

AN ORDINANCE REPEALING ORDINANCES 88 AND 252,
AND RECREATING AND PROVIDING FOR THE MANAGEMENT
OF THE MEXICO BEACH VOLUNTEER FIRE DEPARTMENT.

WHEREAS, the City Council is of the opinion that it is necessary for the protection and preservation of the peace, safety, health and property of the city and its inhabitants, now, therefore, BE IT ORDAINED BY THE PEOPLE OF THE CITY OF MEXICO BEACH:

Section 1. ORGANIZATION. There is hereby organized, created and established within the city, a volunteer fire department to be known as the Mexico Beach Volunteer Fire Department. The supervision, control, compensation, selection, qualification, duties, appointment and enrollment of the members thereof shall be as provided in this ordinance.

Section 2. RESPONSIBILITY & CONTROL. The Police/Fire Chief, of the city, shall have control of all volunteer firemen in so far as such control shall be necessary to assure the proper functioning and carrying out the purpose of the volunteer fire department, subject, however, to the supervision of the fire liasion, and subject to the provisions of this ordinance or the Charter of the City.

Section 3. RULES & BY-LAWS. The volunteer fire department may make and promulgate their own rules and by-laws providing for the regulation and government of the volunteer fire department. Provided, however, that such rules and by-laws shall not be in conflict with the provisions of this ordinance and of the Charter of the City. Such rules and by-laws shall be reviewed and approved or disapproved by the City Council.

Section 4. APPOINTMENT OF MEMBERS. At the first regular meeting of the month of the City Council the Police/Fire Chief will submit in writing a roster containing the name of each person who has, during the preceding month, been a member of the volunteer fire department or has made application for membership therein. If there appears upon the roster of members the name of any person not previously duly appointed and enrolled as a member of the volunteer fire department, the City Council shall approve or disapprove such new member, by motion, and such approval or disapproval shall be entered in the minutes of the meeting, at which time such persons shall be deemed to have been duly appointed and enrolled or rejected as a member.

Section 5. QUALIFICATIONS OF MEMBERS. Any person may be eligible for membership in the volunteer fire department who shall be eighteen (18) years of age or over and in good physical health, the volunteer fire department may, by its own rules and by-laws, establish any other qualifications for membership as to them may be reasonable and necessary.

Section 6. NUMBER OF MEMBERS. The membership of the volunteer fire department shall not exceed fifteen (15) members, and shall contain in addition to the Police/Fire Chief at least (1) assistant fire chief (administrative/operational) appointed by the volunteer fire department supervisor as provided in its rules and by-laws.

Section 7. WAGES-COMPENSATION. Compensation for the members of the volunteer fire department shall be paid by the City and will be computed in the following manner:

- The supervisor over the Fire Department shall be compensated in the amount of Two Hundred Dollars (\$200.00) to be dispersed as he deems appropriate and consistent with written policy,
- In addition, a list of members attending fires, regularly scheduled drills or meetings of the volunteer fire department shall be submitted to the City Council at a regular meeting of each quarter, certified by the Supervisor over the Fire Department,
- The City Clerk shall be directed to pay each member a sum of ten dollars (\$10.00) for one meeting per month,
- Ten dollars (\$10.00) for up to three training drills per month,
- Ten dollars (\$10.00) for each and every fire attended by such member.

These monetary disbursements are payable to fire department members not to exceed the annual amount of funds placed in the fire department budget for other wages. This does not preclude additional non-payment drills or meetings to be scheduled during this period. A member may direct payment to the volunteer fire department fund. Disbursement of such monies from the volunteer fire department fund shall be as provided in the rules and by-laws of the volunteer fire department.

Section 7a. All ordinances and parts of ordinances in conflict herewith are repealed.

Section 8. MEMBERSHIP AND PARTICIPATION. Membership and participation by the members of the volunteer fire department shall be entirely on a volunteer basis. The volunteer fire department may, by the provisions of its rules and by-laws, provide for the dismissal or disenrollment of any member of the volunteer fire department who shall appear to be avoiding or shirking his duty with regard to attendance at fires, drills and/or meetings without good cause. The City Council may also, for good cause shown, dismiss or disenroll any member of the volunteer fire department.

Section 9. DRILLS AND MEETINGS. There shall be a minimum of one(1) drill or meeting of the volunteer fire department held in each month. Time, date and place of such drill or meeting to be provided for in the rules and by-laws of the volunteer fire department.

Section 10. EFFECTIVE DATE. This ordinance shall take effect January 1, 1999.

INTRODUCED at the regular meeting of the City Council on April 13, 1999, and
ADOPTED by the City Council on May 11, 1999.

CITY OF MEXICO BEACH, FLORIDA

Garry J. Gaddis

Garry Gaddis
Mayor-Councilman

ATTEST:

Patricia L. Hutchinson

City Clerk

Bonds in denominations greater than an authorized denomination (or authorized Maturity Amount in the case of Capital Appreciation Bonds) shall be deemed to be an equivalent number of Bonds in the denomination of an authorized denomination (or maturity amount). If a Bond is of a denomination (or maturity amount) larger than an authorized denomination (or maturity amount), a portion of such Bond may be redeemed, in the amount of an authorized denomination (or maturity amount) or integral multiples thereof.

Notice of the redemption of the Bonds or such portions thereof that are called for redemption as aforesaid, shall be given as follows:

For Participant Bonds:

Notice will be given by the Registrar in the name of the Issuer, of the redemption of such Bonds, at least 30 days' written notice sent by certified or registered mail to the Bank, the Administrator and the Trustee.

For Bonds other than Participant Bonds:

Notice will be given by the Registrar in the name of the Issuer, of the redemption of such Bonds, which notice shall specify the series and maturities and interest rates within maturities, if any, of the Bonds to be redeemed, the date of issue of such Bonds as originally issued, the redemption date and the place or places where amounts due upon such redemption will be payable and, if fewer than all of the Bonds of any like series, maturity and interest rate within maturities are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, the CUSIP numbers of such Bonds to be redeemed, and, in the case of the Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, or the redemption price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such date interest thereon shall cease to accrue and be payable. Such notice shall be mailed by the Registrar, by first class mail, postage prepaid, not less than 30 nor more than 60 days before the redemption date, to the registered owners of any Bonds (including Bonds registrable only as to principal) or portions of Bonds which are to be redeemed, at their last addresses appearing upon the Bond Register at the close of business on the last business day of the month preceding the month for which notice is mailed. In the event of any redemption of Bonds at the option of the Issuer, such notice shall be mailed in like manner to the applicable Municipal Insurer, if any, of such Bonds. In the event that any series of Bonds is issuable in bearer form, such notice shall also be published in the manner set forth in the supplemental trust indenture authorizing the issuance of such series. Failure to give such notice, to the registered owner of any Bonds or any defect therein shall not affect the validity of the proceedings for the redemption of Bonds.

In addition to the foregoing notice requirements, the Issuer shall give notice and make redemptions in accordance with Securities and Exchange Commission Release No. 34-3856, if then in effect, or any other release, regulation, procedure, ruling, decision or statute modifying or superseding that release then in effect; provided that if notice complying with the other requirements of this Section is given, neither the failure to comply with this paragraph nor any defect in the giving of any notice pursuant to this paragraph shall affect or invalidate the proceedings for such redemption.

Any provision hereof to the contrary notwithstanding, no notice of redemption of any Bonds other than mandatory sinking fund redemption and excepting any notice that refers to the 1997 Bonds that are the subject of a refunding, shall be given by the Registrar unless provision has been made for the deposit with the Paying Agent of sufficient funds to redeem such Bonds prior to the giving of such notice as required herein.

Notice having been mailed to the Registered Owners 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, notice having been mailed and filed and moneys for payment of the redemption price being held in separate accounts in trust for the holders of the Bonds or portions thereof to be redeemed, all as provided in this Ordinance, 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 Ordinance, and the Owners of such Bonds or portions of Bonds, shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Upon surrender of any Bond for redemption in part only, the Issuer shall issue and deliver to the Registered Owners thereof, the costs of which shall be paid by the Issuer, a new Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion surrendered.

Section 12. FORM OF 1997 BONDS. The text of the 1997 Bonds shall be in substantially the following form with such omissions, insertions and variations as may be necessary and desirable and authorized and permitted by this Ordinance or by any subsequent ordinance or resolution adopted prior to the issuance thereof:

(Form of Bonds)

Registered
No. R-

Registered
\$ _____

**UNITED STATES OF AMERICA
STATE OF FLORIDA
CITY OF MEXICO BEACH
WASTEWATER UTILITY SYSTEM REVENUE BONDS, SERIES 1997**

Rate of Interest

Maturity Date

Dated Date

CUSIP

Registered Owner:

Principal Amount:

KNOW ALL MEN BY THESE PRESENTS, that the City of Mexico Beach, a municipal corporation of the State of Florida (hereinafter called "Issuer") for value received, hereby promises to pay to the Registered Owner set forth above, or registered assigns, on the Maturity Date set forth above, upon presentation and surrender hereof, the Principal Amount set forth above, solely from the revenues hereinafter mentioned, and to pay solely from such revenues, interest on said sum from the Dated Date of this Bond or from the most recent interest payment date to which interest has been paid, at the Rate of Interest per annum set forth above, until the payment of such principal sum, such interest being payable _____ 1, thereafter on the first day of each month of each year when this Bond shall be outstanding. The principal of and premium, if any, on this Bond are payable upon presentation and surrender hereof on the date fixed for maturity or redemption at the principal office of the City Clerk of the Issuer as Paying Agent, or such bank or trust company hereafter designated as successor to the Issuer in accordance with the Ordinance (the "Paying Agent" and "Registrar") in Mexico Beach, Florida, or at the office designated for such payment of any successor thereof. The interest on this Bond, when due and payable, shall be paid by check or draft mailed to the Registered Owner, at his address as it appears on the Bond Register, at the close of business on the 15th day of the month (whether or not a business day) next preceding the interest payment date (the "Record Date"), irrespective of any transfer of this Bond subsequent to such Record Date and prior to such interest payment date, unless the Issuer shall be in default in payment of interest due on such interest payment date; except that the Registrar will, at the written request of any Registered Owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds, make payments of interest on such 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 the Issuer shall be in default in the payment of interest due on such interest payment date, such defaulted interest shall be payable to the Registered Owner 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 Owner of this Bond not less than fifteen days preceding such special record date. Such notice shall be mailed to the person in whose name this Bond is registered at the close of business on the fifth (5th) day preceding the date of mailing. All amounts due hereunder shall be payable in any coin or currency of the United States, which is, at the time of payment, legal tender for the payment of public or private debts.

This Bond is one of a duly authorized issue of Bonds in the aggregate principal amount of \$4,190,000, of like date of original issue, tenor and effect, except as to number, installment, redemption provisions, maturity and interest rate, authorized for the purposes of financing the capital project of the Issuer defined as the "Project" in the hereafter described Ordinance, and refunding certain outstanding obligations of the Issuer, pursuant to the authority of and in full compliance with the Constitution and laws of the State of Florida, including particularly Chapter 166, Florida Statutes, as amended, and other applicable provisions of law, and Ordinance No. __, duly adopted by the Issuer on _____, 1997, as amended and supplemented (herein after called the "Ordinance"). This Bond is subject to all the terms and conditions of such Ordinance, a copy of which is on file with the Paying Agent.

This Bond, and the issue of Bonds of which it is a part, are limited obligations of the Issuer payable solely from and secured by an irrevocable lien upon and pledge of the Pledged Revenues, as defined in the Ordinance, which of certain Net Revenues of the Issuer's water and sewer utility systems. As set forth in the Ordinance, the lien of the Bonds upon the portion of the Net Revenues derived from the Issuer's water system is (i) junior and subordinate to the lien of the Prior Bonds, as defined in the Ordinance and is (ii) on a parity with the lien of the Issuer's outstanding Sewer System Revenue Bonds (the "RECD Parity Bonds"). This Bond does 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 provision or limitation. 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 in the Ordinance. It is further agreed between the Issuer and the registered owner of this Bond that this Bond and the indebtedness evidenced hereby shall not constitute a lien upon any property owned by or situated in the Issuer, but shall constitute a lien only on the Pledged Revenues, in the manner provided in the Ordinance.

In and by the Ordinance the Issuer has covenanted and agreed with the owners of the Bonds that it will (1) take all action legally available to it to insure the receipt of Pledged Revenues sufficient to make all payments of principal and interest on the Bonds, as and when the same become due, and all other payments required by the Ordinance, and will take no action which will impair or adversely affect its receipt of the Pledged Revenues, and (2) set up and appropriate in the annual Issuer budget

for expenditure from the Pledged Revenues, in each of the fiscal years during which the Bonds are outstanding and unpaid, sufficient amounts of such Pledged Revenues to pay one hundred per centum (100%) of the principal and interest becoming due in such year on the outstanding Bonds of this issue and on all other obligations payable on a parity therewith, plus one hundred per centum (100%) of all other payments required by the Ordinance. Pursuant to the Ordinance, the Issuer has reserved the right to amend the Ordinance and to issue additional obligations, payable on a parity with the Bonds, in the manner, and upon the terms and conditions provided in the Ordinance, and has entered into certain other covenants and agreements respecting the Bonds, as to which reference is made to the Ordinance.

The Issuer has covenanted to budget and appropriate Non-Ad Valorem Revenues for payment of the 1997 Bonds under certain circumstances all as defined and described in the Ordinance.

[INSERT REDEMPTION PROVISIONS]

Any such redemption, either in whole or in part, shall be made in the manner and upon the terms and conditions provided in the Ordinance.

Bonds in denominations greater than \$5,000 shall be deemed to be an equivalent number of Bonds of the denomination of \$5,000. In the event a Bond is of a denomination larger than \$5,000, a portion of such may be redeemed, but Bonds shall be redeemed only in the principal amount of \$5,000 or any integral multiple thereof (or such other minimum denomination as may otherwise be provided with respect to Participant Bonds, as defined and described in the Ordinance). In the event any of the Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Bonds or portions thereof to be redeemed will be given by the Registrar (who shall be the Paying Agent for the Bonds, or such other person, firm or corporation as may from time to time be designated by the Issuer as the Registrar for the Bonds) to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the registration books in the manner provided in the Ordinance. Failure to give such notice by mailing to any Registered Owner of Bonds, or any defect therein, shall not affect the validity of any proceeding for the redemption of the Bonds. All Bonds so called for redemption will cease to bear interest after the specified redemption date provided funds for their redemption are on deposit at the place of payment at that time. Upon surrender of any Bond for redemption in part only, the Issuer shall issue and deliver to the Registered Owner thereof, the costs of which shall be paid by the Issuer, a new Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion surrendered.

If the date for payment of the principal of, premium, if any, or interest on this Bond shall be a Saturday, Sunday, legal holiday or a day on which 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, 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.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, and that the issuance of the Bonds of this issue does not violate any constitutional or statutory limitations or provisions.

Subject to the provisions set forth herein for registration and transfer, this Bond is and has all the qualities and incidents of a negotiable instrument under the Uniform Commercial Code - Investment Securities of the State of Florida.

The Bonds are issued in the form of fully registered bonds without coupons in denominations of \$5,000 or any integral multiple of \$5,000. Subject to the limitations and upon payment of the charges provided in the Ordinance, Bonds may be exchanged for a like aggregate principal amount of Bonds of the same maturity of other authorized denominations. This Bond is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing, at the principal office of the duly appointed Registrar, but only in the manner, subject to the limitations and upon payment of the charges provided in the Ordinance, and upon surrender and cancellation of this Bond. Any Bonds delivered for transfer shall be accompanied by written instrument of transfer, in form and with guaranty of signature satisfactory to the Registrar, specifying the details of the transfer of such 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 employer identification numbers of the settlor and beneficiaries of the trust, the federal employer identification number and date of the trust and the name of the trustee. In all cases of the transfer of a Bond, the Registrar shall enter the transfer of ownership in the registration books and shall authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or 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 the Ordinance. No transfer of any Bond shall be effective until entered on the registration books maintained by the Bond Registrar. The transfer of Participant Bonds is restricted to certain investors.

The Issuer may deem and treat the Registered Owner hereof as the absolute owner hereof (whether or not this Bond shall be overdue) for the purpose of receiving payment of or on account of principal hereof and interest due hereon and for all other purposes, and the Issuer shall not be affected by any notice to the contrary.

This Bond shall not be deemed valid or obligatory for any purpose unless it shall have been duly executed by the manual signature of an authorized officer of the Registrar.

IN WITNESS WHEREOF, the _____ has issued this Bond and has caused the same to be executed by the manual or facsimile signature of the _____ of its _____, and its corporate seal or a facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon and attested by the manual or facsimile signature of its _____, all as of Dated Date set forth above.

(SEAL)

By: _____

ATTESTED:

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned _____
_____ (the
"Transferor"), hereby sells, assigns, and transfers unto _____
_____ (Please
insert name and Social Security or Federal Employer Identification number of assignee) the within
Bond and all rights thereunder, and hereby irrevocably constitutes and appoints
_____ (the "Transferee") as
attorney to register the transfer of the within Bond on the books kept for registration 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 or a
commercial bank or a trust company.

NOTICE: No transfer will be registered and no
new Bond will be issued in the name of the
Transferee, unless the signature(s) to this
assignment corresponds 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.

CERTIFICATE OF AUTHENTICATION OF BOND REGISTRAR

This Bond is one of the Issue of the within described Bonds. The Dated Date, the Principal Amount, Rate of Interest, Maturity Date and Registered Owner shown above are correct in all respects and have been recorded, along with the applicable federal taxpayer identification number and the address of the Registered Owner, in the Bond Register maintained for such purposes at the principal offices of the undersigned. This Bond is a Program Bond, subject to the conditions and provisions provided therefor in the Ordinance.

BOND REGISTRAR

By: _____
Authorized Signature

Date of Authentication

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

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

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

UNIF TRANS MIN ACT -- _____
(Cust.)

Custodian for _____

under Uniform Transfers to Minors Act of _____
(State)

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

Section 13. APPLICATION OF BOND PROCEEDS. The net proceeds received from the sale of the 1997 Bonds shall be held by the Trustee pursuant to Section 3.01 of the Loan Agreement and applied to pay the costs of closing the Loan and issuing the 1997 Bonds, and for payment of the Costs of the Project and the Refunding Program, as provided in the Loan Agreement.

The proceeds of 1997 Bonds issued to refund the Refunded Bonds, shall be applied upon receipt to pay and redeem the Refunded Bonds.

Section 14. SPECIAL OBLIGATIONS OF ISSUER. The Bonds shall be limited obligations of the Issuer, payable solely from the Pledged Revenues as herein provided. The Bonds do 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, the purchase price thereof, 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 acceptance of the Bonds by the Owners from time to time thereof shall be deemed an agreement between the Issuer and such Owners that the Bonds and the indebtedness evidenced thereby shall not constitute a lien upon any property of the Issuer, but shall constitute a lien only on the Pledged Revenues, in the manner hereinafter provided.

The payment of the principal of and the interest on the Bonds, and the purchase price of the Bonds upon any mandatory purchase, shall be secured forthwith equally and ratably by an irrevocable lien on the Pledged Revenues, as defined herein, and the Issuer does hereby irrevocably pledge such Pledged Revenues to the payment of the principal of and the interest on the Bonds.

The Issuer does hereby further grant a lien upon the Remaining Revenues to secure payment of all Administrative Costs and for all other required payments.

The lien upon and pledge of the portion of the Pledged Revenues derived from the gross revenues of the Water System to secure the Bonds is (i) subject to the prior lien upon and pledge of the sources of the Pledged Revenues in favor of the Prior Bonds, and is (ii) on a parity with the lien upon and pledge of such funds securing the RECD Parity Bonds.

Section 15. COVENANTS OF THE ISSUER. For as long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid, or until payment has been provided for as herein permitted, or until there shall have been set apart in the Sinking Fund, herein established, including the Reserve Account therein, a sum sufficient to pay when due the entire principal of the Bonds remaining unpaid, together with interest accrued and to accrue thereon, the Issuer covenants with the Holders of any and all Bonds as follows:

A. ANNUAL APPROPRIATION. The Issuer will set up and appropriate in the annual budget for expenditure in each of the Fiscal Years during which the Bonds are outstanding and unpaid, from the Pledged Revenues, sufficient amounts of such Pledged Revenues to pay one hundred per centum (100%) of the principal and interest becoming due in such year on the outstanding Bonds and all other obligations payable on a parity therewith, plus one hundred per centum (100%) of all other payments required by this Ordinance or the Loan Agreement. Such covenant and agreement on the part of the Issuer to budget and appropriate sufficient amounts of such Pledged Revenues to make all payments required by this Ordinance, including any Administrative Costs or amounts payable to the Municipal Insurer under the terms of this Ordinance, shall be cumulative, and shall continue until such Pledged Revenues in amounts sufficient to make all required payments shall have been budgeted, appropriated and actually paid in the manner hereinafter provided.

B. APPLICATION OF FUNDS. The entire Pledged Revenues, upon receipt by the Issuer, shall be deposited and paid forthwith only for the purposes and in the manner herein set forth; provided however that until such time as the Prior Bonds shall not longer be outstanding, the Issuer shall only deposit such revenues of the Water System as shall be available pursuant to the resolutions and ordinances authorizing the Prior Bonds. All such payments, as provided above, shall include an amount sufficient to pay the fees and charges of the Registrar and Paying Agents for the Bonds.

C. DISPOSITION OF REVENUES. For so long as the RECD Parity Bonds shall be outstanding, or the RECD Parity Bonds Ordinance shall be in effect, such Pledged Revenues shall be applied as provided in the RECD Parity Bonds Ordinance. If for any reason the RECD Parity Ordinance shall be repealed or shall otherwise no longer be in effect the Pledged Revenues shall be applied as follows. There is hereby created a separate fund of the Issuer solely for the purposes hereof, to be designated the "Wastewater Utilities Series 1997 Revenue Bonds Sinking Fund" (hereinafter called "Sinking Fund"), and within the Sinking Fund five accounts to be known as the "Rebate Account", "Interest Account," "Principal Account," "Reserve Account," and "Bond Amortization Account." All Pledged Revenues at any time received by the Issuer shall be disposed of in each month (i) first to deposit to the Rebate Fund established under Section 15(K) of this Ordinance an amount estimated to be sufficient to timely provide for the Rebate Deposit required thereunder, and (ii) next only in the following manner and in the following order of priority:

(1) From the Pledged Revenues, the Issuer shall deposit into the Interest Account therein, such sums as will be sufficient to pay one-sixth (1/6) of all interest becoming due on the Bonds on the next semiannual interest payment date. With respect to the 1997 Bonds, and in the event the Issuer has issued Variable Rate Bonds pursuant to the provisions of the Ordinance, Pledged Revenues shall be deposited at such other or additional times and amounts as necessary to pay any interest coming due on such Variable Rate Bonds on the next interest payment date, all in the amounts computed in the manner provided In the Loan Agreement or in a supplemental Ordinance of the Issuer, as the case may be. Any monthly payment out of Pledged Revenues to be deposited as set forth above, for the purpose of meeting interest payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of interest payment dates applicable to such Series, and may be decreased to reflect any amounts already on deposit in the Interest Account.

(2) The Issuer shall next deposit into the Principal Account of the Sinking Fund, Pledged Revenues sufficient to pay one-sixth (1/6th) of the principal amount of the Outstanding Bonds which will mature and come due on such semi-annual maturity dates and one-twelfth (1/12) of the principal maturing on Serial Bonds in such Bond Year. Pledged Revenues sufficient to pay the purchase price of any Bonds subject to mandatory purchase pursuant to the Loan Agreement shall also be deposited, on or prior to the date such purchase is required, into the Principal Account of the Sinking Fund. Any monthly payment out of Revenues to be deposited as set forth above, for the purpose of meeting principal payments for any Series of Bonds, shall be adjusted, as appropriate, to reflect the frequency of principal payment dates applicable to such Series.

(3) On a parity with the deposits under paragraphs (1) and (2) above in respect of maturing principal, the Issuer shall next deposit into the "Bond Amortization Account" hereby created and established within the Sinking Fund, if and to the extent required, a sum sufficient to pay one-sixth (1/6th) of any Amortization Installment established for the mandatory redemption of Outstanding Bonds on such semi-annual maturity date and one-twelfth (1/12) of the Amortization Installment required to be made in such Bond Year for the annual maturity date.

Such payments shall be credited to a separate special account for each series of Term Bonds outstanding, and if there shall be more than one stated maturity for Term Bonds of a series, then into a separate special account in the Bond Amortization Account for each such separate maturity of Term Bonds. The funds and investments in each such separate account shall be pledged solely to the payment of principal of the Term Bonds of the series or maturity within a series for which it is established and shall not be available for payment, purchase or redemption of Term Bonds of any other series or within a series, or for transfer to any other account in the Sinking Fund to make up any deficiencies in required payments therein. Upon the sale of any series of Term Bonds, the Issuer shall, by resolution, establish the amounts and maturities of such Amortization Installments for each series, and if there shall be more than one maturity of Term Bonds within a series, the Amortization Installments for the Term Bonds of each maturity. In the event the moneys deposited for retirement of a maturity of Term Bonds are required to be invested, in the manner provided below, then the Amortization Installments may be stated in terms of either the principal amount of the investments to be purchased on, or the cumulative amounts of the principal amount of investments required to have been purchased by, the payment date of such Amortization Installment.

Moneys on deposit in each of the separate special accounts or subaccounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of Term Bonds of the series or maturity of Term Bonds within a series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The resolution establishing the Amortization Installments for any series or maturity of Term Bonds may limit the use of moneys to any one or more of the uses set forth in the preceding sentence.

(4) Pledged Revenues shall next be used to pay Administrative Costs and to provide for

the Reserve Requirement, if any. Upon the issuance of any Additional Parity Obligation, the provisions regarding a Reserve Account shall apply in accordance with Section 3 of Schedule X, to the same extent as if fully set forth in this subsection (4).

(5) Except as otherwise provided in subsection 15 (d) and (e) above, Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as are herein provided, the payments into the several accounts in the Sinking Fund shall be increased in such amounts as shall be necessary to make the payments for the principal of, interest on and reserves for such Additional Parity Obligations and, if Term Bonds are issued, the Amortization Installments, on the same basis as hereinabove provided with respect to the Bonds initially issued under this Ordinance; provided, however, that if such Additional Parity Obligations bear interest at a variable rate, the amount, if any, required to be on deposit in the Reserve Account with respect to such Additional Parity Obligations shall be equal to the Reserve Requirement on such Additional Parity Obligations. In the event Additional Parity Obligations are issued after the 1997 Bonds, the additional amount required to be on deposit in the Reserve Account may be accumulated over a period not to exceed three (3) years from the date of delivery of the Additional Parity Obligations; provided that, on the date of issuance of any Additional Parity Obligations, the Issuer shall fund half of the incremental difference, if any, between the Reserve Account Requirement on the Outstanding Bonds and the Reserve Account Requirement on the Outstanding Bonds and the Additional Parity Obligations

The Issuer shall not be required to make any further payments into the Sinking Fund when the aggregate amount of money in the Sinking Fund is at least equal to the total Bond Service Requirement of the Bonds then outstanding, plus the amount of redemption premium, if any, then due and thereafter to become due on such Bonds then outstanding by operation of the Bond Amortization Account.

(6) The balance of any Pledged Revenues received by the Issuer in each month after the above required payments have been made shall be applied to pay Administrative Costs to the extent not paid from the Sinking Fund.

(7) The balance of any Pledged Revenues received by the Issuer in each Bond Year after the above required payments have been made may be used for the purchase or redemption of the Bonds or for any lawful purpose.

(8) The Sinking Fund, including the Reserve Account and, the Bond Amortization Account and any other special funds herein established and created shall constitute trust funds for the purposes provided herein for such funds. All such funds shall be continuously secured in the manner by which the deposit of public funds are authorized to be secured by the laws of the State of Florida. Moneys on deposit in the Sinking Fund (except the Reserve Account therein) may be invested and reinvested in the manner provided by law provided such investments either mature or are redeemable at not less than par at the option of the Issuer not later than the dates on which the moneys on deposit therein will be needed for the purpose of such fund. Moneys in the Reserve Account in the Sinking Fund may be invested and reinvested only in Authorized Investments in the manner provided by law. Any and all income received by the Issuer from such investments shall be deposited into the Sinking Fund except

however, that investment income earned in the Bond Amortization Account shall remain therein or be transferred to the Principal Account or the Interest Account and used to pay maturing principal, Amortization Installments and interest on the Bonds.

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

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

The gross amount required to pay principal or interest and Amortization Installments on the Bonds on any payment date shall be deposited in trust for such purposes with the Paying Agent in immediately available funds at least five business days prior to such payment date. The amounts required to pay Administrative Costs shall be paid to the persons entitle to payment thereof, in accordance with Subsection 15(C)(4) above.

D. OPERATION OF BOND AMORTIZATION ACCOUNT. Money held for the credit of the Bond Amortization Account shall be applied to the retirement of term obligations as follows:

(1) Subject to the provisions of Paragraph (3) below, the Issuer shall endeavor to purchase Term Bonds then outstanding at the most advantageous price obtainable with reasonable diligence, such price not to exceed the principal of such Term Bonds plus the accrued interest to the date of delivery thereof. The Issuer shall pay the interest accrued on such Term Bonds to the date of delivery thereof from the Interest Account and the purchase price from the Bond Amortization Account, but no such purchase shall be made by the Issuer within the period of 45 days immediately preceding any interest payment date on which Term Bonds are subject to call for redemption, except from money in excess of the amounts set aside or deposited for the redemption of Term Bonds.

(2) Subject to the provisions of Paragraph (3) below, whenever sufficient money is on deposit in the Bond Amortization Account to redeem \$5,000 or more principal amount of Term Bonds, the Issuer shall call for redemption from money in the Bond Amortization Account such amount of Term Bonds then subject to redemption as, with the redemption premium, if any, will exhaust the money then held in the Bond Amortization Account as nearly as may be practicable. Prior to calling Term Bonds for redemption, the Issuer shall withdraw from the Interest Account and from the Bond Amortization Account and set aside in separate accounts or deposit with the Paying Agent the respective amounts required for paying the interest on and the principal of and redemption premium

applicable to the Term Bonds so called for redemption.

(3) Money in the Bond Amortization Account shall be applied by the Issuer in each fiscal year to the retirement of Term Bonds then outstanding in the following order:

(a) The Term Bonds of each series of Bonds, to the extent of the Amortization Installment, if any, for such Fiscal Year for the Term Bonds of each such series then outstanding, plus the applicable premium, if any, and, if the amount available in such Fiscal Year shall not be sufficient therefor, then in proportion to the Amortization Installment, if any, for such Fiscal Year for the Term Bonds of each such series then outstanding, plus the applicable premium, if any; provided, however, that if the Term Bonds of any such series shall not then be subject to redemption from money in the Bond Amortization Account and if the Issuer shall at any time be unable to exhaust the money applicable to the Term Bonds of such series under the provisions of this clause or in the purchase of such Term Bonds under the provisions of Paragraph 1 above, such money or the balance of such money, as the case may be, shall be retained in the Bond Amortization Account and, as soon as it is feasible, applied to the Term Bonds of such series; and

(b) Any balance then remaining, other than money retained under the first clause of this paragraph (c), shall be applied to the retirement of such Term Bonds as the Issuer in its sole discretion shall determine, but only, in the case of the redemption of Term Bonds of any series, in such amounts and on such terms as may be provided in the Ordinance authorizing the issuance of the obligations of such series.

(4) The Issuer shall deposit into the Bond Amortization Account Amortization Installments for the amortization of the principal of the Term Bonds, together with any deficiencies for prior required deposits, such Amortization Installments to be in such amounts and to be due in such years as shall be determined by resolution of the governing body of the Issuer prior to the delivery of the Bonds.

The Issuer shall pay from the Sinking Fund all expenses in connection with any such purchase or redemption.

The amounts required to be deposited into the Sinking Fund in any month shall be adjusted to reflect any amounts on deposit in excess of current requirements (including deficiencies in prior requirements) and available for the payment of Bonds Service Requirements for the current Bond year.

E. BOOKS AND RECORDS. The Issuer shall also keep books and records of the Pledged Revenues which shall be kept separate and apart from all other books, records and accounts of the Issuer, and the Bank and the holders of not less than ten per centum (10%) of the Bonds shall have the right at all reasonable times to inspect all records, accounts and data of the Issuer relating thereto.

F. ANNUAL REPORT. The Issuer shall also, at least once a year, within 120 days after the close of its Fiscal Year, cause to be prepared and filed with the City Clerk and the Municipal

Insurer and shall make generally available to any Holder or Holders of Bonds, a statement setting forth in respect of the preceding Fiscal Year: (A) the amount of the Pledged Revenues and investment earnings on the funds and accounts under this Ordinance received in the preceding Fiscal Year ; (B) the total amounts deposited to the credit of each fund or account created under the provisions of this Ordinance; (C) the principal amount of all Bonds issued, paid, purchased or redeemed; and (d) the amounts on deposit at the end of such Fiscal Year to the credit of each such fund or account. A copy of such annual report shall regularly be furnished to each Municipal Insurer, the Rating Agencies, and to any Holder of any Bonds who shall have requested in writing that a copy of such reports be furnished him.

G. **REMEDIES.** Any Owner of Bonds issued under the provisions hereof or any trustee acting for the holders of such Bonds, 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, including the right to the appointment of a receiver, existing under the laws of the State of Florida, or granted and contained herein, and may enforce and compel the performance of all duties required herein or by any applicable statutes to be performed by the Issuer or by any officer thereof.

Nothing herein, however, shall be construed to grant to any owner of Bonds any lien on any real or personal property of the Issuer or any right to require or compel the exercise by the Issuer of its ad valorem taxing power or any other taxing power in any form on any real or personal property for any purpose.

The Municipal Insurer shall receive immediate notice of any payment default and notice of any other default known to the Issuer, the Paying Agent or any applicable trustee within 30 days of such Person's knowledge thereof.

The Municipal Insurer shall be included as a party in interest and as a party entitled to (i) notify the Issuer and the Paying Agent of the occurrence of an event of default and (ii) request any applicable trustee or receiver to intervene in judicial proceedings that affect the Bonds or security therefor. Any such notified person shall be required to accept notice of default from the Municipal Insurer.

The 1997 Bonds, the rights under this Ordinance, and the Loan Agreement (the "Participant Obligations") have been pledged as security for the Sponsor's bonds issued pursuant to the Indenture, and the Sponsor's reimbursement obligations to the Bank under the Program. Upon a default under this Ordinance or the Loan Agreement, or upon the 1997 Bonds, the Participant Obligations may be assigned or transferred to the Bank.

H. **OPERATING BUDGET.** Upon the issuance of Additional Parity Obligations, the provisions of Section 4 of Schedule X shall apply. In accordance with law, the Issuer shall annually, preceding each of its Fiscal Years, prepare and adopt a detailed budget of the estimated revenues and expenditures during such next succeeding Fiscal Year, which budget may be amended from time to time in accordance with law. The Issuer shall mail copies of its annual budget to each Municipal

Insurer of any Bonds and to any Registered Owner of Bonds who shall file his address with the Issuer and request in writing that a copy be furnished him and shall make such budget available at all reasonable times to any Registered Owner of Bonds or to anyone acting for and on behalf of such Registered Owner.

I. ISSUANCE OF OTHER OBLIGATIONS. The Issuer will not hereafter issue any other obligations payable from the Pledged Revenues nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the 1997 Bonds and the interest thereon upon said Pledged Revenues or the sources of the Pledged Revenues, except under the conditions and in the manner provided herein. Any obligations issued by the Issuer other than the 1997 Bonds herein authorized and any Additional Parity Obligations provided for in Subsection J below, payable from such Pledged Revenues, shall contain an express statement that such obligations are junior and subordinate in all respects to the 1997 Bonds, as to lien on and source and security for payment from such Pledged Revenues.

The Issuer shall not hereafter issue any obligations on a parity with the Prior Lien Bonds without the prior written consent of the Municipal Insurer.

J. ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. No Additional Parity Obligations, payable on a parity from the Pledged Revenues with the 1997 Bonds shall be issued after the issuance of any 1997 Bonds, except for the lawful purposes of the Issuer under the Act or for refunding purposes and except upon the conditions and in the manner herein provided:

(1) There shall have been prepared and accepted by the Governing Board of the Issuer a report by the chief administrative officer of the Issuer, based in part on reports of others as necessary, setting forth the established capital costs of any projects proposed to be financed by such Additional Parity Obligations and schedules of the debt service on the Additional Parity Obligations.

(2) There shall have been obtained and filed with the Issuer a certificate of an independent certified public accountant of suitable experience and responsibility: (i) stating that the books and records of the Issuer relating to the collection and receipt of Pledged Revenues and the operation of the Sinking Fund and the Revenue Fund for the applicable period prior to the date of delivery of the proposed Additional Parity Obligations have been examined by him, and the public books and records of the Issuer relating to the collection and receipt of the Pledged Revenues for such period have been examined by him or that the statements made by him with respect to the records of the Issuer for compliance with this Section 15(J)(2) are based upon a Certificate of the City Manager of the Issuer, or the designee of such City Manager; (ii) setting forth the amount of Pledged Revenues received by the Issuer for any twelve (12) consecutive months within the twenty-four (24) months immediately preceding the date of delivery of the proposed Additional Parity Obligations with respect to which such certificate is made; (iii) stating that the amount of Pledged Revenues during the aforementioned 12-month period described in (ii) above equal at least 1.20 times the Maximum Bond Service Requirement on all Bonds then outstanding and on the proposed Additional Parity Obligations with respect to which such certificate is made.

(3) Each Ordinance authorizing the issuance of Additional Parity Obligations will recite that the applicable covenants herein contained will be applicable to such Additional Parity Obligations.

(4) Immediately following the issuance of such Additional Parity Obligations, the Issuer shall not be in default in performing any of the covenants and obligations assumed hereunder, and all payments herein required to have been made into the accounts and funds, as provided hereunder, shall have been made to the full extent required.

(5) Any provision hereof to the contrary notwithstanding, no Additional Parity Obligations shall be issued hereunder as Variable Rate Bonds unless (1) a Municipal Insurer or financial institution having capital, surplus and undivided profits of not less than \$100 million, shall have agreed to fund any of such Bonds which the owners thereof may require the Issuer to repurchase, for a period of not less than 5 years, and (2) such Bonds shall not bear interest at a rate in excess of 6 percentage points above the 20-year Bond Buyer Revenue Bond Index rate prevailing on the date of issuance of such Bonds.

(6) The requirements of Subsection 15(J)(a) and (b) above shall not apply to any Additional Parity Obligations issued to refund and defease any outstanding Bonds but only if (i) the Bond Service Requirement in each Bond Year on such Additional Parity Obligations is less than the Bond Service Requirements on the Bonds so refunded and defeased and (ii) the Maximum Bond Service Requirement is not increased, and (iii) such Additional Parity Obligations do not mature later than such Bonds so refunded.

(7) The written consent of the Bank.

(8) As to any series of Additional Parity Obligations, the payment of principal and interest on which is guaranteed by a Municipal Insurer, the Municipal Insurers may consent to the issuance of Additional Parity Obligations upon terms not contemplated in this Section 15, in the manner provided in Section 16 hereof. Any such consent shall be deemed the consent of the Owners of such series of Bonds to the issuance of such Additional Parity Obligations.

K. TAX COMPLIANCE. (1) The Issuer at all times while the Bonds and the interest thereon are outstanding will comply with all applicable provisions of the Code, in order to ensure that the interest on the Bonds will be excluded from gross income for Federal income tax purposes, except that the provisions of this Section 15(K) shall not apply to any Bonds issued as Taxable Bonds. The Issuer hereby covenants with the Registered Owners of the Bonds that it will make no investment or other use of the proceeds of the Bonds or any other series of Additional Parity Obligations issued under the Ordinance, the income on which is excluded from gross income for federal income tax purposes, which would cause such series of Bonds to be "arbitrage bonds" as that term is defined in Section 148 of the Code and that it will comply with the requirements of that Section of the Code and regulations promulgated thereunder throughout the term of such series of Bonds.

(2) Rebate Fund. (A) The Issuer shall establish a Rebate Fund, outside the lien of this Ordinance, which shall be a separate trust fund held by the Issuer, solely for the purposes hereof, and the amounts therein shall be applied solely as specified herein or in a letter of instructions in connection with the Issuer's certification of compliance with the provisions of Section 148 of the Code at the time of issuance of the Bonds. The Issuer shall engage an accountant or other person or firm of suitable experience to make such periodic calculations of the Issuer's rebate liability on the Bonds as shall be required to comply with Section 148(e) of the Code and shall deposit to the credit of the Rebate Fund, hereby created, the full amount of the Issuer's accrued and unpaid rebate liability under Section 148(e) of the Code. The Issuer shall keep such records of the computations made pursuant to this Section as are required under Section 148(e) and other applicable provisions of the Code. The Issuer shall keep such records concerning the investments of the gross proceeds of the Bonds subject to Rebate and the investments of earnings from those investments as may be required in order to make the aforesaid computations. This subsection (2) may be superseded or amended by new calculations accompanied by an opinion of nationally recognized bond counsel addressed to the Issuer to the effect that the use of the new calculations are in compliance with this Ordinance and will not cause the interest on the Bonds to become included in gross income for Federal income tax purposes.

(3) The Issuer covenants that upon request it will make all filings of reports or other documents as may be required by Section 149(e) of the Code and regulations promulgated thereunder throughout the term of the Bonds of such series.

(4) The Issuer covenants that it will not take any action or allow any action which would cause the Bonds to become private activity bonds as described in Section 141 of the Code.

(5) The Issuer covenants to take all actions reasonable and necessary to maintain the exclusion of the interest on the Bonds (other than Bonds issued as taxable Bonds) from gross income for federal income tax purposes, including compliance with the letter of instructions received by the Issuer in connection with its certification regarding arbitrage at the time of delivery of any series of Bonds. The Issuer covenants to budget and appropriate in each fiscal year in which any deposit to the Rebate Fund may be required pursuant hereto, from Pledged Revenues legally available therefor, an amount sufficient to make such deposit.

(6) The provisions of this subsection K may be modified or amended by Ordinance of the Issuer without the consent of any Registered Owner of any Bonds, upon receipt of an opinion of nationally recognized bond counsel to the effect that such modification or amendment will not adversely affect the exclusion from gross income of interest on the Bonds for purposes of federal income taxation.

L. RECEIPT OF FUNDS; NO IMPAIRMENT. The Issuer will take all action legally available to it to ensure the receipt of Pledged Revenues sufficient to make all payments of principal of and interest on the Bonds, as and when the same become due, and all other payments required herein, and will take no action which will impair or adversely affect its receipt of the Pledged Revenues. The Issuer shall not enter into, consent or agree to any modification of the 1994 Ordinance which would

adversely affect the Issuer's receipt of sufficient Pledged Revenues to make all payments of principal of and interest on the Bonds, as and when the same become due, and all other payments required herein.

M. CONTINUING DISCLOSURE. In the Loan Agreement, the Issuer has agreed to provide certain continuing disclosure information in accordance with Section 15(c)2-12 of the Rules of the Securities and Exchange Commission (the "Rule"). The Issuer agrees that its undertaking pursuant to certain provisions of the Rule is intended to be for the benefit of the holders of the 1997 Bonds (including all beneficial owners of the Bonds, as defined in Rule 13d-3 of the SEC) and shall be enforceable by any holders or beneficial owners of the 1997 Bonds; provided that, the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations thereunder and any failure by the Issuer to comply with the provisions of such undertaking shall not be an event of default with respect to the 1997 Bonds or under this Ordinance.

N. BUDGET AND APPROPRIATION OF FUNDS. (1) The Issuer hereby covenants that it will, to the extent permitted by law, in each year in which the amounts on deposit in the Revenue Account are less than the amounts required to be on deposit therein pursuant to Section 15C(3) hereof, budget and appropriate, by amendment, if required, from legally available Non-Ad Valorem Revenues, and deposit to the Sinking Fund sufficient funds to cure any deficiencies in such fund.

Such covenant and agreement on the part of the Issuer to budget and appropriate such amounts of legally available Non-Ad Valorem Revenues shall be cumulative, and shall continue until such legally available Non-Ad Valorem Revenues in amounts sufficient to pay the obligations set forth herein have been budgeted, appropriated and actually paid into the Reserve Account.

(2) Notwithstanding any provision of this Ordinance to the contrary, to the extent the Issuer is in compliance with all provisions and covenants contained herein, this Ordinance and the obligations of the Issuer hereunder shall not be construed as a limitation on the ability of the Issuer to pledge or covenant to pledge the Non-Ad Valorem Revenues for other legally permissible purposes. Nor shall this Ordinance or the Issuer's obligations hereunder give the Registered Owners of any Bond a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the Issuer. Neither this Ordinance nor the obligations of the Issuer hereunder shall be construed as a pledge of or a lien on any legally available Non-Ad Valorem Revenues of the Issuer, or any other revenues of the Issuer except the Pledged Revenues.

(3) Notwithstanding the foregoing provisions of this subsection, the Issuer reserves the right to discontinue or reduce the level of any of its activities which generate user service charges or regulatory fees, and the Issuer shall never be required or compelled by or for the benefit of the Registered Owners of the Bonds to increase or maintain at any particular level, any user service charges or regulatory fees.

(4) The Issuer's obligations under this subsection shall be subject in all respects to the restrictions of Section 166.241(3), Florida Statutes.

O. COVENANTS OF PRIOR BONDS ORDINANCES AND RECD PARITY BONDS ORDINANCE. For the purpose of securing the payment of the Bonds from the Pledged Revenues, the provisions of the ordinances authorizing the issuance of the Prior Bonds and the RECD Parity Bonds Ordinance relating to the maintenance and operation of the Water System and the Wastewater System and the collection and application of the Pledged Revenues are hereby incorporated by reference. All of such provisions shall be deemed for the benefit of the Bonds, and shall apply in the same manner and to the same extent as such provisions apply to the Prior Bonds and the RECD Parity Bonds.

P. RATE COVENANT. The Issuer covenants to fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the product, services and facilities of the Water System and the Wastewater System which will always be sufficient to provide Net Revenues in each year sufficient to pay, and out of such funds pay, 120% of the Bond Service Requirement due in such year on all outstanding Bonds, all outstanding Additional Parity Obligations, and all Administrative Costs. Such rates, fees, rentals or other charges shall not be reduced so as to be insufficient to provide Net Revenues for such purposes.

The Issuer further covenants and agrees that the Issuer will annually within ninety (90) days after adoption of the budget described above, revise such fees, rates, rentals and other charges for the use of the product, services and facilities of the Water System and Wastewater System to the extent necessary for the estimated Gross Revenues to be derived from the operation of the Water System and Wastewater System during the next succeeding Fiscal Year to increase so as to be sufficient to pay the estimated expenditures for operation and maintenance of the System during such next succeeding Fiscal Year and otherwise comply with all covenants in the RECD Parity Bonds Ordinance and this Ordinance.

Section 16. MODIFICATION OR AMENDMENT. No material modification or amendment of this Ordinance or of any Ordinance amendatory hereof or supplemental hereto, may be made without the consent in writing of (1) in the case of any series of Bonds (other than the Participant Bonds), the timely payment of principal and interest on which are not guaranteed by a Municipal Insurer, the owners of more than 50% in principal amount of each series of the Bonds then outstanding affected by such amendment, or (2) as to the Participant Bonds and any series of Bonds, the timely payment of principal and interest on which is unconditionally guaranteed by a Municipal Insurer, the written consent of such Municipal Insurer; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation or affect the unconditional promise of the Issuer to pay the principal of and interest on the Bonds as the same shall come or reduce the percentage of the holders of the Bonds required to consent to any material modification or amendment hereof, without the consent in writing of the holder or holders of all such Bonds; provided, further, that no such modification or amendment shall allow or permit any acceleration of the payment of principal of or interest on the Bonds upon any default in the payment thereof whether or not the holders of the Bonds consent thereto.

In addition to the other provisions of this Ordinance permitting amendments and modifications, this Ordinance may be amended, changed, modified and altered without the consent of the Holders of Bonds (i) to cure any ambiguity, correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions contained herein, (ii) to provide any technical or mechanical provision necessary or desirable for the issuance of Capital Appreciation Bonds or Bonds bearing interest at a variable rate, (iii) to provide other changes which will not adversely affect the interest of such Holder of Bonds, and (iv) to provide for the issuance of Taxable Bonds.

Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least 15 days in advance of its execution or adoption. The Municipal Insurer and any such rating agency shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

Section 17. DEFEASANCE AND SUBROGATION. If, at any time, the Issuer shall have paid, or shall have made provision for payment of, the principal, interest and redemption premiums, if any, with respect to the 1997 Bonds, and for the payment of all Administrative Costs in accordance with the Loan Agreement, then, and in that event, the pledge of and lien on the Pledged Revenues in favor of the Holders of the 1997 Bonds shall be no longer in effect. For purposes of the preceding sentence, deposit of Escrow Investments (or deposit of any other securities or investments which may be authorized by law from time to time and sufficient under such law to effect such a defeasance, provided the same shall first have been approved by the applicable Municipal Insurer, if any) in irrevocable trust with a banking institution or trust company, for the sole benefit of the Bondholders, in respect to which such Escrow Investments (or such other securities or investments so approved by the Municipal Insurer), the principal of which, together with the income thereon, will be sufficient to make timely payment of the principal, interest, and redemption premiums, if any, on the outstanding 1997 Bonds, shall be considered "provision for payment" of the Bonds. Nothing herein shall be deemed to require the Issuer to call any of the outstanding 1997 Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

In the event of an advance refunding, (i) the Issuer shall cause to be delivered, on the deposit date and upon any reinvestment of the defeasance amount, a report of an independent firm of nationally recognized certified public accountants ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity date ("Verification"), (ii) the escrow agreement shall provide that no (A) substitution of an Escrow Investment shall be permitted except with another Escrow Investment and upon delivery of a new Verification, and (B) reinvestment of an Escrow Investment shall be permitted except as contemplated by the original Verification or upon delivery of a new Verification, and (iii) there shall be delivered an opinion of a nationally recognized bond counsel to the effect that the Bonds are no longer Outstanding under the Ordinance; each Verification and defeasance opinion shall be addressed to the Issuer and the Municipal Insurer. Bonds shall be deemed Outstanding under this Ordinance unless and until they are in fact paid and retired or the above criteria is met. In the event a forward purchase agreement for delivery of future Escrow Investments will be

employed in the refunding, such agreement shall be subject to the approval of the Municipal Insurer and shall be accompanied by such opinions of counsel as may be required by the Municipal Insurer. The Municipal Insurer shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow.

For purposes of depositing interest to become due on Variable Rate Bonds to accomplish the defeasance of such Variable Rate Bonds, interest shall be deemed to accrue at the maximum rate of interest such Variable Rate Bonds may bear, unless the interest rate on such Variable Rate Bonds is converted to a fixed interest rate to maturity.

Upon any defeasance of Participant Bonds, the Issuer shall provide for payment of the Administrative Costs related to such Participant Bonds.

Section 18. ARBITRAGE. No use will be made of the proceeds of the 1997 Bonds which would cause the same to be "arbitrage bonds" within the meaning of the Code. The Issuer at all times while the 1997 Bonds are outstanding will comply with the requirements of Section 148 of the Code and any valid and applicable rules and regulations promulgated thereunder.

Section 19. RESERVED.

Section 20. USE OF ADDITIONAL FUNDS FOR DEBT PAYMENT. Subject to the provisions of the Florida Constitution, nothing herein contained shall preclude the Issuer from using any legally available funds, in addition to the Pledged Revenues herein provided, which may come into its possession, including but not limited to the proceeds of sale of the Bonds, contributions or grants, for the purpose of payment of principal of and interest on the Bonds, or the payment of Amortization Installments, if any, or the purchase or redemption of such Bonds in accordance with the provisions of this Ordinance.

Section 21. NO PERSONAL LIABILITY. No covenant, stipulation, obligation or agreement herein contained or contained in the Bonds or loan Agreement shall be deemed to be a covenant, stipulation, obligation or agreement of any member, agent or employee of the Issuer or its governing body in his individual capacity, and neither the members of the City Council of the Issuer nor any official executing the Loan Agreement or Bonds shall be liable personally thereon or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 22. NO THIRD PARTY BENEFICIARIES. Except as herein or in the Loan Agreement otherwise expressly provided, nothing in this instrument or in the Loan Agreement, expressed or implied, is intended or shall be construed to confer upon any person, firm, or corporation other than the Issuer, the Administrator, the Trustee, the Bank, the City of Gulf Breeze, Florida, the Escrow Holder, each Municipal Insurer and the Trustee any rights, remedy or claim, legal or equitable, under and by reason of this instrument or any provision thereof or of the Loan Agreement, this instrument and the Loan Agreement intended to be and being for the sole and exclusive benefit of the Issuer, the Administrator, the Trustee, the Bank, each Municipal Insurer, the City of Gulf Breeze,

Florida, the Escrow Holder and the Trustee.

Section 23. PREREQUISITES PERFORMED. All acts, conditions and things relating to the passage of this instrument, to the execution of the Loan Application, to the execution of the Loan Agreement and the Bonds, required by the Constitution or laws of the State of Florida to happen, exist, and be performed precedent to and in the passage hereof, and precedent to the execution of the Loan Application, and precedent to the execution and delivery of the Loan Agreement and the Bonds will, upon enactment of this Ordinance, have happened, exist and have been performed as so required.

Section 24. AUTHORITY FOR THIS ORDINANCE. This Ordinance is adopted pursuant to the provisions of the Act, hereinafter defined, and Chapter 163, Part I, Florida Statutes.

Section 25. GENERAL AUTHORITY. The members of the City Council of the Issuer and the Issuer's officers, attorneys, engineers or other agents or employees are hereby authorized to do all acts and things required of them by this instrument, the Loan Application, the Loan Agreement or the 1997 Bonds or desirable or consistent with the requirements hereof or the Loan Application, the Loan Agreement or the 1997 Bonds, for the full, punctual and complete performance of all the terms, covenants and agreements, contained in the Loan Application, the Loan Agreement, the 1997 Bonds, and this instrument.

To the extent expressly specified in such instrument or document, any contractual provision of this Ordinance relating to the terms of the Bonds or the contractual rights of the Bondholders may be modified, amended, inserted or deleted by an instrument or document authorized by this Section 25, as may be required to obtain the proceeds of the Loan pursuant to the Program. The fact of such requirement shall be conclusively established by the execution of such instrument or document by the such authorized officer, attorney, agent or employee of the City.

Section 26. ORDINANCE TO CONSTITUTE INTERLOCAL AGREEMENT. This Ordinance, together with the provisions of the Loan Application, Loan Agreement and the 1997 Bonds incorporated herein, shall be deemed to be an Interlocal Agreement with the City of Gulf Breeze, Florida, as Sponsor of the Program, within the meaning of Chapter 163, Part 1, Florida Statutes, and shall be filed of record, in accordance with the provisions of the Florida Interlocal Cooperation Law upon acceptance of the Loan Agreement by the Administrator; that is, it shall be filed with the Clerk of the Circuit Court for Santa Rosa County.

Section 27. SEVERABILITY OF INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provisions of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Loan Application, Loan Agreement, or Bonds,.

Section 28. NEGOTIATED SALE NECESSARY. It is hereby found, ascertained, determined and declared by the Issuer that negotiated borrowing under the Program is in the best interest of the Issuer and is found to be necessary on the basis of the following reasons as to which specific findings are hereby made:

The Program offers borrowing at lower rates than those which the Issuer could command in the market. In addition, a negotiated placement offers flexibility of financing and contingent marketing which could not be obtained in a public sale context.

Section 29. AUTHORIZATION OF ALL OTHER NECESSARY ACTION. The Mayor, Clerk, and City Manager of the Issuer (individually an "Authorized Officer" of the Issuer) and the Attorney to the Issuer, are designated agents of the Issuer in connection with the issuance and delivery of the 1997 Bonds and are authorized and empowered, collectively or individually, to take all action and steps to execute and deliver any and all instruments, documents or contracts on behalf of the Issuer which are necessary or desirable in connection with the execution and delivery of the 1997 Bonds or the Loan Agreement and which are not inconsistent with the terms and provisions of this Ordinance and other actions relating to the Issuer Note or the Loan Agreement heretofore taken by the Issuer.

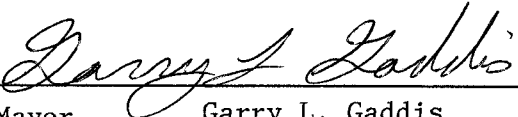
Section 30. REPEALING CLAUSE. All Ordinances or parts thereof of the Issuer in conflict with the provisions herein contained are, to the extent of such conflict, hereby superseded and repealed. Nothing herein shall in any way be deemed to impair, abridge or adversely affect the rights and interests of the holders and owners of the Senior Debt or the Prior Lien Water and Sewer Certificates.

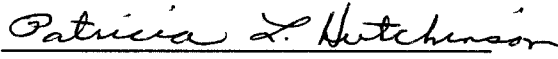
Section 31. EFFECTIVE DATE. This instrument shall take effect immediately upon its enactment.

Passed and enacted this 11 day of February, 1997.

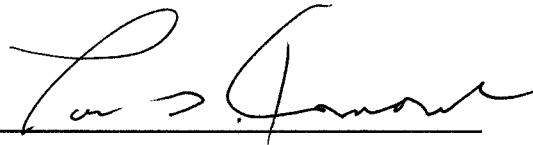
CITY OF MEXICO BEACH, FLORIDA

ATTEST:

By: 
Mayor Garry L. Gaddis


Clerk, Patricia L. Hutchinson

Approved as to form and legality:


Attorney

STATE OF FLORIDA

COUNTY OF

I, Patricia L. Hutchinson, Clerk to the City of Mexico Beach, Florida, do hereby certify that the above and foregoing is a true and correct copy of an Ordinance as the same was duly enacted and passed at a Regular Meeting of the City Council on the 11th day of February, 1997, and as the same appears on record in my office.

IN WITNESS WHEREOF, I hereunto set my hand and official seal this 12th day of February, 1997.

By: Patricia L. Hutchinson
City Clerk

EXHIBIT "A"
LOAN APPLICATION

EXHIBIT "B"
LOAN AGREEMENT

SCHEDULE I

Note: All capitalized terms used in this Schedule I which are defined in the Loan Agreement shall have the meanings set forth therein, unless the context hereof expressly requires otherwise.

PRINCIPAL AND INTEREST

The 1997 Bonds shall bear interest at the Participant Rate as determined and as adjusted from time to time, payable on such dates, all in accordance with the Loan Agreement.

OPTIONAL PREPAYMENT

The Issuer may redeem and prepay the 1997 Bonds in whole, or in part (but only in an amount which will result in at least \$100,000 of Program Bonds being redeemed), so long as no Default or an Agreement Default has occurred and is continuing, by paying to the Trustee for deposit in a separate and segregated account not more than 60 days prior to any date the Program Bonds are subject to optional call for redemption pursuant to Article III of the Indenture, the then applicable Optional Prepayment Price plus, (1) the deficiency, if any, between the amount (i) which the Trustee can actually earn by investing the Optional Prepayment Price between the date of receipt and the date the portion thereof representing the principal will be used to purchase or redeem Program Bonds or deposited in the Recycling Account and (ii) which the Trustee would earn by investing such amount for such period at the interest rate on the Program Bonds; and (2) all necessary and proper fees, compensation and expenses of the Issuer, the Bank or the Trustee. Amounts described in (1) shall be paid on the dates and shall bear interest if not paid when due as if they were Additional Payments. The Trustee shall use such moneys not deposited in the Recycling Account to pay the purchase or redemption price of the Program Bonds (or to reimburse the Bank for a drawing on the Letter of Credit to make such payment) in an aggregate amount equal to the largest integral multiple of \$5,000 derivable from the prepayment and available to pay the purchase or redemption price of the Program Bonds. Upon any prepayment of the Participant Bonds, the Issuer shall provide for payment of the Administrative Costs related to the Participant Bonds, including the Nonasset Bond Deficiency, as computed in the Optional Prepayment Price.

"Nonasset Bond Deficiency" shall have the meaning set forth in the Loan Agreement.

"Optional Prepayment Price" means (a) with respect to a prepayment in whole, the amounts determined by the Trustee which the Issuer may, in its discretion, pay the Trustee, not more than 60 days prior to any date the Program Bonds are subject to optional call for redemption pursuant to Article III of the Indenture, in order to prepay the Repayments and Ongoing Expenses due under this Agreement in full, which amount shall be equal to (i) the amount of any past-due Repayments and Ongoing Expenses, together with interest at the Default Rate on such past-due Repayments and Ongoing Expenses to the date such amounts due, if any, are paid in full; (ii) the accrued interest on the Outstanding Amount (exclusive of past-due Repayments) and accrued Ongoing Expenses since the last

scheduled Repayment Date to the date of such payment in full; (iii) the Outstanding Amount; (iv) the remaining Nonasset Bond deficiency, if any, and (v) the interest accruing on the Outstanding Amount at the Maximum Rate, together with the Ongoing Expenses estimated by the Trustee to be the maximum to be incurred for the period from the date of such payment to the date such payment is either deposited in the Recycling Account pursuant to the Indenture or applied to the purchase or redemption of Program Bonds pursuant to the Indenture; and (b) with respect to a partial prepayment, the amount determined by the Trustee which the Issuer may, in its discretion, so long as the Issuer is not in default hereunder, pay to the Trustee in order to partially prepay the Repayments due under this Agreement, which amount shall be equal to: (i) the accrued interest on the Outstanding Amount to be prepaid plus the accrued Ongoing Expenses, all to be calculated from the last Repayment to the date of such partial prepayment; (ii) the principal amounts of the Outstanding Amount to be prepaid (which shall not be less than \$100,000); and (iii) a percentage (as hereinafter defined) of the Nonasset Bond Deficiency and of the interest on the Outstanding Amount at the Maximum Rate (without giving effect to the prepayment then being made) together with the Ongoing Expenses for the period from the date of such partial prepayment to the date such prepayment is either deposited in the Recycling Account pursuant to the Indenture or applied to the purchase or redemption of Program Bonds pursuant to the Indenture.

The percentage of the Issuer's Nonasset Bond Deficiency, interest and Ongoing Expenses for purposes of (b) shall be determined by dividing the amount of the partial prepayment of the principal owed under this Agreement by the Outstanding Amount prior to the prepayment.

MANDATORY PURCHASE

Upon the terms and conditions set forth in the Loan Agreement, the Issuer shall be obligated to purchase the 1997 Bonds at a price equal to the Optional Prepayment Price.

Schedule X

Upon the issuance of any Additional Parity Obligations:

SECTION 1. Definitions. the following terms shall have the meanings indicated:

"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, and, with respect to any other series of Bonds, the amounts, if any, required to be paid to Municipal Insurers for reimbursement of draws (including any required interest thereon and expenses of the Municipal Insurer) on any Reserve Account Insurance Policy used to pay Bonds.

"Amortization Installments" with respect to any Term Bonds of a series, shall mean an amount so designated which is established for the Term Bonds of such series, provided that (i) each such installment shall be deemed to be due on such interest or principal maturity date of each applicable year as is fixed by a Ordinance of the Issuer and shall be a multiple of \$5,000, and (ii) the aggregate of such installments for such series shall equal the aggregate principal amount of Term Bonds of such series authenticated and delivered on original issuance.

"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. In computing the amount of interest becoming due on any series of Variable Rate Bonds, the amount of interest to become due on such series of Bonds at such variable rate shall be assumed to be the rate of interest per annum equal to the higher of (1) the actual rate of interest per annum borne by such Bonds on the date the Bond Service Requirement for such series is computed, or (2) the maximum variable interest rate borne by such series of Bonds for the last twelve months preceding the month of computation of the Bond Service Requirement for such series or such lesser period as such Bonds may have actually been outstanding. However, in determining the Bond Service Requirement on such Variable Rate Bonds for purposes of establishing the initial deposit into the Reserve Account for such Bonds and for purposes of Section 15(J) hereof in the issuance of such Bonds as Additional Parity Obligations, such variable rate shall be assumed to be a fixed rate per annum equal to the 30-year Bond Buyer Revenue Bonds Index rate per annum prevailing on the Date of Calculation, plus fifty (50) basis points, or such other rate as the Municipal Insurers, if any, of the then Outstanding Bonds shall approve. "Date of Calculation" shall mean in the case of

calculating the Reserve Requirement connection with the issuance of Additional Parity Obligations, a date not more than 45 days prior to the date of issuance and initial delivery of the applicable series of Additional Parity Obligations.

(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.

"Capital Appreciation Bonds" shall mean Bonds of a series so designated, the interest on which shall be compounded semiannually and payable only at maturity or earlier redemption.

"Municipal Bond Insurance Policy" shall mean a bond purchase agreement, letter or line of credit, surety bond, insurance policy, credit facility or guaranty issued by a Municipal Insurer at the request of the Issuer in connection with a series of Bonds, securing the timely payment of principal of and interest on the Bonds of such Series.

"Municipal Insurer" shall mean any nationally recognized financial institution or insurer of principal and interest on the Bonds whose bond purchase agreement, letter or line of credit, surety bond, insurance policy, credit facility or guaranty would result in such Bonds being rated in one of the highest two categories by two of the Rating Agencies. For purposes of receiving notices and giving all consents and approvals, and in respect of the 1997 Bonds, the Bank shall be deemed an Municipal Insurer.

"Reserve Account Insurance Policy" shall mean, with respect to any series of Bonds, a policy of insurance, surety bond, credit facility, line of credit or letter of credit issued by a

Municipal Insurer providing for the payment of an amount equal to the Reserve Requirement to the Paying Agent in lieu of payment from the Reserve Account; provided, however, that if such Series of Bonds shall be secured by a Municipal Bond Insurance Policy, such Reserve Account Insurance Policy shall have been approved by the Municipal Insurer issuing such Municipal Bond Insurance Policy.

"Reserve Requirement" shall mean an amount equal to the Maximum Bond Service Requirement on the Bonds other than any Additional Parity Obligations hereafter issued which, by their terms, do not have any claim upon or right to payment from the Reserve Account; provided, however, that such Reserve Requirement shall not exceed the lesser of (i) one hundred twenty-five percent (125%) of the Average Annual Debt Service on such Bonds or (ii) ten percent (10%) of the proceeds of the Bonds, within the meaning of Section 147 of the Code; and further provided that the Reserve Requirement for the 1997 Bonds and any other Bonds designated pursuant hereto as not sharing in the security of the Reserve Account, shall be \$0.

and;

SECTION 2. Provisions regarding Bond Insurance. The following provisions relating to Bond Insurance shall apply to any series of Additional Parity Obligations the principal and interest on which are insured under a Municipal Bond Insurance Policy:

Notwithstanding the foregoing, the Municipal Insurer, if any, of a Series of Bonds shall be deemed to be the sole owner of all Bonds insured by it for all purposes of this Section 15G, so long as such Municipal Insurer shall not be in default of its payment obligations in connection therewith. In determining whether a payment default has occurred on the Bonds, no effect shall be given to payments made under the Bond Insurance Policy.

The Bond Insurance Policy shall not be taken into account in determining whether the rights of Bondholders are adversely affected by actions taken pursuant to the terms and provisions of the Ordinance.

SECTION 3. Reserve Account. Upon the issuance of any Additional Parity Obligations, the following provisions shall be deemed set forth at Subsection 15(c)(4):

(a) Revenues shall next be applied by the Issuer to maintain in the Reserve Account a sum equal to the Reserve Requirement, which sum shall initially be deposited therein from the proceeds of the sale of the Bonds unless a Reserve Account Insurance Policy has been established therefor as provided herein. The amount required to be on deposit in the Reserve Account shall be recomputed not less than annually, and any surplus may be transferred to the Sinking Fund. In the event any separate subaccounts have been created in the Reserve Account as provided in paragraph (d) below, the Revenues shall be

applied pro-rata to the Reserve Account and the subaccounts therein, in proportion to the deficiencies therein.

(b) Any withdrawals from the Reserve Account which reduce the balance below the then applicable Reserve Requirement shall be subsequently restored from the first available Pledged Revenues after all required current payments for the Sinking Fund (including all deficiencies in prior payments to those Funds) have been made in full.

(c) Moneys in the Reserve Account shall be used only for the purpose of the payment of maturing principal of or interest on the Bonds, or maturing Amortization Installments, if any, when the other moneys in the Sinking Fund are insufficient therefor, and for no other purpose; provided that moneys in the Reserve Account shall not be used to make any payments in respect of the 1997 Bonds or any other series of Bonds which by the terms of the supplemental Ordinance authorizing such series of Bonds pursuant to subsection 15__ (e) below, are not entitled to be paid from moneys in the Reserve Account.

(d) Notwithstanding the foregoing, the Issuer may, at any time, deposit a Reserve Account Insurance Policy with the Paying Agent. The amount available under such Reserve Account Insurance Policy shall be treated as a credit toward the amount required to be held on deposit in the Reserve Account pursuant to the terms hereof. If the terms of any Reserve Account Insurance Policy provide that the moneys available thereunder for payment of principal and interest on the Bonds may only be applied to the particular Series of Bonds for which such Reserve Account Insurance Policy was established, the Issuer shall maintain a separate subaccount within the Reserve Account for such Series of Bonds. The moneys in such subaccount shall be held and applied solely for such Series of Bonds, and such Series of Bonds shall have no claim upon or lien for payment from the other moneys in the Reserve Account.

(e) Notwithstanding the foregoing, the Ordinance authorizing any series of Bonds may provide that such series of Bonds shall not be secured by the Reserve Account, in which event, no deposit to the Reserve Requirement for such Bonds shall be required.

SECTION 4. OPERATING BUDGET. Upon the issuance of Additional Parity Obligations, in accordance with law, the Issuer shall annually, preceding each of its Fiscal Years, prepare and adopt a detailed budget of the estimated revenues and expenditures during such next succeeding Fiscal Year, which budget may be amended from time to time in accordance with law. The Issuer shall mail copies of its annual budget to each Municipal Insurer of any Bonds and to any Registered Owner of Bonds who shall file his address with the Issuer and request in writing that a copy be furnished him and shall make such budget available at all reasonable times to any Registered Owner of Bonds or to anyone acting for and on behalf of such Registered Owner.