%) unless the Consultant makes a written finding and recommendation concerning the purpose of and necessity for the increase and certifies that the increase is necessary and essential to the proper operation of the System, and

the Board approves that finding and recommendation by affirmative vote at a meeting duly called and held. Copies of its Annual Budgets and all authorizations for increases in the Cost of Operation and Maintenance shall be available for inspection at the offices of the District and shall be mailed to any Bondholder upon payment for the cost of reproduction and postage or Credit Facility Issuer requesting the same. The District shall not expend any moneys for any purpose in excess of the budgeted appropriation therefor, or for a purpose for which there is no appropriation unless such expenditure will not have an appreciable effect upon the District's anticipated or actual Net Revenues available to pay debt service on the Bonds and to make the other deposits required hereunder.

**SECTION 4.21 BOOKS AND RECORDS.** The District shall keep separately identifiable financial books, records, accounts and data concerning the operation of the System and the receipt and disbursement of Gross Revenues and each Credit Facility Issuer and any Bondholder shall have the right at all reasonable times to inspect the same.

**SECTION 4.22 REPORTS AND ANNUAL AUDITS.**

(A) The District shall require that an annual audit of its accounts and records be completed within six (6) months after the end of each Fiscal Year by an independent certified public accountant of recognized standing. Such audit shall be conducted in accordance with generally accepted auditing standards as applied to governments and shall include a calculation showing whether the District met the requirements contained in Section 4.8 hereof for such Fiscal Year and a statement by the auditors stating that no default on the part of the District of any covenant herein has been disclosed by reason of such audit or, alternatively, specifying in reasonable detail the nature of such default or failure to comply.

(B) A copy of the District annual financial report as certified according to the requirements stated herein, shall be available for inspection at the offices of the District and shall be mailed to each Credit Facility Issuer and any Bondholder requesting the same upon payment by such Bondholder of the cost of reproduction and mailing. The District may satisfy the requirements of this Section, if it provides copies of the City's comprehensive annual financial report containing all of the financial information relating to the District required herein.

**SECTION 4.23 INSURANCE AND CONDEMNATION AWARDS.** The District will carry adequate fire, windstorm and explosion insurance on the components of the System that are subject to loss through fire, windstorm or explosion; adequate public liability insurance; other insurance of the kinds and amounts normally carried in the operation of similar facilities and properties in Florida; and in time of war, such insurance as may be available at reasonable cost against loss or damage by the risks and hazards of war in an amount or amounts equal to the fair market value of the System as determined by the Consultant. The District may, upon appropriate authorization by the Board, self-insure against such risks on a sound actuarial basis. Any such insurance shall be carried for the benefit of the District and, to the extent herein provided, the Bondholders. All proceeds received from property damage or destruction insurance and all proceeds received from the condemnation of the System or any part thereof are hereby pledged by the District as security for the Bonds and shall be deposited at the option of the District but subject to the limitations hereinafter described either (i) into the Renewal and Replacement Fund, in which case such proceeds shall be held in the Renewal and Replacement Fund and used to remedy the loss, damage or taking for which such proceeds are received, either by repairing the damaged property or

replacing the destroyed or taken property, as soon as practicable after the receipt of such proceeds, or (ii) into the Debt Service Fund for the purpose of purchasing or redeeming Bonds according to the provisions set forth in Section 4.10(B) hereof.

The District shall not be entitled to deposit insurance proceeds or condemnation awards into the Renewal and Replacement Fund pursuant to clause (i) above (and such proceeds and awards shall be deposited directly into the Debt Service Fund pursuant to clause (ii) above) unless there shall have been filed with the Board within a reasonable time (i) a certificate from the Consultant that the proceeds of insurance or condemnation awards deposited into the Renewal and Replacement Fund, together with other funds in the Renewal and Replacement Fund available for such purposes, will be sufficient to repair, rebuild, replace or restore such property to substantially the same condition as it was in prior to condemnation or destruction (taking into consideration any changes, alterations and modifications that the District may desire), (ii) an opinion from the Consultant that the System can be repaired, rebuilt, replaced or restored within two (2) years following the destruction or condemnation thereof and (iii) an opinion of the Consultant that, in each of the three (3) Fiscal Years following completion of such repair, rebuilding, replacement or restoration, the District will be in compliance with its obligations hereunder, including, without limitation, its obligations under Section 4.8 of this Resolution. If the certificate described in clause (i) above is not rendered because such proceeds or awards, together with funds on deposit in the Renewal and Replacement Fund are insufficient for such purposes, the District may deposit other available funds (including proceeds from Additional Bonds) in the Renewal and Replacement Fund in an amount required to enable the Consultant to render its certificate. Proceeds received from such insurance proceeds and condemnation awards shall not to be

deemed Gross Revenues for purposes of the rate covenant of the District or the financial covenants for the issuance of Additional Bonds.

**SECTION 4.24 ENFORCEMENT OF COLLECTIONS.** The District will diligently enforce its right to receive the Gross Revenues and will diligently enforce and collect the fees, rates, rentals and other charges for the use of the products, services and Facilities of the System. The District will not take any action that will impair or adversely affect its rights to levy, collect and receive the Gross Revenues, as herein pledged, or impair or adversely affect in any manner the pledge of the Pledged Fund made herein or the rights of the Bondholders. The District shall be unconditionally and irrevocably obligated, so long as any of the Bonds are outstanding and unpaid, to take all lawful action necessary or required to continue to entitle the District to receive the Gross Revenues in at least the amounts required by this Resolution.

**SECTION 4.25 NO COMPETING SYSTEM.** To the full extent permitted by law, the District will not, after the date hereof, grant, cause, consent to, or allow the granting of, any franchise or permit to any person for the supply, treatment and distribution of water, or for the collection, treatment or disposal of wastewater, within the boundaries or service areas of the District. This section shall not, however, prevent the District from granting permits for wells. The District will not own or operate a competing water supply, treatment or distribution system or wastewater collection system.

**SECTION 4.26 DEPOSIT OF FEDERAL AND STATE REIMBURSEMENT FUNDS.** The District covenants that any funds or disbursements received by it from federal or state governmental sources that constitute or represent reimbursements of funds expended by the District from the Construction Fund shall be

deposited at the option of the District (i) into the Construction Fund to complete any Projects then under construction, (ii) into the Renewal and Replacement Fund to the extent necessary to provide for the payment of the costs payable therefrom or (iii) into the Debt Service Fund (even though such amounts may exceed the amounts then required to be deposited therein) and used or applied to the retirement of the Bonds.

**SECTION 4.27 CONSULTANT.** The District will retain appropriate Consultants and other professionals from time to time as necessary to comply with the requirements of this Resolution.

**SECTION 4.28 REBATE FUND.** The District covenants and agrees that it shall maintain and retain all records pertaining to and shall be responsible for making or having made all determinations and calculations required under the applicable Tax Certificate for each Series of Bonds issued hereunder that are not Taxable Bonds for each rebate year described in the applicable Tax Certificate for each period required under the applicable Tax Certificate. On or before the expiration of each such period, the District shall deposit into the Rebate Fund from investment earnings on moneys deposited in the other funds and accounts created hereunder, or from any other legally available funds of the District the amount so required under the applicable Tax Certificate. The District shall use such moneys deposited in the Rebate Fund only for the payments to the United States as required under the applicable Tax Certificate. In complying with the foregoing, the District may rely upon any instructions or opinions from Bond Counsel.

If any amount shall remain in the Rebate Fund after payment in full of all Bonds issued hereunder that are not Taxable Bonds and after payment in full of all amounts

owed to the United States in accordance with the terms hereof, such amounts shall be available to the District for any lawful purpose.

The Rebate Fund shall be held separate and apart from all other funds and accounts of the District, shall not be impressed with a lien in favor of the Bondholders and the moneys therein shall be available for use only as herein provided.

Notwithstanding any other provision of this Resolution, including in particular Section 4.14 hereof, the obligation to pay over the applicable amounts to the United States and to comply with all other requirements of Section 4.7 and this Section 4.28 shall survive the defeasance or payment in full of the Bonds.

**SECTION 4.29 NO FREE SERVICE.** Unless otherwise provided by law, the District 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 or charges be established for users of the same class, and in the event the District or the City, or any department, agency or instrumentality, officer or employee thereof, shall avail itself of the System or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the District or the City and any such department, agency, instrumentality, officer or employee thereof; provided, however, that this Section shall not affect any rights of any person, firm or corporation under pre-existing agreements or contracts. Such charges shall be paid as they accrue, and the District or the City, as applicable, shall transfer from legally available sources sufficient moneys to pay such charges. The revenue so received shall be deemed to be Revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other Revenues. Notwithstanding any of the foregoing, the District

may from time to time establish different classes and subclasses of users with respect to rates and charges, provided that the District finds a rational basis for such classes or subclasses, which would further the health, welfare or safety of the residents of the City and/or the users of the System.

**SECTION 4.30      RULE 15C2-12 UNDERTAKING.** In order to assist the initial purchasers of the Bonds with respect to compliance with the Rule, the District undertakes and agrees to provide the information described below to the persons so indicated. The District's undertaking and agreement set forth in this Section 4.30 shall be for the benefit of the registered owners and Beneficial Owners of the Bonds.

(A) The District undertakes and agrees to provide to each NRMSIR, to the State of Florida information depository (herein, the "SID"), if and when such a SID is created, and to the Bond Insurer (i) the City's basic financial statements generally consistent with the financial statements presented in an appendix to any official statement relating to the Bonds of any Series (herein the "Official Statement"), and (ii) update the information set forth in the applicable Official Statement under the sections describing the System and the Capital Improvement Program adopted by the District for the System, to the extent such information is not included in the City's basic financial statements referred to in clause (i) above. The information referred to in clauses (i) and (ii) is herein collectively referred to as the "Annual Information."

(B) The Annual Information described in clause (i) of paragraph (A) above in audited form (for as long as the City provides such financial information in audited form) is expected to be available on or before March 31 of each year for the Fiscal Year ending on the preceding September 30, commencing March 31, 2005 for the Fiscal Year ending on the

preceding September 30, 2004. The Annual Information referred to in clause (i) of paragraph (A) above in unaudited form (if the audited financial statements are not available or if the City no longer provides such financial information in audited form) will be available on or before March 31 for the Fiscal Year ending on the preceding September 30. The District also agrees to provide the Annual Information to each registered owner and Beneficial Owner of the Bonds who request such information and pays to the District its costs of reproduction and transmission of such Annual Information. The District agrees to provide to each NRMSIR or to the Municipal Securities Rulemaking Board and to the SID, if any, timely notice of its failure to provide the Annual Information. Such notice shall also indicate the reason for such failure and when the District reasonably expects such Annual Information will be available.

(C) The Annual Information referred to in clause (i) of paragraph (A) above and presented in an appendix to the Official Statement has been prepared in accordance with governmental accounting standards promulgated by the Government Accounting Standards Board, as in effect from time to time, as such principles are modified by generally accepted accounting principals, promulgated by the Financial Accounting Standards Board, as in effect from time to time, and such other State mandated accounting principles as in effect from time to time.

(D) If, as authorized by paragraph (F) below, the District's undertaking with respect to paragraph (C) above requires amending, the District undertakes and agrees that the Annual Information described in clause (i) of paragraph (A) above for the Fiscal Year in which the amendment is made will, to the extent possible, present a comparison between the Annual Information prepared on the basis of the new accounting principles and the Annual Information prepared on the basis of the accounting principles described in paragraph

(C) above. The District agrees that such a comparison will, to the extent possible, include a qualitative discussion of the differences in the accounting principles and the impact of the change on the presentation of the Annual Information.

(E) The District undertakes and agrees to provide, in a timely manner, to each NRMSIR or to the Municipal Securities Rulemaking Board, each Credit Facility Issuer and to the SID, if any, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on the Reserve Fund reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of Bondholders;
- (8) Bond calls (other than scheduled mandatory sinking fund redemptions);
- (9) defeasances of the Bonds;
- (10) release, substitution, or sale of property securing repayment of the Bonds;

(11) rating changes; and

(12) failure to provide the Annual Information, which in all cases will be deemed material.

Notwithstanding the foregoing, notice of the events described in clause (8) and (9) above need not be given any earlier than the time notice is required to be given to the registered owners of the Bonds.

(F) Notwithstanding any other provision of this Resolution to the contrary regarding amendments or supplements, the District undertakes and agrees to amend and/or supplement this Section 4.30 (including the amendments referred to in paragraph (D) above) only if:

(1) The amendment or supplement is made only in connection with a change in circumstances existing at the time the Bonds were originally issued that arises from (i) a change in law, (ii) SEC pronouncements or interpretations, (iii) a judicial decision affecting the Rule or (iv) a change in the nature of the District's operations or the activities that generate Gross Revenues;

(2) The District's Undertaking, as amended, would have complied with the requirements of the Rule at the time the Bonds were originally issued after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(3) The amendment or supplement does not materially impair the interests of the registered owners and Beneficial Owners of the Bonds as

determined by Bond Counsel or by a majority of the registered owners of the Bonds.

In the event of an amendment or supplement under this Section 4.30, the District shall describe the same in the next report of Annual Information and shall include, as applicable, a narrative explanation of the reason for the amendment or supplement and its impact, if any, on the financial information and operating data being presented in the Annual Information.

(G) The District's Undertaking as set forth in this Section 4.30 shall terminate if and when the Bonds are paid or deemed paid within the meaning of Section 4.11 of this Resolution.

(H) The District acknowledges that its Undertaking pursuant to the Rule set forth in this Section 4.30 is intended to be for the benefit of the registered holders and Beneficial Owners of the Bonds and shall be enforceable by such holders and Beneficial Owners; provided that, the holder's and Beneficial Owners' right to enforce the provisions of this Undertaking shall be limited to a right to obtain specific enforcement of the District's obligations hereunder, and any failure by the District to comply with the provisions of this Undertaking shall not be or constitute a covenant or monetary default with respect to the Bonds under this Resolution.

(I) The District reserves the right to satisfy its obligations under this Section 4.30 through agents; and the District may appoint such agents without the necessity of amending this Resolution. The District may also appoint or designate one or more employees of the District or the City to monitor and be responsible for the District's Undertaking hereunder.

**ARTICLE V  
MISCELLANEOUS**

**SECTION 5.1      MODIFICATION OR AMENDMENT.** This Resolution may be modified and amended by the District from time to time prior to the issuance of the Series 2004 Bonds. Thereafter, no modification or amendment of this Resolution, or of any resolution amendatory hereof or supplemental hereto, materially adverse to the Bondholders of a Series may be made without the consent in writing of each Credit Facility Issuer or the Owners of not more than a majority of the Bonds of such Series as determined by the proceedings relating to that Series, but no modification or amendment shall permit a change (a) in the maturity of any of the Bonds or a reduction in the rate of interest thereon, (b) in the amount of the principal obligation of any Bond, (c) that would affect the unconditional promise of the District to collect and hold the Gross Revenues as herein provided or provide for the receipt and disbursement of such revenues as herein provided, or (d) that would reduce the required percentage of holders of the Bonds, required above, for modifications or amendments, without the consent of all of the Bondholders affected by such modification or amendment. For the purpose of Bondholders' voting rights or consents, the Bonds owned by or held for the account of the District, directly or indirectly, shall not be counted. Notwithstanding the foregoing, the District may, from time to time and at any time without the consent of any Credit Facility Issuer or the Bondholders, enter into such Supplemental Resolutions (which Supplemental Resolutions shall thereafter form a part hereof):

(A) To cure any ambiguity, inconsistency or formal defect or omission in this Resolution or in any supplemental resolution, or

(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, or

(C) To provide for the sale, authentication and delivery of Additional Bonds and the disposition of the proceeds from the sale thereof, in the manner and to the extent authorized by Section 4.14 hereof, or

(D) To modify, amend or supplement this Resolution or any resolution supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939, as amended (the "39 Act"), or any similar federal statute hereafter in effect or to qualify any of the Bonds for registration under the Securities Act of 1933, as amended (the "33 Act"), or the Securities Exchange Act of 1934, as amended (the "34 Act"), or to permit the qualification of any of the Bonds for sale under the securities laws of any of the states of the United States of America, and, if the District so determines, to add to this Resolution or any Supplemental Resolution such other terms, conditions and provisions as may be permitted by the 39 Act, the 33 Act, the 34 Act, or similar federal statute, or

(E) To provide for the issuance of coupon Bonds or certificated or uncertificated registered public obligations as contemplated in Section 2.2 hereof, or

(F) To provide for changes suggested by a nationally recognized securities rating agency, a Credit Facility Issuer or Reserve Product Provider as necessary to secure an "investment grade" rating on the Bonds, or as necessary to secure a Credit Facility or a Reserve Product on any of the Bonds, or

(G) To subject to the terms of this Resolution any additional funds, securities or properties, or

(H) To make any other change or modification of the terms hereof which, in the reasonable judgment of the District is not prejudicial to the rights or interests of the holders of the Bonds hereunder; or

(I) To implement or modify any secondary market disclosure requirements applicable to the District.

A copy of each supplemental resolution described herein shall be provided to each Bond Insurer and to each Rating Agency that shall then be rating any of the Bonds.

**SECTION 5.2 SEVERABILITY OF INVALID PROVISIONS.** If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or against public policy, or shall for any reason whatsoever be held invalid by a court of competent jurisdiction, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions, and shall in no way affect the validity of any of the other provisions of this Resolution or of the Bonds.

**SECTION 5.3 SALE OF BONDS.** The Bonds shall be issued and sold at one time, or from time to time, in such manner and at such price or prices consistent with the provisions of the Act and the requirements of this Resolution as the Board shall hereafter determine by subsequent proceedings.

**SECTION 5.4 BOND ANTICIPATION NOTES.** The District may, if it determines it to be in its best financial interest, issue its bond anticipation notes in order to temporarily finance the Cost of a Project as provided in this Resolution. The District shall by

proper proceedings authorize the issuance and establish the details of such bond anticipation notes pursuant to the provisions of Section 215.431, Florida Statutes, as amended. In connection with such bond anticipation notes, the District is hereby authorized to enter into line of credit agreements, loan agreements or similar arrangements (collectively referred to as "Financing Agreement") with banks or similar financial institutions for the purpose of financing the cost of a Project. The District is authorized to issue one or more bond anticipation notes to such banks or financial institutions to evidence its obligation to repay loans made under such Financing Agreements.

**SECTION 5.5 SPECIAL PURPOSE BONDS.** Notwithstanding any of the provisions of this Resolution to the contrary, the District may issue bonds (hereinafter referred to as "Special Purpose Bonds") pursuant to subsequent proceedings of the Board, for the purpose of financing the cost of the construction and/or acquisition of facilities of the System which is to be financed separate and apart from the provisions of this Resolution and which facilities shall not be deemed a part of the System (hereinafter referred to as "Special Purpose Facilities") with respect to covenants set forth in this Resolution and such Special Purpose Bonds shall be payable solely from the revenues received from the operation of the Special Purpose Facilities. No such Special Purpose Bonds shall be issued by the District unless the Consultant shall have, prior thereto, filed with the District a certificate, executed by such Consultant certifying that the estimated revenues to be derived from the operation of the Special Purpose Facilities proposed to be financed with such Special Purpose Bonds will be sufficient to pay the principal of and interest on such Special Purpose Bonds as the same mature and become due, all costs of operating and maintaining such Special Purpose Facilities and all sinking fund, reserve or other payments required by the resolution authorizing such

Special Purpose Bonds as the same become due and payable, and further certifying that the construction and operation of such Special Purpose Facilities will not affect the rates established pursuant to Section 4.8 of this Resolution.

**SECTION 5.6 REPEALER.** All resolutions or riders or parts thereof in conflict herewith are to the extent of such conflict hereby repealed.

**SECTION 5.7 CREDIT FACILITY ISSUER; DEFAULT.** Notwithstanding any of the provisions of this Resolution to the contrary, all of the rights of any Credit Facility Issuer or Reserve Product Provider granted herein shall be null and void if the Credit Facility Issuer or Reserve Product Provider is in default under its Credit Facility or Reserve Product, as the case may be.

**SECTION 5.8 NO THIRD-PARTY BENEFICIARIES.** Except as herein otherwise expressly provided, nothing in this Resolution expressed or implied is intended or shall be construed to confer on any person, firm or corporation other than the Bondholders, the District, any Credit Facility Issuer, provider of a Liquidity Facility or Reserve Product Provider, the Paying Agent and the Registrar, any right, remedy or claim, legal or equitable, under or by reason of this Resolution or any provision hereof, this Resolution and all its provisions being intended to be and being for the sole and exclusive benefit of the aforementioned parties.

**SECTION 5.9 CONTROLLING LAW; MEMBERS OF DISTRICT NOT LIABLE.** All covenants, stipulations, obligations and agreements of the District contained in this Resolution shall be deemed to be covenants, stipulations, obligations and agreements of the District to the full extent authorized by the Act and provided by the Constitution and laws of the State. No covenant, stipulation, obligation or agreement contained herein shall be

deemed to be a covenant, stipulation, obligation or agreement of any present or future member, agent, officer or employee of the District or the Board in his or her individual capacity, and neither the members or officers of the Board nor any official executing the Bonds shall be liable personally on the Bonds or this Resolution or shall be subject to any personal liability or accountability by reason of the issuance or the execution by the District or such members thereof.

**SECTION 5.10 AUTHORIZATION TO DEEM THE PRELIMINARY OFFICIAL STATEMENT FOR THE SERIES 2004 BONDS FINAL.** The Chairperson or Chief Financial Officer are each authorized to deem the preliminary official statement relating to the Series 2004 Bonds “final” within the meaning of Rule 15c2-12 of the 34 Act.

[Remainder of page intentionally left blank.]

**SECTION 5.11 EFFECTIVE DATE.** This Resolution shall take effect immediately upon its adoption.

INTRODUCED AND ADOPTED, this 30th day of August, 2004.

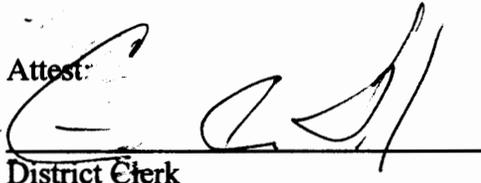
**CITY OF RIVIERA BEACH UTILITY  
SPECIAL DISTRICT**

By:



Chairperson of the Board of Directors of  
the City of Riviera Beach Utility Special  
District

Attest:



District Clerk

The foregoing Resolution is hereby approved by me as to form, language and execution this 30<sup>th</sup> day of August, 2004.

By:



District Attorney

**RESOLUTION NO. R-08-04**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT (THE "DISTRICT"), AUTHORIZING THE NEGOTIATED SALE OF CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT, WATER AND SEWER REVENUE BONDS, SERIES 2004 (THE "BONDS"), IN THE INITIAL AGGREGATE PRINCIPAL AMOUNT OF NOT EXCEEDING \$36,000,000 FOR THE PURPOSE OF FINANCING THE ACQUISITION OF THE WATER AND SEWER SYSTEM FROM THE CITY OF RIVIERA BEACH, FLORIDA (THE "CITY"), INCLUDING PROVIDING THE NECESSARY FUNDS TO THE CITY TO PAY AND DEFEASE ALL OF THE CITY'S WATER AND SEWER REVENUE BONDS, SERIES 1997 AND TO FINANCE THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONS, EXTENSIONS AND IMPROVEMENTS TO THE WATER AND SEWER SYSTEM; DETERMINING CERTAIN DETAILS OF SAID BONDS; APPOINTING THE UNDERWRITERS; PROVIDING FOR THE APPLICATION OF THE BOND PROCEEDS AND OTHER MONEYS; APPROVING THE FORM OF, AND AUTHORIZING THE EXECUTION AND DELIVERY OF A BOND PURCHASE AGREEMENT TO EFFECT THE NEGOTIATED SALE OF THE BONDS AND SETTING THE PARAMETERS BY WHICH THE CHAIRPERSON OR CHIEF FINANCIAL OFFICER SHALL BE AUTHORIZED TO EXECUTE AND DELIVER THE BOND PURCHASE AGREEMENT; APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION OF AN OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING AND SALE OF THE BONDS AND AUTHORIZING THE DISTRIBUTION OF A PRELIMINARY OFFICIAL STATEMENT AND THE OFFICIAL STATEMENT BY THE UNDERWRITERS; APPOINTING A PAYING AGENT; APPOINTING A REGISTRAR; AUTHORIZING THE EXECUTION AND DELIVERY OF A PAYING AGENT/REGISTRAR AGREEMENT; PROVIDING FOR A MUNICIPAL BOND NEW ISSUE INSURANCE POLICY FOR THE BONDS TO BE PROVIDED BY FINANCIAL GUARANTY INSURANCE COMPANY, APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A DEBT SERVICE RESERVE FUND POLICY AGREEMENT IN CONNECTION WITH THE ISSUANCE OF A MUNICIPAL BOND DEBT SERVICE RESERVE FUND POLICY ISSUED BY FINANCIAL GUARANTY INSURANCE COMPANY; AUTHORIZING CERTAIN CHANGES AND MODIFICATIONS TO THE BOND RESOLUTION IN CONNECTION WITH, AND AS A CONDITION OF, OBTAINING SUCH MUNICIPAL BOND NEW ISSUE INSURANCE POLICY AND MUNICIPAL BOND DEBT SERVICE RESERVE FUND POLICY; APPOINTING AN ESCROW AGENT; APPROVING THE FORM OF AND AUTHORIZING THE**

**EXECUTION AND DELIVERY OF AN ESCROW DEPOSIT AGREEMENT; AUTHORIZING THE BONDS TO BE REGISTERED UNDER A BOOK-ENTRY ONLY SYSTEM OF REGISTRATION; AUTHORIZING THE PROPER OFFICERS OF THE DISTRICT TO DO ALL OTHER THINGS DEEMED NECESSARY OR ADVISABLE IN CONNECTION WITH THE SALE AND DELIVERY OF THE BONDS; AND PROVIDING FOR AN EFFECTIVE DATE.**

WHEREAS, the City of Riviera Beach Utility Special District, a public body corporate organized as a dependent special district within the meaning of Chapter 189, Florida Statutes, as amended and supplemented (together with the permitted successors and assigns, the "District"), was created by the City of Riviera Beach, Florida, a municipal corporation of the State of Florida (the "City"), to acquire, own, improve, maintain and operate the City's water and sewer system; and

WHEREAS, the Board of Directors of the City of Riviera Beach Utility Special District, as the governing body of the District (the "Board"), did, on August 30, 2004, adopt a bond authorizing resolution (the "Bond Resolution"), authorizing the issuance of its Water and Sewer Revenue Bonds, Series 2004 (the "2004 Bonds") in the initial aggregate principal amount of not exceeding \$36,000,000; and

WHEREAS, the Bond Resolution provides that certain details of the 2004 Bonds and certain other provisions of the Bond Resolution shall be determined by subsequent proceedings of the Board, which shall be deemed to be supplemental to the Bond Resolution; and

WHEREAS, any capitalized term used in this Resolution and not otherwise defined, shall have the meaning ascribed to such term as in the Bond Resolution; and

WHEREAS, in connection with the payment and defeasance of the City's Existing Water and Sewer Revenue Bonds, the District and the City will enter into that certain Escrow Deposit Agreement, expected to be dated as of September 1, 2004, with Wells Fargo Bank,

National Association, as escrow agent (the "Escrow Agent") in substantially the form attached hereto as Exhibit A (herein, the "Escrow Agreement") whereby a portion of the proceeds of the 2004 Bonds and other moneys available under the City Bond Resolution will be deposited thereunder; and

WHEREAS, subject to the terms and conditions of this Resolution, the District and the City will enter into a Bond Purchase Agreement with Bear, Stearns & Co. Inc. and Jackson Securities, LLC, hereby designated by the Board to be the underwriters of the 2004 Bonds (herein the "Underwriters"), setting forth the terms and conditions of the District's agreement to sell and the Underwriters' agreement to purchase the 2004 Bonds, in substantially the form attached hereto as Exhibit B (herein, the "Purchase Contract"); and

WHEREAS, based upon current market conditions, the complex nature of the financing, the need to issue the 2004 Bonds upon the most favorable market conditions and the advice of the District's financial advisor, the Board hereby finds it is necessary and advisable to negotiate the sale of the 2004 Bonds; and

WHEREAS, the Board hereby determines that it is in the best interest of the District to accept the Purchase Contract and to award the 2004 Bonds to the Underwriters pursuant to a negotiated sale and pursuant to the parameters set forth in Section 8 herein; and

WHEREAS, the District will be, prior to the execution of the Purchase Contract, provided by the Underwriters with the disclosure statements required by Section 218.385, Florida Statutes, a copy of which is attached as an exhibit to the Purchase Contract; and

WHEREAS, there have been also prepared and submitted to the Board a draft Preliminary Official Statement, attached hereto as Exhibit C.

WHEREAS, the District's financial advisor has recommended in a letter, attached hereto as Exhibit D, that the principal and interest on the 2004 Bonds be insured by a Municipal Bond New Issue Insurance Policy (the "Bond Insurance Policy") to be issued by Financial Guaranty Insurance Company, a New York stock insurance company or any successor thereto (the "Bond Insurer" or "Financial Guaranty") and that in lieu of any required deposits into the Series 2004 Account hereby created and established (herein, the "Series 2004 Account") of the Reserve Fund for the 2004 Bonds, a Reserve Product, in the form of a Municipal Bond Debt Service Reserve Fund Policy to be issued by Financial Guaranty (herein, the "Reserve Policy") will be provided with the coverage which will be equal to the Debt Service Reserve Requirement for the 2004 Bonds as evidenced by the commitment of the Bond Insurer attached hereto as Exhibit E (the "Commitment"); and

WHEREAS, the Board has been advised that as a condition for the District to receive the Reserve Policy from Financial Guaranty, it is necessary for the District to enter into a Debt Service Reserve Fund Policy Agreement with Financial Guaranty, the form of which is attached hereto as Exhibit F; and

WHEREAS, the Board hereby adopts the recommendations of the District's financial advisor regarding the Bond Insurance Policy and the Reserve Policy; and

WHEREAS, as a condition of obtaining the Bond Insurance Policy and Reserve Policy, for the 2004 Bonds, the District has been advised that it will be necessary to amend and/or supplement the Bond Resolution solely with respect to the 2004 Bonds and the Board hereby determines to make such amendments and supplements in this Resolution to obtain the Bond Insurance Policy and Reserve Policy.

**NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CITY OF RIVIERA BEACH UTILITY SPECIAL DISTRICT, AS FOLLOWS:**

**SECTION 1. AUTHORITY OF THIS RESOLUTION.** That this Resolution is adopted pursuant to the provisions of the Bond Resolution, the Creation Ordinance, the District Charter, as amended and supplemented, the Florida Constitution, Chapter 166, Florida Statutes, as amended and supplemented, Chapter 189, Florida Statutes, as amended and supplemented, and other applicable provisions of law.

**SECTION 2. DEFINITIONS.** That all capitalized terms used in this Resolution not otherwise defined shall have the meanings ascribed to such terms in the Bond Resolution, unless the context clearly indicates otherwise.

**SECTION 3. PURPOSE AND BOND DESIGNATION.** That the District hereby determines at this time to issue not exceeding THIRTY-SIX MILLION DOLLARS (\$36,000,000) in initial aggregate principal amount of its Water and Sewer Revenue Bonds, Series 2004 Bonds (the "2004 Bonds") for the purpose of (i) paying the current acquisition price for the City's water and sewer system (the "System") pursuant to the terms and provisions of the Asset Purchase Agreement, a portion of which will be used by the City, together with certain other funds available under the City Bond Resolution, to pay and defease the City's Existing Water and Sewer Revenue Bonds (ii) financing the costs of certain additions, extensions and improvements to the System (the "2004/2005 Project") and (iii) to pay the costs of issuance of the 2004 Bonds, including the premiums for the Bond Issuance Policy and Reserve Policy. Notwithstanding the foregoing, the Chief Financial Officer of the

District may elect, prior to the sale of the 2004 Bonds, not to finance the 2004/2005 Project with a portion of the proceeds of the 2004 Bonds.

**SECTION 4. TERMS AND DETAILS OF 2004 BONDS.** That the terms and details of the 2004 Bonds, including but not limited to the principal amounts, interest rates, maturity dates and redemption provisions, shall be determined by the Chairperson or Chief Financial Officer in accordance with the parameters set forth in Section 8 herein.

**SECTION 5. APPLICATION OF 2004 BOND PROCEEDS AND OTHER MONEYS.** That all moneys received by the District from the sale of the 2004 Bonds authorized and issued pursuant to the Bond Resolution and this Resolution, shall be disbursed in accordance with the provisions of Section 4.3 of the Bond Resolution.

The District is hereby authorized to permit the Underwriters to pay directly to the Bond Insurer, from the proceeds of the 2004 Bonds, the cost of the Bond Insurance Policy and Reserve Policy and to pay directly to the Escrow Agent, a portion of the proceeds of the 2004 Bonds required to be deposited pursuant to the provisions of the Escrow Agreement. If, for any reason, any of the moneys allocated to pay the costs of issuing the 2004 Bonds are not necessary for or are not applied to pay the costs of issuing the 2004 Bonds, then such surplus proceeds shall be deposited in the following order:

First, to the Series 2004 Account of the Reserve Fund, to the full extent necessary, either to reinstate the Reserve Product on deposit therein, including, but not limited to, the Reserve Policy, if applicable, or to deposit additional moneys so that such deposit, together with such moneys already on deposit therein, equals the Debt Service Reserve Requirement for the 2004 Bonds;

Second, but only if the 2004/2005 Project is to be financed with a portion of the proceeds of the 2004 Bonds, to the Construction Fund in the amounts, if any, determined by the Chief Financial Officer in consultation with the District's Consultants;

Third, to the Debt Service Fund in the amounts, if any, determined by subsequent proceedings of the Board; and

Fourth, the balance, if any, is to be used by the District for any lawful municipal purpose.

Simultaneously with the issuance of the 2004 Bonds, the City shall deposit all moneys on deposit in the Debt Service Fund created and established under the City Bond Resolution into the trust fund created under the Escrow Agreement, which, together with a portion of the proceeds of the Series 2004 Bonds, will be sufficient, in the opinion of a Consultant, selected by the District and approved by the City, to pay and defease the City's Existing Water and Sewer Revenue Bonds. After the foregoing deposits, the City shall pay over to the District Net Revenues and Impact Fees (as such terms are defined in the City's Bond Resolution) remaining on deposit under the City's Bond Resolution after payment of the current and due Cost of Operation and Maintenance (as such term is defined in the City's Bond Resolution). Upon receipt of such funds, the District shall deposit all of the Impact Fees into the Impact Fee Account of the Capital Improvement Fund and a portion of the Net Revenues equal to the Renewal and Replacement Fund Requirement into the Renewal and Replacement Fund and the balance, if any, shall be deposited into the Capital Improvement Fund.

**SECTION 6. NEGOTIATED SALE.** That the District hereby finds that, due to the complicated nature of the financing, volatile market conditions, the need to issue the 2004 Bonds upon the most favorable market conditions and the advice of its financial advisor

that it would be in the best interest of the District that the 2004 Bonds be sold on a negotiated basis.

**SECTION 7. APPOINTMENT OF UNDERWRITERS.** That the District hereby appoints Bear, Stearns & Co. Inc. (“Bear Stearns”) and Jackson Securities, LLC as the Underwriters of the 2004 Bonds pursuant to the terms and provisions of the Purchase Contract. Bear Stearns is hereby appointed senior manager and book runner.

**SECTION 8. PARAMETERS FOR THE SALE OF THE 2004 BONDS.** That the proposal submitted by the Underwriters offering to purchase the 2004 Bonds at a purchase price for the 2004 Bonds established pursuant to the parameters set forth below and on the terms and conditions set forth in the Purchase Contract (substantially in the form attached hereto as Exhibit B), is hereby approved and adopted by the District. Subject to the parameters set forth in this Section 8, the Chairperson (or, in his absence, the Chief Financial Officer) is hereby authorized to execute and deliver on behalf of the District, and the District Clerk is hereby authorized (if so required) to affix the Seal of the District and attest to the execution of the Purchase Contract in substantially the form presented at this meeting. The disclosure statements and truth-in-bonding statements of the Underwriters, as required by Section 218.385 of the Florida Statutes, to be delivered to the District prior to the execution of the Purchase Contract, a form of which is attached as an exhibit to the Purchase Contract, will be entered into the official records of the District as part of the Purchase Contract. The Purchase Contract, when in final form as determined by the District Attorney and Co-Bond Counsel, may be executed by the District without further action of the Board, provided the District’s financial advisor confirms in writing to the Chief Financial Officer, or in his absence, the Chairperson that (i) the true interest cost on the 2004 Bonds does not exceed six

percent (6.00%) per annum, (ii) the underwriting discount (exclusive of any original issue discount or original issue premium) is not greater than \$8.00 per \$1,000 of the original principal amount of the 2004 Bonds, (iii) the initial principal amount of 2004 Bonds sold thereunder does not exceed the principal amount authorized under this Resolution, (iv) the final maturity of the 2004 Bonds does not extend beyond October 1, 2034, and (v) the optional redemption provisions for the 2004 Bonds shall conform to the following paragraphs. Execution of the Purchase Contract by the Chairperson (or, in his absence, the Chief Financial Officer) and attestation by the District Clerk, as applicable, shall constitute conclusive evidence of the approval required herein of all of the terms and conditions contained in the final Purchase Contract.

The 2004 Bonds will be subject to redemption at the option of the District not earlier than October 1, 2014, in whole at any time on or after October 1, 2014 or in part, from time to time, on and after October 1, 2014, in such manner as shall be determined by the District, at a redemption price equal to the principal amount of the 2004 Bonds to be redeemed plus accrued interest to the date fixed for redemption.

Notwithstanding the foregoing, if the District's financial advisor, upon consultation with the Chief Financial Officer, determines that market conditions require different or no optional redemption provisions for the 2004 Bonds or for certain maturities of the 2004 Bonds, such different optional redemption provisions or the exclusion of certain or all maturities of the 2004 Bonds from such optional redemption provisions will be deemed approved by the Board without the need of further proceedings so long as the maximum redemption premium does not exceed 1% and the first optional redemption period is not more than twelve (12) years from the date of issuance of the 2004 Bonds.

The final terms and provisions of the 2004 Bonds as are reflected in the final Official Statement relating to the 2004 Bonds, shall be affixed as an exhibit to this Resolution and entered into the records of the Board.

**SECTION 9. PRELIMINARY AND OFFICIAL STATEMENT.** That the form of the Preliminary Official Statement in substantially the form attached hereto as Exhibit C with such changes as shall be approved by the Chairperson or the Chief Financial Officer and the District's Co-Bond Counsel, be and the same is hereby approved, and the Board hereby approves the use of the final printed Official Statement by the Underwriters in connection with the offering and sale of the 2004 Bonds in substantially the same form as the attached Preliminary Official Statement. The Board hereby further approves the use by the Underwriters of any supplement or amendment to the Official Statement which is necessary so that the Official Statement does not include any untrue statement of a material fact and does not omit to state any material fact necessary to make the statements therein not misleading. The Chairperson (or, in his absence, the Vice Chairperson) and Chief Financial Officer are each hereby authorized and directed to execute the Official Statement and any amendment or supplement thereto, in the name and on behalf of the District, and thereupon to cause the Official Statement and any such amendment or supplement to be delivered to the Underwriters with such execution and delivery thereof constituting conclusive evidence of the approval required herein of all changes made to the form attached hereto as Exhibit C. The Underwriters are hereby authorized to distribute and use the Preliminary Official Statement in connection with the marketing of the 2004 Bonds. The Chairperson, the Vice Chairperson and the Chief Financial Officer, are each authorized to execute a certificate deeming the Preliminary Official Statement "final" within the meaning of the Rule. Notwithstanding the

foregoing, the Official Statement with respect to the 2004 Bonds shall not be executed prior to the date the Purchase Contract is executed in the manner contemplated in Section 8 herein and the form thereof is approved by Co-Bond Counsel and the District Attorney.

**SECTION 10. PAYING AGENT AND REGISTRAR.** That Wells Fargo Bank, National Association, having its designated corporate trust office in Minneapolis, Minnesota, is hereby appointed as paying agent (the "Paying Agent") and registrar (the "Registrar") for the 2004 Bonds. By the acceptance of such appointment, Wells Fargo Bank, National Association agrees to comply with the terms of any Paying Agent/Registrar Agreement (as herein defined), the Bond Resolution, this Resolution, the Bond Insurance Policy and the Reserve Policy applicable to it. The Paying Agent and Registrar agree to provide to the Bond Insurer copies of all notices and reports relating to the District or the 2004 Bonds received by it or which either is required to be sent to the District or the registered owners of the 2004 Bonds.

**SECTION 11. APPOINTMENT OF ESCROW AGENT.** That Wells Fargo Bank, National Association, subject to the approval of the City, having its designated corporate trust office in Minneapolis, Minnesota, is hereby appointed Escrow Agent under the Escrow Agreement.

**SECTION 12. APPROVAL AND EXECUTION OF THE ESCROW AGREEMENT.** That the form of the Escrow Deposit Agreement (the "Escrow Agreement") expected to be dated as of September 1, 2004, by and among the District, the City and the Escrow Agent, and in substantially the form presented at this meeting (and attached hereto as Exhibit A) is hereby approved, subject to and with such changes therein as shall be approved on behalf of the City by the Mayor (or in his absence, the Vice Mayor of the City) and on

behalf of the District by the Chairperson (or in his absence, the Vice Chairperson or the Chief Financial Officer), such approval to be evidenced conclusively by the execution of said Escrow Agreement; either the Chairperson, the Vice Chairperson or the Chief Financial Officer is hereby authorized and directed on behalf of the District to execute and deliver the Escrow Agreement; the District Clerk hereby is authorized, on behalf of the District, to attest and impress the seal of the District on the Escrow Agreement; and said officers and all other officers of the District are hereby authorized and directed to carry out or cause to be carried out all obligations of the District and to enforce the obligations of the City under the Escrow Agreement.

**SECTION 13. BOND INSURANCE POLICY AND RESERVE POLICY.**

That, based on the recommendations of the District's financial advisor, set forth in a letter attached hereto as Exhibit D with respect to the 2004 Bonds, the Board finds that obtaining the Bond Insurance Policy and Reserve Policy from the Bond Insurer is in the best interests of the District, and the Board hereby directs that the premiums due on the Bond Insurance Policy and the Reserve Policy be paid in accordance with the terms thereof. To the extent not incorporated herein, the District covenants to comply with the terms and provisions of the Bond Insurer's Commitment attached hereto as Exhibit E to provide the Bond Insurance Policy and Reserve Policy and covenants to comply with the payment procedures with respect to the Bond Insurance Policy, all as set forth in Section 16 hereof.

**SECTION 14. DEBT SERVICE RESERVE FUND POLICY.** That the form, terms and provisions of the Debt Service Reserve Fund Policy Agreement between the District and the Bond Insurer (the "Reserve Agreement") substantially in the form attached hereto as Exhibit F, as submitted to this meeting, be and the same are hereby approved and

accepted. The Chairperson or, in his absence, the Vice Chairperson or the Chief Financial Officer, is hereby authorized and directed to execute and deliver the Reserve Agreement on behalf of the District in substantially the form submitted to this meeting, with such changes, insertions and deletions thereto as are necessary or desirable for carrying out the purposes thereof as may be approved by the District Attorney and Co-Bond Counsel, the execution of said Reserve Agreement being conclusive evidence of such approval.

**SECTION 15. AUTHORIZATION TO EXECUTE A PAYING AGENT/REGISTRAR AGREEMENT.** That if so required by the Paying Agent and Registrar, the Board hereby authorizes the District to execute and deliver a paying agent/registrar agreement (herein, the "Paying Agent/Registrar Agreement") between the District and the Registrar and Paying Agent, subject to the form being approved by the Chairperson (or in his absence, the Vice Chairperson or the Chief Financial Officer), such approval to be evidenced conclusively by the execution of said Paying Agent/Registrar Agreement. The Chairperson, the Vice Chairperson or the Chief Financial Officer is hereby authorized and directed on behalf of the District to execute and deliver any Paying Agent/Registrar Agreement; the District Clerk hereby is authorized, on behalf of the District, to attest and impress the seal of the District on any Paying Agent/Registrar Agreement; and said officers and all other officers of the District are hereby authorized and directed to carry out or cause to be carried out all obligations of the District under the Paying Agent/Registrar Agreement.

**SECTION 16. AMENDMENTS AND SUPPLEMENTS TO BOND RESOLUTION; BOND INSURANCE AND RESERVE POLICY PROVISIONS .** Notwithstanding any provision in the Bond Resolution to the contrary, as a condition of obtaining the Bond Insurance and Reserve Policy and for as long as the Bond Insurer is not in

default under the Bond Insurance Policy and/or Reserve Policy, the following provisions shall be applicable to the 2004 Bonds:

A. Permitted Investments.

1. 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 (“U.S. Government Securities” or “U.S. Obligations”).

2. Direct obligations\* of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America:

(a) Export-Import Bank of the United States — Direct obligations and fully guaranteed certificates of beneficial interest

(b) Federal Housing Administration — debentures

(c) General Services Administration — participation certificates

(d) Government National Mortgage Association (“GNMAs”) guaranteed mortgage-backed securities and guaranteed participation certificates

(e) Small Business Administration — guaranteed participation certificates and guaranteed pool certificates

(f) U.S. Department of Housing & Urban Development — local authority bonds

(g) U.S. Maritime Administration — guaranteed Title XI financings

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\* The following are explicitly excluded from the securities enumerated in 2 and 3:

- (i) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;
- (ii) Obligations that have a possibility of returning a zero or negative yield if held to maturity;
- (iii) Obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and
- (iv) Collateralized Mortgage-Backed Obligations (“CMOs”).

(h) Washington Metropolitan Area Transit Authority — guaranteed transit bonds.

3. Direct obligations\* of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:

(a) Fannie Mae — senior debt obligations rated Aaa by Moody's Investors Service ("Moody's") and AAA by Standard & Poor's Ratings Services ("S&P")

(b) Federal Home Loan Mortgage Corporation ("FHLMCs") — participation certificates and senior debt obligations rated Aaa by Moody's and AAA by S&P

(c) Federal Home Loan Banks — consolidated debt obligations

(d) Student Loan Marketing Association — debt obligations

(e) Resolution Funding Corporation — debt obligations

4. Direct, general obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P.

5. Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, P-1 by Moody's and A-1 or better by S&P.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund.

7. Certificates of deposit, deposit accounts, federal funds or bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank, provided that such bank's short-term certificates of deposit are rated P-1 by Moody's and A-1 or better by S&P (not considering holding company ratings).

8. Investments in money-market funds rated AAAm or AAAm-G by S&P.

9. State-sponsored investment pools rated AA- or better by S&P.

10. Repurchase agreements that meet the following criteria:

(a) A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction.

(b) Acceptable providers shall consist of (i) registered broker/dealers subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed rating of A3/P-1 or better by Moody's and A-/A-I or better by S&P, or (ii) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P.

(c) The repurchase agreement shall require termination thereof if the counterparty's ratings are suspended, withdrawn or fall below A3 or P-i from Moody's, or A- or A-i from S&P. Within ten (10) days, the counterparty shall repay the principal amount plus any accrued and unpaid interest on the investments.

(d) The repurchase agreement shall limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, Fannie Mae or FHLMC described in 2(d), 3(a) and 3(b) above. The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Obligations and 105% for GNMA's, Fannie Maes or FHLMCs. The repurchase agreement shall require (i) the District's Fiduciary (as defined below) or the Agent, as defined below, to value the collateral securities no less frequently than weekly, (ii) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and (iii) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two (2) business days of such valuation.

(e) The repurchase securities shall be delivered free and clear of any lien to a bond trustee or other fiduciary designated by the District (herein, the "District's Fiduciary") or to an independent third party acting solely as agent ("Agent") for the District's Fiduciary, and such Agent is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits or, if appropriate, a net worth, of not less than \$50 million, and the District's Fiduciary shall have received written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the District's Fiduciary.

(f) A perfected first security interest in the repurchase securities shall be created for the benefit of the District's Fiduciary, and the District and the District's Fiduciary shall receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof.

(g) The repurchase agreement shall have a term of one year or less, or shall be due on demand.

(h) The repurchase agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the repurchase securities, unless Financial Guaranty directs otherwise:

(i) insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement;

(i) failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance call under item 10(d) above;  
or

(ii) failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase.

11. Investment agreements (also referred to as guaranteed investment contracts) that meet the following criteria:

(a) A master agreement or specific written investment agreement governs the transaction.

(b) Acceptable providers of uncollateralized investment agreements shall consist of (i) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least Aa2 by Moody's and AA by S&P; (ii) domestic insurance companies rated Aaa by Moody's and AAA by S&P; and (iii) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P.

(c) Acceptable providers of collateralized investment agreements shall consist of (i) registered broker/dealers subject to SIPC jurisdiction, if such broker/dealer

has an uninsured, unsecured and unguaranteed rating of A1 or better by Moody's and A+ or better by S&P; (ii) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least A1 by Moody's and A+ by S&P; (iii) domestic insurance companies rated at least A1 by Moody's and A+ by S&P; and (iv) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P. Required collateral levels shall be as set forth in 11 (f) below.

(d) The investment agreement shall provide that if the provider's ratings fall below Aa3 by Moody's or AA- by S&P, the provider shall within ten (10) days either (i) repay the principal amount plus any accrued and interest on the investment; or (ii) deliver Permitted Collateral as provided below.

(e) The investment agreement must provide for termination thereof if the provider's ratings are suspended, withdrawn or fall below A3 from Moody's or A- from S&P. Within ten (10) days, the provider shall repay the principal amount plus any accrued interest on the agreement, without penalty.

(f) The investment agreement shall provide for the delivery of collateral described in (i) or (ii) below ("Permitted Collateral") which shall be maintained at the following collateralization levels at each valuation date:

(i) U.S. Obligations at 104% of principal plus accrued interest; or

(ii) Obligations of GNMA, Fannie Mae or FHLMC (described in 2(d), 3(a) and 3(b) above) at 105% of principal and accrued interest.

(g) The investment agreement shall require the District's Fiduciary or Agent to determine the market value of the Permitted Collateral not less than weekly and

notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the District's Fiduciary to the provider only to the extent that there are excess amounts over the required levels. Market value, with respect to collateral, may be determined by any of the following methods:

(i) the last quoted "bid" price as shown in Bloomberg, Interactive Data Systems, Inc., The Wall Street Journal or Reuters;

(ii) valuation as performed by a nationally recognized pricing service, whereby the valuation method is based on a composite average of various bid prices; or

(iii) the lower of two bid prices by nationally recognized dealers. Such dealers or their parent holding companies shall be rated investment grade and shall be market makers in the securities being valued.

(h) Securities held as Permitted Collateral shall be free and clear of all liens and claims of third parties, held in a separate custodial account and registered in the name of the District's Fiduciary or the Agent.

(i) The provider shall grant the District's Fiduciary or the Agent a perfected first security interest in any collateral delivered under an investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under 11(f) above, the District's Fiduciary and Financial Guaranty shall receive an opinion of counsel as to the perfection of the security interest in the collateral.

(j) The investment agreement shall provide that moneys invested under the agreement must be payable and puttable at par to the District's Fiduciary without condition, breakage fee or other penalty, upon not more than two (2) business days' notice, or

immediately on demand for any reason for which the funds invested may be withdrawn from the applicable fund or account established under the authorizing document, as well as the following:

- (i) In the event of a deficiency in the debt service account;
- (ii) Upon acceleration after an event of default;
- (iii) Upon refunding of the Series 2004 Bonds in whole or in part;
- (iv) Reduction of the Debt Service Reserve Requirement for the 2004 Bonds; or
- (v) If a determination is later made by a nationally recognized bond counsel that investments must be yield-restricted.

Notwithstanding the foregoing, the agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the District's Fiduciary if the District's obligation to pay such fee or penalty is subordinate to its obligation to pay debt service on the 2004 Bonds and to make deposits to the Series 2004 Account of the Reserve Fund.

(k) The investment agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the investment securities, unless:

- (l) Failure of the provider or the guarantor (if any) to make a payment when due or to deliver Permitted Collateral of the character, at the times or in the amounts described above;

- (i) Insolvency of the provider or the guarantor (if any) under the investment agreement;
- (ii) Failure by the provider to remedy any deficiency with respect to required Permitted Collateral;
- (iii) Failure by the provider to make a payment or observe any covenant under the agreement;
- (iv) The guaranty (if any) is terminated, repudiated or challenged; or
- (v) Any representation of warranty furnished to the District's Fiduciary or the District in connection with the agreement is false or misleading.
- (vi) The investment agreement must incorporate the following general criteria:
  - (vii) "Cure periods" for payment default shall not exceed two (2) business days;
  - (viii) The agreement shall provide that the provider shall remain liable for any deficiency after application of the proceeds of the sale of any collateral, including costs and expenses incurred by the District's Fiduciary or Financial Guaranty;
  - (ix) Neither the agreement or guaranty agreement, if applicable, may be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior consent of Financial Guaranty;
  - (x) If the investment agreement is for a debt service reserve fund, reinvestments of funds shall be required to bear interest at a rate at least equal to the original contract rate.

(xi) The provider shall be required to immediately notify Financial Guaranty and the District's Fiduciary of any event of default or any suspension, withdrawal or downgrade of the provider's ratings;

(xii) The agreement shall be unconditional and shall expressly disclaim any right of set-off or counterclaim;

(xiii) The agreement shall require the provider to submit information reasonably requested by Financial Guaranty, including balance invested with the provider, type and market value of collateral and other pertinent information.

12. Forward delivery agreements in which the securities delivered mature on or before each interest payment date (for debt service or debt service reserve funds) or draw down date (construction funds) that meet the following criteria:

(a) A specific written investment agreement governs the transaction.

(b) Acceptable providers shall be limited to (i) any registered broker/dealer subject to the Securities Investors' Protection Corporation jurisdiction, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed obligation rated A3/P-1 or better by Moody's and A-/A-i or better by S&P; (ii) any commercial bank insured by the FDIC, if such bank has an uninsured, unsecured and unguaranteed obligation rated A3,P- 1 or better by Moody's and A-/A-i or better by S&P; and (iii) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P.

(c) The forward delivery agreement shall provide for termination or assignment (to a qualified provider hereunder) of the agreement if the provider's ratings are suspended, withdrawn or fall below A3 or P-i from Moody's or A- or A-I from S&P. Within

ten (10) days, the provider shall fulfill any obligations it may have with respect to shortfalls in market value. There shall be no breakage fee payable to the provider in such event.

(d) Permitted securities shall include the investments listed in 1, 2 and 3 above.

(e) The forward delivery agreement shall include the following provisions:

(i) The permitted securities must mature at least one (i) business day before a debt service payment date or scheduled draw. The maturity amount of the permitted securities must equal or exceed the amount required to be in the applicable fund on the applicable valuation date.

(ii) The agreement shall include market standard termination provisions, including the right to terminate for the provider's failure to deliver qualifying securities or otherwise to perform under the agreement. There shall be no breakage fee or penalty payable to the provider in such event.

(iii) Any breakage fees shall be payable only on debt service payment dates and shall be subordinated to the payment of debt service and debt service reserve fund replenishments.

(iv) The provider must submit at closing a bankruptcy opinion to the effect that upon any bankruptcy, insolvency or receivership of the provider, the securities will not be considered to be a part of the provider's estate, and otherwise acceptable to Financial Guaranty.

(v) The agreement may not be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior written consent of Financial Guaranty.

13. Forward delivery agreements in which the securities delivered mature after the funds may be required but provide for the right of the District or the District's Fiduciary to put the securities back to the provider under a put, guaranty or other hedging arrangement, only with the prior written consent of Financial Guaranty.

14. Maturity of investments shall be governed by the following:

(a) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.

(b) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the District's Fiduciary may require their repurchase pursuant to repurchase agreements.

(c) Investments of monies in reserve funds not payable upon demand shall be restricted to maturities of five years or less.

B. Default-Related Provisions.

1. The District shall, to the extent there are no other available funds held under the Bond Resolution, use any remaining funds in the Construction Fund to pay principal of or interest on the 2004 Bonds in the event of a payment default.

2. In determining whether a payment default has occurred or whether a payment on the 2004 Bonds has been made under the Bond Resolution or this Resolution, no effect shall be given to payments made under the Bond Insurance Policy.

3. The Bond Insurer shall receive immediate notice of any payment default and notice of any other default known to the Paying Agent or the District within 30 days of the Paying Agent's or the District's knowledge thereof.

4. For all purposes of the provisions governing events of default and remedies under the Bond Resolution, except the giving of notice of default to Bondholders, the Bond Insurer shall be deemed to be the sole holder of the 2004 Bonds it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

5. The Bond Insurer shall be included as a party in interest and as a party entitled to (i) notify the District or any applicable receiver of the occurrence of an event of default and (ii) request the District or receiver to intervene in judicial proceedings that affect the Series 2004 Bonds or the security therefor. The District or receiver shall be required to accept notice of default from the Bond Insurer.

C. Amendments and Supplements. Any amendment or supplement to the Bond Resolution or this Resolution shall be subject to the prior written consent of the Bond Insurer. Any Rating Agency rating the 2004 Bonds must receive notice of each amendment and a copy thereof at least 15 days in advance of its adoption. The Bond Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

D. Successor Paying Agent or Registrar. No resignation or removal of the Paying Agent or Registrar shall become effective until a successor has been appointed and has accepted the duties of the Paying Agent or Registrar, as applicable. The Bond Insurer shall be

furnished with written notice of the resignation or removal of the Paying Agent or Registrar and the appointment of any successor thereto.

E. Defeasance Provisions. Only cash, direct non-callable 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, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or Defeasance Obligations rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing) shall be used to effect defeasance of the 2004 Bonds unless the Bond Insurer otherwise approves. In the event of an advance refunding, the District shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or the Bond Resolution, if no separate escrow agreement is utilized), the terms of the escrow agreement or Bond Resolution, if applicable, shall be controlling.

F. Reporting Requirements. The Bond Insurer shall be provided with the following:

1. Notice of the redemption, other than mandatory sinking fund redemption, of any of the 2004 Bonds, or of any advance refunding of the 2004 Bonds, including the principal amount, maturities and CUSIP numbers thereof;

2. Notice of the downgrading by any Rating Agency of any District's underlying public rating, or the underlying rating on the Series 2004 Bonds or any parity obligations, to "non-investment grade";

3. Notice of any material events pursuant to Rule 15c2-I2 under the Securities Exchange Act of 1934, as amended; and

4. Such additional information as the Bond Insurer may reasonably request from time to time.

G. Reimbursement of Expenses. The District shall pay or reimburse the Bond Insurer for any and all charges, fees, costs, and expenses that the Bond Insurer may reasonably pay or incur in connection with the following: (i) the administration, enforcement, defense, or preservation of any rights or security hereunder or under the Bond Resolution; (ii) the pursuit of any remedies hereunder, under the Bond Resolution, or otherwise afforded by law or equity, (iii) any amendment, waiver, or other action with respect to or related to this Resolution or the Bond Resolution, whether or not executed or completed; (iv) the violation by the District of any law, rule, or regulation or any judgment, order or decree applicable to it; (v) any advances or payments made by the Bond Insurer to cure defaults of the District under the Bond Resolution or this Resolution; or (vi) any litigation or other dispute in connection with the Bond Resolution or this Resolution, or the transactions contemplated hereby or thereby, other than amounts resulting from the failure of the Bond Insurer to honor its payment obligations under the Bond Insurance Policy. The Bond Insurer reserves the right to

charge a reasonable fee as a condition to executing any amendment, waiver, or consent proposed in respect of the Bond Resolution or this Resolution. The obligations of the District to the Bond Insurer shall survive the payment of the 2004 Bonds.

H. Notice Addresses. The notice addresses for the Bond Insurer and the Fiscal Agent shall be as follows: Financial Guaranty Insurance Company, 125 Park Avenue, New York, New York 10017, Attention: Risk Management; and U.S. Bank Trust National Association, 100 Wall Street, 19<sup>th</sup> Floor, New York, New York 10005, Attention: Corporate Trust Department.

I. Payment Procedure Pursuant To The Bond Insurance Policy. As long as the Bond Insurance Policy shall be in full force and effect, the District and any Paying Agent agree to comply with the following provisions:

(a) If, on the third day preceding any Interest Payment Date for the 2004 Bonds there is not on deposit in the Debt Service Fund, sufficient moneys available to pay all principal of and interest on the Series 2004 Bonds due on such date, the District shall immediately notify Financial Guaranty and U.S. Bank Trust National Association, New York, New York or its successor as its fiscal agent (the "Fiscal Agent") of the amount of such deficiency. If, by said Interest Payment Date, the District has not provided the amount of such deficiency, the District or the Registrar shall simultaneously make available to Financial Guaranty and to the Fiscal Agent the registration books for the 2004 Bonds maintained by the Registrar. In addition:

(i) The District or the Registrar shall provide Financial Guaranty with a list of the Bondholders entitled to receive principal or interest payments from Financial Guaranty under the terms of the Bond Insurance Policy and shall make, or cause the

Paying Agent to make, arrangements for Financial Guaranty and its Fiscal Agent (A) to mail checks or drafts to Bondholders entitled to receive full or partial interest payments from Financial Guaranty and (B) to pay principal of the 2004 Bonds surrendered to the Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from Financial Guaranty; and

(ii) The District or the Registrar shall, at the time it makes the registration books available to Financial Guaranty pursuant to (i) above, notify, or cause the Paying Agent to notify, Bondholders entitled to receive the payment of principal of or interest on the 2004 Bonds from Financial Guaranty (A) as to the fact of such entitlement, (B) that, except as provided in paragraph (b) below, in the event that any Bondholder is entitled to receive full payment of principal from Financial Guaranty, such Bondholder must tender his or her 2004 Bond with the instrument of transfer in the form provided on the 2004 Bond executed in the name of Financial Guaranty, (C) that Financial Guaranty will remit to them all or part of the interest payments coming due subject to the terms of the Bond Insurance Policy, and (D) that, except as provided in paragraph (b) below, in the event that such Bondholder is entitled to receive partial payment of principal from Financial Guaranty, such Bondholder must tender his or her Series 2004 Bond for payment first to the Registrar, which shall note on such 2004 Bond the portion of principal paid by the Paying Agent, and then, with an acceptable form of assignment executed in the name of Financial Guaranty, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy.

(b) In the event that the District or Paying Agent has notice that any payment of principal of or interest on a 2004 Bond has been recovered from a Bondholder

pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the District or Paying Agent shall, at the time it or the Paying Agent provides notice to Financial Guaranty, notify all Bondholders that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from Financial Guaranty to the extent of such recovery, and the Paying Agent shall furnish to Financial Guaranty its records evidencing the payments of principal of and interest on the 2004 Bonds which have been made by the Paying Agent and subsequently recovered from such Bondholders, and the dates on which such payments were made.

(c) Financial Guaranty shall, to the extent it makes payment of principal of or interest on the 2004 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (i) in the case of subrogation as to claims for past due interest, the Registrar shall note Financial Guaranty's rights as subrogee on the registration books maintained by the Registrar upon receipt from Financial Guaranty of proof of the payment of interest thereon to the Bondholders of the 2004 Bonds and (ii) in the case of subrogation as to claims for past due principal, the Registrar shall note Financial Guaranty's rights as subrogee on the registration books for the 2004 Bonds maintained by the Registrar upon receipt of proof of the payment of principal thereof to the Bondholders of such 2004 Bonds. Notwithstanding anything in this Resolution, the Bond Resolution or the 2004 Bonds to the contrary, the District or the Paying Agent shall make payment of such past due interest and past due principal directly to Financial Guaranty to the extent that Financial Guaranty is a subrogee with respect thereto.

J. Payment Procedure Pursuant to the Reserve Policy. As long as the Reserve Policy shall be in full force and effect, the District and the Paying Agent, as applicable, agree to comply with the following provisions:

(a) If the District shall fail to repay any Policy Costs (as defined in the Reserve Agreement), Financial Guaranty shall be entitled to exercise any and all remedies available at law or in equity or under the Bond Resolution other than (i) acceleration of the maturity of the 2004 Bonds or (ii) remedies which would adversely affect Bondholders.

(b) The Bond Resolution shall not be discharged until all Policy Costs owing to Financial Guaranty shall have been paid in full.

(c) As security for the District's repayment obligations with respect to the Reserve Policy, Financial Guaranty shall be granted a security interest in the Pledged Revenues, subordinate only to that of the Bondholders.

(d) The Paying Agent shall ascertain the necessity for a claim upon the Reserve Policy and to provide notice to Financial Guaranty in accordance with the terms of the Reserve Policy at least two business days prior to each Interest Payment Date.

(e) The Bond Resolution or this Resolution shall not be modified or amended without the prior written consent of Financial Guaranty.

(f) Financial Guaranty shall be given written notice of the resignation or removal of the Paying Agent and of the appointment of a successor thereto, at 125 Park Avenue, New York, New York 10017, Attention: Risk Management.

(g) The Paying Agent or such other third party as shall be acceptable to Financial Guaranty shall be the custodian of the Reserve Policy and act as fiduciary for the Bondholders in respect thereof.

(h) The Reserve Policy shall terminate on the earlier of the scheduled final maturity date of the 2004 Bonds Outstanding as of the issuance date of the Reserve Policy or the date on which no 2004 Bonds are Outstanding under the Bond Resolution.

(i) The Reserve Policy shall not be issued unless the District shall have satisfied all of the conditions set forth in the Financial Guaranty commitment for the issuance of its Municipal Bond Debt Service Reserve Fund Policy attached hereto as Exhibit E, as the same may have been amended up to and including the issuance date of the Reserve Policy, including the incorporation of the terms and conditions contained in the exhibits thereto.

Prior to delivery of the Reserve Policy, the District shall deliver to Financial Guaranty an executed Reserve Agreement in substantially the form attached hereto as Exhibit F and an opinion of counsel to the District in form and substance satisfactory to Financial Guaranty as to the due authorization, validity and enforceability of the Reserve Agreement.

**SECTION 17. BOOK ENTRY BONDS.** That the Board hereby determines that the registration of the 2004 Bonds be by a Book Entry system of registration. The Chairperson, the Vice Chairperson, and the Chief Financial Officer are each hereby authorized and directed to execute and deliver all documents or instruments found to be in acceptable form by the District Attorney and Co-Bond Counsel, to evidence such Bond Entry System of registration, the execution and delivery by any of such officers of the District of any document or instrument relating to the Book Entry system of registration shall constitute conclusive evidence of the District's approval thereof.

**SECTION 18. SEVERABILITY OF INVALID PROVISIONS.** That if any one or more of the covenants, agreements or provisions of this Resolution should 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 separate from the remaining covenants, agreements or provisions, and shall in no way affect the validity of any of the other provisions of this Resolution or of the 2004 Bonds.

**SECTION 19. FURTHER AUTHORIZATIONS; RATIFICATION OF PRIOR ACTS.** That the Chairperson, the Vice Chairperson, the Chief Financial Officer, the District Clerk, the District Attorney and any other authorized official of the District, be and each of them is hereby authorized and directed to execute and deliver any and all documents and instruments, and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, including, but not limited to, complying with any conditions to obtain the Bond Insurance Policy or Reserve Policy. All actions heretofore taken and documents prepared or executed by or on behalf of the District by any of its authorized officers in connection with the transactions contemplated hereby are hereby ratified, confirmed, approved and adopted.

**SECTION 20. REPEALER.** That all resolutions or proceedings, or parts thereof, in conflict with the provisions of this Resolution are to the extent of such conflict hereby repealed.

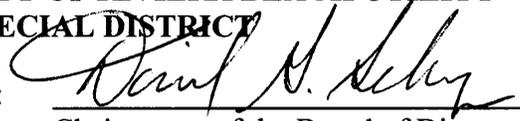
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**SECTION 21. EFFECTIVE DATE.** That this Resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED this the 30th day of August, 2004.

**CITY OF RIVIERA BEACH UTILITY  
SPECIAL DISTRICT**

By:



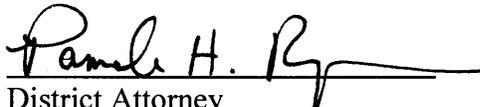
Chairperson of the Board of Directors of  
the City of Riviera Beach Utility Special  
District

Attest:

  
District Clerk

The foregoing Resolution is hereby approved by me as to form, language and execution this 30<sup>th</sup> day of August, 2004.

By:

  
District Attorney

**City of Riviera Beach Utility Special District  
Water and Sewer Revenue Bonds, Series 2004**

**LIST OF EXHIBITS**

Exhibit A	Escrow Deposit Agreement
Exhibit B	Bond Purchase Agreement
Exhibit C	Draft Preliminary Official Statement
Exhibit D	Letter of Recommendations from Public Financial Management
Exhibit E	Commitment for Bond Insurance and Reserve Policy from Financial Guaranty Insurance Company
Exhibit F	Debt Service Reserve Fund Policy Agreement