

ORDINANCE NO. 338

A ORDINANCE OF THE CITY OF MEXICO BEACH, FLORIDA, AUTHORIZING A FINANCING OF NOT TO EXCEED \$4,190,000 FROM THE GULF BREEZE, FLORIDA, MUNICIPAL BOND FUND PROGRAM TO FUND THE REFUNDING OF CERTAIN OUTSTANDING DEBT OBLIGATIONS OF THE CITY AND ACQUISITION AND CONSTRUCTION OF CAPITAL IMPROVEMENTS FOR THE CITY'S WASTEWATER UTILITY SYSTEM; AUTHORIZING THE SUBMISSION OF A LOAN APPLICATION; AUTHORIZING THE EXECUTION AND DELIVERY OF A LOAN AGREEMENT IN CONNECTION THEREWITH; AUTHORIZING THE ISSUANCE OF \$4,190,000 CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 1997 TO EVIDENCE THE OBLIGATION OF THE CITY TO REPAY SUCH LOAN; PLEDGING CERTAIN REVENUES OF THE CITY TO SECURE THE REPAYMENT OF THE BONDS; AUTHORIZING THE PROJECT; AUTHORIZING CERTAIN OTHER MATTERS IN CONNECTION THEREWITH AND PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, the City of Mexico Beach, Florida (the "Issuer") is duly authorized pursuant to the Constitution of the State of Florida, Chapter 166, Florida Statutes, as amended, and other applicable provisions of law (collectively, the "Act") to acquire and construct certain capital improvements to a waste-water utility serving the Issuer (the "Project", as hereinafter defined) for the benefit of the citizens and residents of the Issuer, to borrow money and issue Bonds to facilitate financing of the costs of such Project, and to borrow money and issue Bonds to refund certain obligations described herein; and

WHEREAS, the Issuer has entered in to agreements (the "Treatment Agreements") with Bay County, a political subdivision of the State of Florida (the "County") whereby the County will construct, own and operate a regional wastewater treatment facility and transmission lines thereto (the "Regional Project"), and will reserve for the Issuer a dedicated portion of the transmission and treatment capacity thereof (such capacity constituting a portion of the Project); and

WHEREAS, the Treatment Agreements require that the Issuer pay to Bay County its allocated costs of the portions of the Regional Project allocated to the Issuer; and

WHEREAS, the City of Gulf Breeze, Florida, has heretofore issued its Variable Rate Demand Revenue Bonds, Series 1995A (the "Program Bonds") and applied the proceeds thereof to establish a Municipal Bond Fund program (the "Program") for the purpose of financing and refinancing certain capital projects of participating local governmental entities situated in the State of Florida and

acquiring bonds of local governmental entities issued for such purpose; and

WHEREAS, the Issuer finds that it is in the best interest to finance the Project through the sale of its bonds to the Program; and

WHEREAS, the Issuer has also identified a refinancing program including the refunding of certain outstanding obligations (such refinancing program, as more particularly described in the hereinafter defined Loan Agreement, hereinafter collectively referred to as the "Refunding Program") which the Issuer wishes to finance from the sale of its Bonds to the Program; and

WHEREAS, under the provisions of the documents pursuant to which the Program was established, the Issuer must submit its application (the "Loan Application") for participation in the Program to the Program Administrator for review and approval; and

WHEREAS, the Issuer wishes to approve the form of application, identify the Project to be financed and the specific outstanding obligations to be refinanced and provide for the terms and security for the repayment of the Bonds sold to the Program; and

WHEREAS, to evidence the use of funds from the Program to purchase the Bonds (the "Loan"), the Issuer will execute and deliver a Loan Agreement (the "Agreement" or "Loan Agreement") and will execute and deliver the 1997 Bonds (the "1997 Bonds"); and

WHEREAS, to secure its obligation to repay the 1997 Bonds, any Additional Parity Obligations issued in accordance herewith, and Administrative Costs related thereto, the Issuer wishes to pledge the Pledged Revenues, as defined herein (the "Pledged Revenues"); and

WHEREAS, the Issuer expects that a portion of the costs of the Project will be financed with the proceeds of its \$2,303,1000 Waste-Water Collection System Revenue Bonds (the "RECD Parity Bonds"), and that the obligation to repay the RECD Parity Bonds will be secured by a pledge of the Pledged Revenues on a parity with the pledge of the Pledged Revenues in favor of the 1997 Bonds, whether such RECD Parity Bonds are issued prior to or after the issuance of the 1997 Bonds; and

WHEREAS, the Issuer wishes to authorize the officers and employees of the Issuer to take all action necessary to obtain the Loan, to deliver and sell the Bonds to the Program and complete the financing in the manner contemplated by the Agreement and this Ordinance,

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Mexico Beach, Florida, as follows:

Section 1. DEFINITIONS. Terms defined in the preambles hereof shall have the meanings set forth therein. Upon the issuance of any Additional Parity Obligation, the terms defined on Schedule X attached hereto shall have the meanings set forth therein. All capitalized terms used herein which are defined in the Loan Agreement shall have the meanings assigned thereto in the Loan

Agreement, unless the context affirmatively requires otherwise. In addition, the following terms shall have the meanings set forth below:

"Act" means Chapter 166, Florida Statutes, as amended, and other applicable provisions of law.

"Additional Parity Obligations" shall mean RECD Parity Bonds any additional obligations hereafter issued in compliance with the terms, conditions and limitations contained herein and which shall have an equal lien upon the Pledged Revenues, and rank equally in all respects with the 1997 Bonds.

"Administrative Costs" shall mean, as to the 1997 Bonds, the amounts due under the Loan Agreement which are in addition to payment of principal, premium and interest on the 1997 Bonds.

"Average Bond Service Requirement" shall mean for any series of Bonds the sum of the Bond Service Requirements in each year in which such series of Bonds is outstanding divided by the number of years such series of Bonds is scheduled to remain outstanding.

"Authorized Investments" shall mean any of the following which at the time are legal investments for the Issuer under applicable laws, for the moneys held under this Ordinance then proposed to be invested therein: (a) United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations for which the faith and credit of the United States are pledged for the payment of principal and interest, and/or (b) obligations of Federal Farm Credit Banks, or their predecessor issuers, which are Federal Land Banks, the Banks for Cooperatives, and the Federal Intermediate Credit Banks, and/or (c) obligations of the Federal Home Loan Bank Board, and/or (d) obligations of the Federal National Mortgage Association, and/or (e) time (including savings accounts) or demand deposits in any bank or trust company authorized to accept deposits of public funds, which are fully insured by the FDIC, and/or (f) repurchase agreements with a financial institution or recognized dealer which are fully secured at all times by obligations described in (a) through (d) of this definition, and/or (g) Municipal Obligations, and/or (h) investments under the Investment of Local Government Surplus Funds Act, Chapter 218, Part IV, Florida Statutes or any successor law and/or (i) any other investments approved in writing by the applicable Municipal Insurer.

"Bank" shall mean the provider of the Letter of Credit or other Credit Facility for the Program, initially Barnett Bank of Jacksonville, N.A., and its successors and assigns, and, upon the issuance and delivery of a Substitute Letter of Credit, shall mean the issuer of such Substitute Letter of Credit and its successors and assigns. If the Bank consolidates with, merges, or converts into, or transfers substantially all of its assets to another corporation or national banking association comprised of banking institutions owned by or in common with Barnett Bank of Jacksonville, N.A., the resulting, surviving, or transferee corporation or national association, without any further act shall be the successor Bank.

"Board" shall mean the City Council, as the governing board of the Issuer, or its successor in

function.

"Bond Registrar" or "Registrar" shall mean the City Clerk of the Issuer, until and unless another person is appointed to perform the duties of Bond Registrar hereunder.

"Bond Service Requirement" for any Bond Year, as applied to the Bonds of any series, shall mean the sum of:

(1) The amount required to pay the interest becoming due on the Bonds of such series during such Bond Year, except to the extent that such interest shall have been provided by payments into the Sinking Fund out of bond proceeds for a specified period of time. For purposes hereof, interest on Participant Bonds shall be assumed to accrue at a rate equal to the interest rate last published as the 20 Year Revenue Bond Rate by *The Bond Buyer* as of the last business day of the month prior to the date of determination of the Bond Service Requirement.

(2) The amount required to pay the principal of Serial Bonds of such series maturing in such Bond Year.

(3) The Amortization Installment for the Term Bonds of such series for such Bond Year. In computing the Bond Service Requirement for any Bond Year for Bonds of any series, the Issuer shall assume that an amount of the Term Bonds of such series equal to the Amortization Installment for the Term Bonds of such series for such Bond Year will be retired by purchase or redemption in such Bond Year or that payment of such amount of Term Bonds at maturity will be fully provided for in such Bond Year. When determining the amount of principal of and interest on the Bonds which mature in any year, for purposes of this Ordinance or the issuance of any Additional Parity Obligations, the stated maturity date of Term Bonds shall be disregarded, and the Amortization Installment, if any, applicable to Term Bonds in such year shall be deemed to mature in such year.

The Bond Service Requirement for any Bond Year shall be adjusted to reflect any amounts on deposit in the Sinking Fund in excess of current requirements (including amounts required to cure any deficiencies in prior deposits) and available for the payment of the Bond Service Requirement in such Bond Year.

"Bond Year" shall mean the annual period ending on a principal maturity date, or, with respect to the Rebate Fund, the period defined by the Code.

"Bonds" shall mean the 1997 Bonds and all Additional Parity Obligations.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Default Rate" means a rate equal to the rate announced by the Bank as its Prime Rate plus 4% which rate shall change as and when such Prime Rate changes; however, such rate shall not exceed the Maximum Rate.

"Federal Securities" shall mean direct obligations of the United States of America and obligations the principal of and interest on which are fully guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor.

"Fiscal Year" shall mean the period commencing on October 1 of each year and continuing to and including the succeeding September 30, or such other annual period as may be established by law as the Issuer's fiscal year.

"Fitch" shall mean Fitch Investors Service, Inc., if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency which rates the Bonds as may be designated in writing by the Issuer.

"Holder of Bonds," "Bondholders," "Registered Owner" or "Owner" or any similar term shall mean the owner of any registered 1997 Bond, as shown on the Bond Register. The Issuer may deem and treat the person in whose name any 1997 Bond is registered as the absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof and interest due thereon, and for all other purposes.

"Issuer" shall mean the City of Mexico Beach, a municipal corporation of the State of Florida.

"Loan Agreement" shall mean that certain Loan Agreement, dated as of _____ 1, 1997, among the Issuer, the Trustee, and the Program Administrator, providing for the funding of the Project and the Refunding Program through the purchase of the 1997 Bonds.

"Maximum Bond Service Requirement" for any series of Bonds shall mean, as of any particular date of calculation, the greatest amount of aggregate Bond Service Requirements for the then current or any future Bond Year.

"Maximum Rate" means the lesser of (a) the highest interest rate that may be borne by the Bonds, under State law, and (b) 15% per year.

"Moody's" shall mean Moody's Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency which rates the Bonds as may be designated in writing by the Issuer.

"Municipal Insurer" shall mean in respect of the 1997 Bonds, the Bank.

"Municipal Obligations" shall mean obligations, the interest on which is exempt from federal income tax under Section 103(a) of the Internal Revenue Code of 1954, as amended, or which is excluded from individual gross income pursuant to Section 103 of the Code, provided that such obligations are rated in one of the two highest categories by two Rating Agencies.

"Net Revenues" shall mean the revenues defined as such in the ordinance authorizing the issuance of the RECD Parity Bonds.

"Non-Ad Valorem Revenues" shall mean all legally available revenues of the Issuer derived from any source whatsoever other than ad valorem taxation on real and personal property and which are legally available for payment of debt service on the Notes.

"Participant Bonds" shall mean Bonds, including the initial 1997 series of Bonds authorized under Section 5 hereof, registered in the name of the Bank or the Trustee which are purchased upon original issuance pursuant to the Program and a Loan Agreement; and any other Participant Bonds hereafter issued under the Program.

"Paying Agent" shall mean the City Clerk of the Issuer, or if the City Clerk no longer serves in such capacity, such term shall mean the bank or trust company which the Issuer may designate to serve as paying agent for a series of Bonds.

"Pledged Revenues" shall mean the (1) the Net Revenues of the Water System and the Net Revenues of the Sewer System and (2) until otherwise applied as provided herein, the moneys held in the funds and accounts hereunder (except the Rebate Fund), including the moneys in the Issuer's Reservation Account for the 1997 Bonds, as provided in the Loan Agreement, and the income on investment thereof.

"Project" shall mean the acquisition and construction of additions, extensions and improvements comprised of capital improvements to the Wastewater Utility System, pursuant to the plans and specifications on file, or to be on file, with the Issuer.

"Pre-refunded Municipal Obligations" shall mean pre-refunded municipal obligations rated "AAA" by Standard & Poor's and "Aaa" by Moody's meeting the following requirements:

- A. the municipal obligations are (1) not subject to redemption prior to maturity or (2) the escrow agent has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;
- B. the municipal obligations are secured by cash or United States Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;
- C. the principal of and interest on the United States Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

- D. the cash or United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;
- E. no substitution of a United States Obligations shall be permitted except with another United States Obligation and upon delivery of a new Verification; and
- F. the cash or United States Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

"Prime Rate" shall mean the fluctuating rate of interest established by the Bank from time to time as its Prime Rate, whether or not such rate shall be otherwise published. The Prime Rate is established by the Bank as an index or base rate and may or may not at any time be the best or lowest rate charged by the Bank on any loan. If at any time or from time to time the Prime Rate increases or decreases, then any interest rate hereunder based on the Prime Rate shall be correspondingly increased or decreased as of the date of the increase or decrease in the Prime Rate. In the event that the Bank, during the term hereof, shall abolish or abandon the practice of establishing a Prime Rate, or should the same become unascertainable, the Bank shall designate a comparable reference rate which shall thereafter be deemed to be the Prime Rate for purposes of this Agreement.

"Prior Bonds" shall mean the remaining bonds outstanding of the not exceeding \$557,700 City of Mexico Beach, Florida Water Revenue Bonds, issued pursuant to Ordinance Number 85, enacted November 14, 1978; not exceeding \$72,000 Water Revenue Bonds, Series 1980, issued pursuant to Ordinance Number 94, enacted November 27, 1979; not exceeding \$721,000 Water System Junior Lien Revenue Bonds, Series 1995A and not exceeding \$108,600 City of Mexico Beach, Florida Water System Junior Lien Revenue Bonds, Series 1995B issued pursuant to Ordinance No. 95-297, as amended and supplemented.

"Program" shall mean the City of Gulf Breeze, Florida, Municipal Bond Fund program, as described in that certain Trust Indenture, dated as of April 1, 1997, between the City of Gulf Breeze, Florida, and the Trustee.

"Rating Agencies" shall mean Fitch, Standard & Poor's, and Moody's, and any successors thereof.

"RECD Parity Bonds" shall mean the Participant's \$2,303,100 Sewer System Revenue Bonds issued pursuant to the RECD Parity Bonds Ordinance.

"RECD Parity Bonds Ordinance" shall mean Ordinance No. _____ duly enacted by the Participant on _____, authorizing the issuance of the RECD Parity Bonds.

"Rebate Fund" shall mean the fund as designated and created pursuant to Section 15(K) hereof.

"Refunded Bonds" shall mean the Participant's Water Revenue Bonds, Series 1982, issued

pursuant to Ordinance No. 133 of the Participant and outstanding as of February 1, 1997 in the amount of \$131,000.

"Registrar" shall mean initially, the Issuer, as the paying agent for the Bonds, and thereafter such other person, firm or corporation as may, from time to time be designated by the Issuer as the Registrar for the Bonds.

"Remaining Revenues" shall mean the Pledged Revenues remaining after all payments in respect of the RECD Parity Bonds, the Participant Bonds, and any Additional Parity Obligations have been made.

"Reserve Requirement" shall mean as to the 1997 Bonds, \$0.

"Ordinance" shall mean this Ordinance of the Issuer as hereafter amended and supplemented from time to time in accordance with the provisions hereof.

"Serial Bonds" shall mean the Bonds of a series which shall be stated to mature in annual installments.

"Wastewater System" or "Sewer System" shall mean the complete sewer utility system of the Issuer together with any and all assets, improvements, extensions and additions thereto hereafter constructed or acquired.

"Water System" shall mean the complete water system owned, operated and maintained by the Participant, together with any and all assets, improvements, extensions and additions thereto hereafter constructed or acquired.

"Standard & Poor's" shall mean Standard & Poor's Ratings Services or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency which rates the Bonds as may be designated in writing by the Issuer.

"State" shall mean the State of Florida.

"Taxable Bonds" shall mean any series of Bonds issued after the 1997 Bonds, the interest on which is not excluded from gross income for federal income tax purposes.

"Term Bonds" shall mean the Bonds of a series all of which shall be stated to mature on one date and which shall be subject to retirement by operation of the Bond Amortization Account.

"Trustee" shall mean SunTrust Bank, Central Florida, National Association, as Trustee for the Program.

"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.

"Wastewater Treatment Contract" means that certain Wastewater Treatment Contract, dated as of _____, 1997, between the Participant and Bay County, Florida, providing for the construction of certain wastewater facilities by and payment of certain amount to Bay County.

"1997 Bonds" shall mean the obligations of the Issuer authorized to be issued pursuant to Section 5 of this Resolution and sold and delivered to the Program pursuant to the Loan Agreement.

"1997 Project" shall mean the acquisition, construction and equipping of the capital improvements described on Exhibit "A" attached hereto.

Section 2. FINDINGS. It is hereby found, determined and declared that:

(A) The Refunding Program identified in the preambles hereof and the attached Loan Agreement and the 1997 Project constitute a financing or refinancing of a capital project within the meaning of the Act, and the accomplishment of the Refunding Program and the acquisition and construction of the 1997 Project is necessary and desirable, is in the public interest and will serve a proper public purpose.

(B) The financing of the costs of the 1997 Project and the Refunding Program through the issuance of the 1997 Bonds to be purchased with funds from the Program, and through the RECD Loan is in the best interest of the public and will enable the Issuer to complete the Project and the Refunding Program in a timely manner and to comply with the conditions and covenants required by the Program to obtain the financing of the Project.

(C) The Issuer anticipates receipt of Pledged Revenues sufficient to pay the principal and interest and all other amounts payable with respect to the 1997 Bonds, including all Administrative Costs, and on the RECD Loan.

(D) The Pledged Revenues are not pledged, encumbered or hypothecated by any resolution, agreement, indenture, ordinance or other instrument to which the Issuer is a party or by which it is bound, except for payment of Administrative Costs as set forth in the Loan Agreement, the payment of the RECD Parity Bonds, and except that the portion of the Net Revenues derived from the gross revenues of the Water System is subject to a prior lien in favor of the Prior Bonds and the Refunded Bonds.

(E) It is desirable to refund the Refunded Bonds in order to accomplish substantial savings in debt service.

(F) It is necessary and desirable that the Issuer acquire the 1997 Project in order to secure for the citizens, residents and taxpayers of the benefits of the Project. There are no funds

currently available to the Issuer sufficient to pay the costs of the 1997 Project, and it is most advantageous for the Issuer to finance such acquisition through the issuance of Bonds.

(G) The estimated cost of the 1997 Project and the Refunding Program authorized herein does not exceed the amount set forth in the title hereof. Such costs shall be paid from the proceeds derived from the sale of the 1997 Bonds, together with other funds, if any, available to the Issuer. Such costs shall be deemed to include such expenses as may be necessary, incident and proper for the financing herein authorized.

(H) The principal of and interest on the Bonds and all required Sinking Fund, reserve and other payments shall be limited obligations of the Issuer, payable solely from and secured by an irrevocable lien upon and pledge of the Pledged Revenues, as provided herein. The Bonds shall not constitute an indebtedness, liability, general or moral obligation, or a pledge of the faith, credit or taxing power of the Issuer, the State of Florida, or any agency, instrumentality or political subdivision thereof, within the meaning of any constitutional or statutory provisions or limitations. Neither the State of Florida, nor any agency, instrumentality or political subdivision thereof, nor the Issuer shall be obligated (1) to levy ad valorem taxes on any property to pay the principal of the Bonds, the interest thereon, the reserves therefor, or other costs incidental thereto or (2) to pay the same from any other funds of the Issuer, except from the Pledged Revenues, in the manner provided herein.

The Bonds shall not constitute a lien upon any property of the Issuer, but shall constitute a lien only on the Pledged Revenues in the manner provided herein. The Issuer has covenanted to budget and appropriate sufficient amounts of the Non-Ad Valorem Revenues to provide for payment of the 1997 Bonds under certain circumstances as provided herein.

(I) The estimated Pledged Revenues to be derived by the Issuer will be sufficient to make all required payments with respect to the Prior Bonds, and the RECD Parity Bonds, and to pay all principal of and interest on the 1997 Bonds to be issued hereunder, as the same become due, and to make all required Sinking Fund, Reserve and other payments required by this Ordinance and the Loan Agreement. The Issuer has covenanted to budget and appropriate sufficient amounts of the Non-Ad Valorem Revenues to provide for payment of the 1997 Bonds under certain circumstances as provided herein. However, it is reasonably expected that the Non-Ad Valorem revenues will not be needed for such purposes.

Section 3. PROJECT AND REFUNDING PROGRAM FINANCING AUTHORIZED.

A. The 1997 Project is hereby authorized, and shall be financed with the proceeds of the Bonds as provided herein.

B. The Issuer deems it necessary and in its best interest to provide for the refunding of the Refunded Bonds. The refunding program herein described will be advantageous to the Issuer by accomplishing substantial debt service savings. The refunding of the Refunded Bonds is hereby authorized and shall be accomplished as required in Section 13 hereof.

C. The cost of the refunding and of the 1997 Project authorized herein shall be deemed to include, without limitation, the fees of fiscal agents, financial advisors or consultants; administrative expenses relating solely to the refunding of the Refunded Bonds; the premiums and other costs of obtaining insurance on the Bonds; discount on sale of Bonds; repayment of interim advances and indebtedness, if any, for the 1997 Project; engineering, survey, appraisal, title insurance, legal fees and other related costs of the acquisition of the 1997 Project, and such other costs and expenses as may be necessary or incidental to the financing herein authorized, the refunding of the Refunded Bonds, and the acquisition and construction of the 1997 Project.

Section 4. APPROVAL OF LOAN APPLICATION AND LOAN AGREEMENT. The Issuer hereby ratifies and approves the Loan Application with respect to the Program filed with the Program Administrator, and the Trustee under the Program, and attached hereto as Exhibit "A."

The Issuer hereby authorizes and directs the Mayor to execute, and its City Clerk to attest under the corporate seal of the Issuer, the Loan Agreement and to deliver said Loan Agreement on behalf of the Issuer, to the Trustee and to the City of Gulf Breeze as sponsor of the Program. All of the provisions of said Loan Agreement shall be deemed to be part of this Ordinance as fully and to the same extent as if incorporated verbatim herein, and said Loan Agreement shall be in substantially the form attached hereto as Exhibit "B," with such changes, amendments, modifications, omissions and additions as may be approved by the Mayor. Execution by the Mayor of said Loan Agreement shall be deemed to be conclusive evidence of approval of such changes.

Section 5. AUTHORIZATION OF 1997 BONDS. Subject and pursuant to the provisions hereof, obligations of the Issuer to be known as "Wastewater Utility System Revenue Bonds, Series 1997", herein defined as the "1997 Bonds", are authorized to be issued as Participant Bonds in the aggregate principal amount set forth in the title of this Ordinance.

Section 6. THIS INSTRUMENT CONSTITUTES A CONTRACT. The Issuer covenants and agrees that this Ordinance shall constitute a contract between the Issuer and the owners from time to time of the Bonds and that all covenants and agreements set forth herein and the Bonds to be performed by the Issuer shall be for equal and ratable benefit and security of all owners of the Bonds.

The provisions hereof shall also be deemed to be for the benefit of the Bank, the Trustee and each Municipal Insurer, subject only to the rights of the owners of the Bonds.

Section 7. DESCRIPTION OF 1997 BONDS. The 1997 Bonds shall be issued in fully registered form, shall be payable with respect to both principal and premium, if any, upon presentation and surrender on the date fixed for maturity or redemption thereof at the principal office of the City Clerk in the City of Mexico Beach, or the corporate trust office of any successor Paying Agent hereafter designated by resolution of the Issuer; and shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public or

private debts, all in accordance with and pursuant to the terms of this Ordinance and the 1997 Bonds. No 1997 Bond issued in fully registered form shall be or become valid or binding for any purpose unless the same shall have been duly executed by the manual signature of an authorized signatory of the Registrar. Interest on 1997 Bonds in registered form, when due and payable, shall be paid by check or draft mailed by the Paying Agent to the person in whose name the Bond is registered, at the address shown in the Bond Register, at the close of business on the 15th day of the calendar month (whether or not a business day) next preceding the interest payment date for the 1997 Bonds (the "Record Date") irrespective of any transfer of the 1997 Bonds subsequent to such Record Date and prior to such interest payment date, unless the Issuer shall be in default in the payment of interest due on such interest payment date; provided, however, that the Registrar will, at the written request of any Registered Owner of One Hundred Thousand Dollars (\$100,000) or more in aggregate principal amount of 1997 Bonds, make payments of interest on such 1997 Bonds by wire transfer to the account within the United States designated by such Registered Owner to the Registrar in writing at least five (5) days before the Record Date of such payments. In the event of any such default, such defaulted interest shall be payable to the persons in whose names the 1997 Bonds are registered at the close of business on a special record date for the payment of defaulted interest as established by notice mailed by the Bond Registrar to the Registered Owners of the Bonds not less than fifteen days preceding such special record date. Such notice shall be mailed to the persons in whose names such Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

If the date for payment of the principal of, premium, if any, or interest on the 1997 Bonds shall be a Saturday, Sunday, legal holiday or a day on which the banking institutions in the city where the corporate trust office of the Paying Agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday or legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

The 1997 Bonds shall bear interest at such rate, and shall be payable as to principal, premium, and interest on such dates and in such amounts as provided on Schedule I attached hereto.

Section 8. EXECUTION OF BONDS. The Bonds shall be executed in the name of the Issuer by its Mayor or Mayor pro-tem, and attested by the City Clerk, and its official seal or a facsimile thereof shall be affixed thereto or reproduced thereon. The facsimile signature of such officers may be imprinted or reproduced on the Bonds in lieu of manual signatures. The Certificate of Authentication of the Bond Registrar, hereinafter described, shall appear on the 1997 Bonds, and no 1997 Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Ordinance unless such certificate shall have been duly executed on such 1997 Bond. The authorized signature for the Bond Registrar shall at all times be a manual signature. In case any officer whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Any Bonds may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bonds shall hold the proper office with the Issuer, although at the date of adoption of this Ordinance such person may not have

held such office or may not have been so authorized.

Section 9. NEGOTIABILITY, REGISTRATION AND EXCHANGE.

(A) Subject to the provisions hereof respecting registration and transfer, the 1997 Bonds shall be and shall have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, and each successive holder, in accepting any of the 1997 Bonds, shall be conclusively deemed to have agreed that the Bonds shall be and have all of such qualities and incidents of negotiable instruments under the Uniform Commercial Code - Investment Securities of the State of Florida.

(B) There shall be a Bond Registrar for the 1997 Bonds which shall be the Issuer, or a bank or trust company located within or without the State of Florida hereafter designated as successor Registrar. The Bond Registrar shall maintain the registration books of the Issuer and be responsible for the transfer and exchange of the 1997 Bonds. The Issuer hereby designates the Paying Agent to serve as Bond Registrar and Paying Agent. The Bond Registrar shall maintain the books for the registration of the transfer and exchange of the Bonds in compliance with the Florida Registered Public Obligations Act and the system of registration as established by the Issuer pursuant thereto.

1997 Bonds may be transferred upon the registration books, upon delivery to the Registrar, together with written instructions as to the details of the transfer of such 1997 Bonds, along with the social security number or federal employer identification number of such transferee and, if such transferee is a trust, the name and social security or federal employee identification numbers of the settlor and beneficiaries of the trust, the date of the trust and the name of the trustee. No transfer of any 1997 Bond shall be effective until entered on the registration books maintained by the Bond Registrar. Any provision hereof to the contrary notwithstanding, no 1997 Bonds may be transferred to any entity other than the Bank or the Trustee, unless the transferee shall have filed with the Registrar a letter of representations, in form and substance satisfactory to Bond Counsel, assuring that the transferee is a qualified investor and is sufficiently sophisticated to evaluate the creditworthiness of the 1997 Bonds.

Upon surrender for transfer or exchange of any 1997 Bond, the Issuer shall execute and the Bond Registrar shall authenticate and deliver in the name of the registered owner or the transferee or transferees, as the case may be, a new fully registered 1997 Bond or 1997 Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the registered owner is entitled to receive at the earliest practicable time in accordance with the provisions of this Ordinance. The Issuer or the Bond Registrar may charge the owner of such 1997 Bond for every such transfer or exchange an amount sufficient to reimburse them for their reasonable fees and for any tax, fee, or other governmental charge required to be paid with respect to such transfer or exchange, and may require that such charge be paid before any such new 1997 Bond shall be delivered.

All 1997 Bonds presented for transfer, exchange, redemption or payment (if so required by the Bond Registrar), shall be accompanied by a written instrument or instruments of transfer or

authorization for exchange, in form and with guaranty of signature satisfactory to the Bond Registrar, duly executed by the registered owner or by his duly authorized attorney in fact or legal representative.

All 1997 Bonds delivered upon transfer or exchange shall be dated and shall bear interest from such date that neither gain nor loss in interest shall result from the transfer or exchange. New 1997 Bonds delivered upon any transfer or exchange shall be valid obligations of the Issuer, evidencing the same debt as the 1997 Bond surrendered, shall be secured by this Ordinance and shall be entitled to all of the security and the benefits hereof to the same extent as the 1997 Bonds surrendered.

The Issuer and the Bond Registrar may treat the registered owner of any 1997 Bond as the absolute owner thereof for all purposes, whether or not such 1997 Bonds shall be overdue, and shall not be bound by any notice to the contrary. The person in whose name any 1997 Bond is registered may be deemed the registered owner thereof by the Issuer and the Bond Registrar, and any notice to the contrary shall be binding upon the Issuer and the Bond Registrar.

(C) Whenever any 1997 Bonds shall be delivered to the Bond Registrar for cancellation, upon payment of the principal amount thereof, or for replacement, transfer or exchange, such 1997 Bonds shall be cancelled and, upon request of the Issuer, destroyed by the Bond Registrar. Counterparts of the certificate of destruction evidencing any such destruction shall be furnished to the Issuer.

Section 10. BONDS MUTILATED, DESTROYED, STOLEN OR LOST. In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor, date, maturity, denomination and interest rate as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the owner furnishing the Issuer proof of his ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur. All Bonds so surrendered shall be cancelled by the Registrar for the Bonds. If any of the Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bonds be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this section shall constitute original, additional contractual obligations on the part of the Issuer 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 the source and security for payment from the funds, as hereinafter pledged, to the same extent as all other Bonds issued hereunder.

Section 11. PROVISIONS FOR REDEMPTION. The 1997 Bonds shall be subject to optional and mandatory redemption, and mandatory purchase, prior to maturity as provided on Schedule I attached hereto.