



# City of North Port

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CITY OF NORTH PORT, FLORIDA

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UTILITY SYSTEM REVENUE BOND ORDINANCE

NO. 92-30

ADOPTED 11-16-92

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TABLE OF CONTENTS

PAGE

ARTICLE I

GENERAL

SECTION 1.01.	DEFINITIONS. . . . .	1
SECTION 1.02.	AUTHORITY FOR ORDINANCE. . . . .	16
SECTION 1.03.	ORDINANCE TO CONSTITUTE CONTRACT. . . . .	16
SECTION 1.04.	FINDINGS. . . . .	17
SECTION 1.05.	AUTHORIZATION OF INITIAL PROJECT. . . . .	17

ARTICLE II

AUTHORIZATION, TERMS, EXECUTION AND  
REGISTRATION OF BONDS

SECTION 2.01.	AUTHORIZATION OF BONDS. . . . .	18
SECTION 2.02.	AUTHORIZATION AND DESCRIPTION OF SERIES 1992 BONDS. . . . .	18
SECTION 2.03.	APPLICATION OF SERIES 1992 BOND PROCEEDS. . . . .	19
SECTION 2.04.	EXECUTION OF BONDS. . . . .	20
SECTION 2.05.	AUTHENTICATION. . . . .	21
SECTION 2.06.	TEMPORARY BONDS. . . . .	21
SECTION 2.07.	BONDS MUTILATED, DESTROYED, STOLEN OR LOST. . . . .	21
SECTION 2.08.	INTERCHANGEABILITY, NEGOTIABILITY AND TRANSFER. . . . .	22
SECTION 2.09.	FORM OF BONDS. . . . .	24

ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01.	PRIVILEGE OF REDEMPTION. . . . .	32
SECTION 3.02.	SELECTION OF BONDS TO BE REDEEMED. . . . .	32
SECTION 3.03.	NOTICE OF REDEMPTION. . . . .	32
SECTION 3.04.	REDEMPTION OF PORTIONS OF BONDS. . . . .	34
SECTION 3.05.	PAYMENT OF REDEEMED BONDS. . . . .	34

ARTICLE IV

SECURITY, SPECIAL FUNDS AND  
APPLICATION THEREOF

SECTION 4.01.	BONDS NOT TO BE INDEBTEDNESS OF ISSUER. . . . .	35
SECTION 4.02.	SECURITY FOR BONDS. . . . .	35
SECTION 4.03.	CONSTRUCTION FUND. . . . .	35
SECTION 4.04.	CREATION OF FUNDS AND ACCOUNTS. . . . .	37

SECTION 4.05.	DISPOSITION OF GOVERNMENT GRANTS, REVENUES AND SPECIAL ASSESSMENTS. . . . .	39
SECTION 4.06.	WATER IMPACT FEES FUND. . . . .	50
SECTION 4.07.	SEWER IMPACT FEES FUND. . . . .	51
SECTION 4.08.	REBATE FUND. . . . .	52
SECTION 4.09.	RATE STABILIZATION FUND. . . . .	53
SECTION 4.10.	INVESTMENTS. . . . .	53
SECTION 4.11.	SEPARATE ACCOUNTS. . . . .	54

ARTICLE V

COVENANTS

SECTION 5.01.	GENERAL. . . . .	56
SECTION 5.02.	OPERATION AND MAINTENANCE. . . . .	56
SECTION 5.03.	ANNUAL BUDGET. . . . .	56
SECTION 5.04.	RATES. . . . .	57
SECTION 5.05.	BOOKS AND RECORDS. . . . .	58
SECTION 5.06.	ANNUAL AUDIT. . . . .	58
SECTION 5.07.	NO MORTGAGE OR SALE OF THE SYSTEM. . . . .	58
SECTION 5.08.	INSURANCE. . . . .	60
SECTION 5.09.	NO FREE SERVICE. . . . .	61
SECTION 5.10.	NO IMPAIRMENT OF RIGHTS. . . . .	61
SECTION 5.11.	COMPULSORY WATER AND SEWER CONNECTIONS. . . . .	61
SECTION 5.12.	ENFORCEMENT OF CHARGES. . . . .	62
SECTION 5.13.	UNIT WATER AND SEWER BILLS. . . . .	62
SECTION 5.14.	COVENANTS WITH CREDIT BANKS AND INSURERS. . . . .	62
SECTION 5.15.	COLLECTION OF SPECIAL ASSESSMENTS. . . . .	62
SECTION 5.16.	RE-ASSESSMENTS. . . . .	63
SECTION 5.17.	COLLECTION OF IMPACT FEES. . . . .	63
SECTION 5.18.	CONSULTING ENGINEERS. . . . .	63
SECTION 5.19.	FEDERAL INCOME TAXATION COVENANTS; TAXABLE BONDS. . . . .	63
SECTION 5.20.	PROVISIONS RELATING TO BOND INSURANCE POLICY. . . . .	64

ARTICLE VI

SUBORDINATED INDEBTEDNESS AND  
ADDITIONAL BONDS

SECTION 6.01.	SUBORDINATED INDEBTEDNESS. . . . .	68
SECTION 6.02.	ISSUANCE OF ADDITIONAL BONDS. . . . .	68
SECTION 6.03.	BOND ANTICIPATION NOTES. . . . .	72
SECTION 6.04.	ACCESSION OF SUBORDINATED INDEBTEDNESS TO PARITY STATUS WITH BONDS. . . . .	72

ARTICLE VII

DEFAULTS AND REMEDIES

SECTION 7.01.	EVENTS OF DEFAULT. . . . .	74
SECTION 7.02.	REMEDIES. . . . .	74
SECTION 7.03.	DIRECTIONS TO TRUSTEE AS TO REMEDIAL PROCEEDINGS. . . . .	75
SECTION 7.04.	REMEDIES CUMULATIVE. . . . .	75
SECTION 7.05.	WAIVER OF DEFAULT. . . . .	76
SECTION 7.06.	APPLICATION OF MONEYS AFTER DEFAULT. . . . .	76
SECTION 7.07.	CONTROL BY INSURER. . . . .	77

ARTICLE VIII

SUPPLEMENTAL ORDINANCES

SECTION 8.01.	SUPPLEMENTAL ORDINANCE WITHOUT BONDHOLDERS' CONSENT. . . . .	78
SECTION 8.02.	SUPPLEMENTAL ORDINANCE WITH BONDHOLDERS' AND INSURER'S CONSENT. . . . .	79
SECTION 8.03.	AMENDMENT WITH CONSENT OF INSURER ONLY. . . . .	81

ARTICLE IX

MISCELLANEOUS

SECTION 9.01.	DEFEASANCE. . . . .	82
SECTION 9.02.	CAPITAL APPRECIATION BONDS. . . . .	84
SECTION 9.03.	SALE OF BONDS. . . . .	84
SECTION 9.04.	SEVERABILITY OF INVALID PROVISIONS. . . . .	84
SECTION 9.05.	VALIDATION AUTHORIZED. . . . .	84
SECTION 9.06.	REPEAL OF INCONSISTENT ORDINANCES. . . . .	84
SECTION 9.07.	EFFECTIVE DATE. . . . .	85
EXHIBIT A	DESCRIPTION OF INITIAL PROJECT . . . . .	A-1



## City of North Port

ORDINANCE NO. 92-30

AN ORDINANCE OF THE CITY COMMISSION OF THE CITY OF NORTH PORT, FLORIDA PROVIDING VARIOUS TERMS IN REGARD TO THE ISSUANCE BY THE CITY OF NORTH PORT OF NOT EXCEEDING \$28,000,000 IN THE AGGREGATE PRINCIPAL AMOUNT OF UTILITY SYSTEM REVENUE BONDS, SERIES 1992 TO FINANCE THE COST OF ACQUIRING CERTAIN UTILITY FACILITIES AND MAKING IMPROVEMENTS THERETO; PLEDGING THE NET REVENUES, IMPACT FEES, IF ANY, AND CERTAIN OTHER MONEYS DERIVED FROM OR RESULTING FROM THE OPERATION OF SUCH FACILITIES TO SECURE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON SAID BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SAID BONDS; PROVIDING FOR CONFLICTS; PROVIDING FOR SEVERABILITY; AND PROVIDING FOR AN EFFECTIVE DATE FOR THIS ORDINANCE.

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF NORTH PORT, FLORIDA:

### ARTICLE I

#### GENERAL

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

**"Accreted Value"** shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Interest Date next preceding the date of computation or the date of computation if an Interest Date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an

Interest Date, a portion of the difference between the Accreted Value as of the immediately preceding Interest Date and the Accreted Value as of the immediately succeeding Interest Date, calculated based on the assumption that Accreted Value accrues during any semi-annual period in equal daily amounts on the basis of a 360-day year.

**"Act"** shall mean Chapter 166, Florida Statutes, the Charter of the Issuer and other applicable provisions of law.

**"Additional Bonds"** shall mean the obligations issued at any time under the provisions of Section 6.02 hereof on a parity with the Series 1992 Bonds.

**"Additional Project"** shall mean any structure, property or facility for public use which the Issuer from time to time may determine to construct or acquire as part of the System, together with all equipment, structures and other facilities necessary or appropriate in connection therewith which are financed in whole or in part with the indebtedness secured by this Ordinance. This term is to be broadly construed as including any lawful undertaking which will accrue to the benefit of the System, including, without limitation, joint ventures and acquisition of partial interests or contractual rights, and including modification, disposal, replacement or cancellation of a Project previously authorized, should such modification, disposal or cancellation be permitted under this Ordinance.

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

**"Annual Budget"** shall mean the annual budget prepared pursuant to the requirements of Section 5.03 hereof.

**"Annual Debt Service"** shall mean, at any time, the aggregate amount in the then current Fiscal Year of (1) interest required to be paid on the Outstanding Bonds during such Fiscal Year, except to the extent that such interest is to be paid from deposits in the Interest Account made from Bond proceeds, (2) principal of Outstanding Serial Bonds maturing in such Fiscal Year, and (3) the Sinking Fund Installments herein designated with respect to such Fiscal Year. For purposes of this definition, all amounts payable on a Capital Appreciation Bond shall be considered a principal payment due in the year it becomes due.

**"Authority"** shall mean the Peace River/Manasota Regional Water Supply Authority, a Regional Water Supply Authority created

pursuant to Section 373.1962, Florida Statutes, or its successors in interest.

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

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

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

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

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

(5) Unsecured certificates of deposits, Federal funds, time deposits or bankers acceptances (in each case having maturities of not more than 365 days) of any domestic bank, including a branch office of a foreign bank which branch office is located in the United States, provided legal opinions are received to the effect that fully and timely payment of such deposit or similar obligation is enforceable against the principal office or any branch of such bank, which, at the time of purchase, has a short-term "Bank Deposit" rating of "P-1" by Moody's and a "Short-Term CD" rating of "A-1" or better by Standard & Poor's Corporation.

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

(7) Investments in a money-market fund rated "AAAm" or "AAAm-G" by Standard & Poor's Corporation.

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

A. a master repurchase agreement or specific written, repurchase agreement governs the transaction; and

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

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

D. the repurchase agreement has a term of thirty days or less, and the Issuer or the agent for the Issuer will value the collateral securities no less frequently than weekly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within two business days of such valuation; and

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

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

(10) Other investments approved by the Insurer or Insurers of the Bonds, provided all Outstanding Bonds are insured as to payment by such Insurer or Insurers.

**"Authorized Issuer Officer"** shall mean the City Manager (or his designee), and when used in reference to any act or document, also means any other person authorized by resolution of the Issuer to perform such act or sign such document.

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

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

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

**"Bonds"** shall mean the Series 1992 Bonds, together with any Additional Bonds issued pursuant to this Ordinance and any Subordinated Indebtedness which accedes to the status of Bonds pursuant to Section 6.04 hereof.

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

**"Chairperson"** shall mean the Chairperson of the City of North Port, Florida and such other person as may be duly authorized to act on his or her behalf.

**"Clerk"** shall mean the City Clerk of the City of North Port, Florida and such other person as may be duly authorized to act on his or her behalf.

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

**"Construction Fund"** shall mean the fund established pursuant to Section 4.03 hereof.

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

**"Cost,"** when used in connection with a Project, shall mean (1) the Issuer's cost of physical construction; (2) costs of acquisition by or for the Issuer of such Project; (3) costs of land and interests therein and the cost of the Issuer incidental to such acquisition; (4) the cost of any indemnity and surety bonds and premiums for insurance during construction; (5) all interest due to be paid on the Bonds and other obligations relating to the System during the period of acquisition and construction of such Project and for such period subsequent to completion as the Governing Body shall determine by Supplemental Ordinance or by resolution; (6) engineering, legal and other consultant fees and expenses; (7) costs and expenses of the financing, including fees

and expenses of any Paying Agent, Registrar, Insurer, Credit Bank or depository; (8) amounts, if any, required by this Ordinance to be paid into the Interest Account upon the issuance of any Series of Bonds; (9) payments, when due (whether at the maturity of principal or the due date of interest or upon redemption) on any indebtedness of the Issuer (other than the Bonds) incurred for a Project for the System; (10) costs of machinery, equipment and supplies and reserves required by the Issuer for the commencement of operation of such Project; and (11) any other costs properly attributable to such construction or acquisition, as determined by generally accepted accounting principles applicable to public utility systems similar to the System, and shall include reimbursement to the Issuer for any such items of Cost heretofore paid by the Issuer. Any Supplemental Ordinance or resolution of the Governing Body may provide for additional items to be included in the aforesaid Costs.

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

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

**"Federal Securities"** shall mean obligations described in paragraphs (1) and (2) of the definition of "Authorized Investments". "Federal Securities" shall also include direct obligations of the United States Treasury, Treasury Receipts, CATS, STRPS, Refcorp interest strips and TIGRS; provided such obligations do not permit redemption prior to maturity at the option of the obligor.

**"Financial Guaranty"** shall mean Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto.

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

**"Fitch"** means Fitch Investors Service, and any assigns and successors thereto.

**"Governing Body"** shall mean the City Commission of the City of North Port, Florida, or its successor in function.

**"Government Grant,"** when used with respect to the System, shall mean any sum of money heretofore or hereafter received by the Issuer from the United States of America or any agency thereof or from the State of Florida or any agency or political subdivision thereof as or on account of a grant or contribution, not repayable by the Issuer, for or with respect to (1) the construction, acquisition or other development of an addition, extension or improvement to any part of the System or any costs of any such construction, acquisition or development, or (2) the financing of any such construction, acquisition, development or costs.

**"Gross Revenues"** shall mean all income and moneys received by the Issuer from the rates, fees, rentals, charges and other income to be made and collected by the Issuer for the use of the products, services and facilities to be provided by the System, or otherwise received by the Issuer or accruing to the Issuer in the management and operation of the System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, including, without limiting the generality of the foregoing, (1) moneys deposited from the Rate Stabilization Fund into the Revenue Fund, (2) payments made by developers to the Issuer for reservation of capacity and similar such charges, and (3) Investment Earnings. "Gross Revenues" shall not include (A) Government Grants, (B) Water Impact Fees, (C) Sewer Impact Fees, (D) Special Assessments Proceeds, and (E) moneys deposited to the Rate Stabilization Fund from the Utility Reserve Fund. Gross Revenues may include Special Assessment Proceeds and/or other revenues related to the System which are not enumerated in the definition of "Gross Revenues" if and to the extent the same shall be approved for inclusion by the Insurers of the Bonds (provided all Bonds are insured as to payment of principal and interest at the time of such inclusion).

**"Impact Fees"** shall mean the Sewer Impact Fees and the Water Impact Fees.

**"Initial Project"** shall mean the acquisition of the facilities, together with the acquisition and construction of improvements thereto, described in Exhibit A attached hereto and made a part hereof, including, without limitation, all property rights, easements, appurtenances, rights-of-way, franchises and equipment relating thereto and deemed necessary or convenient for the acquisition, construction, renovation, reconstruction or operation thereof, with such changes, deletions, additions or modifications to the enumerated improvements, equipment and

facilities, or such other improvements, equipment or facilities as may hereafter be approved by the Governing Body in accordance with the Act pursuant to ordinance or resolution.

**"Insurer"** shall mean such Person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities and whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of this Ordinance, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, in one of the two most secure grades by one of the Rating Agencies. The Insurer for the Series 1992 Bonds shall be Financial Guaranty.

**"Interest Account"** shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(C) hereof.

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

**"Investment Earnings"** shall mean all income and earnings derived from the investment of moneys in the funds and accounts established hereunder, other than the Construction Fund and the Rebate Fund.

**"Issuer"** or **"City"** shall mean City of North Port, Florida, and also includes any authority or other governmental entity to which may hereafter be transferred some or all of the powers and responsibilities of the Issuer with respect to the ownership, financing, operation, enlargement, improvement and maintenance of the System.

**"Maximum Annual Debt Service"** shall mean the largest aggregate amount of the Annual Debt Service becoming due in any Fiscal Year in which Bonds are Outstanding.

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

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

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

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

**"Operation and Maintenance Fund"** shall mean the fund created pursuant to Section 4.04(B) hereof.

**"Operating Expenses"** shall mean the Issuer's expenses for operation, maintenance, repairs and replacements with respect to the System and shall include, without limiting the generality of the foregoing, administration expenses, payments for the purchase of materials essential to or used in the operation of the System including bulk purchases of water or sewage services, fees for the management of the System or any portion thereof, any insurance, Credit Facility and surety bond fees, the fees to the provider of a Reserve Account Insurance Policy or Reserve Account Letter of Credit (but excluding any expenses or reimbursement obligations for draws made thereunder), accounting, legal and engineering expenses, ordinary and current rentals of equipment or other property, refunds of moneys lawfully due to others, payments to others for disposal of sewage or other wastes, payments to pension, retirement, health and hospitalization funds, and any other expenses required to be paid for or with respect to proper operation or maintenance of the System, including appropriate reserves therefor, all to the extent properly attributable to the System in accordance with generally accepted accounting principles applicable to public utility systems similar to the System, and disbursements for the expenses, liabilities and compensation of any Paying Agent or Registrar under this Ordinance, but does not include any costs or expenses in respect of original construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the System, or any provision for interest, depreciation, amortization or similar charges, or any fee in lieu of taxes or other transfers to the general fund of the Issuer.

**"Outstanding,"** when used with reference to Bonds and as of any particular date, shall describe all Bonds theretofore and thereupon being authenticated and delivered except, (1) any Bond in lieu of which other Bond or Bonds have been issued under agreement to replace lost, mutilated or destroyed Bonds, (2) any Bond surrendered by the Holder thereof in exchange for other Bond or Bonds under Sections 2.06 and 2.08 hereof, (3) Bonds deemed to

have been paid pursuant to Section 9.01 hereof and (4) Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity.

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

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

**"Pledged Funds"** shall mean, (1) the Net Revenues, (2) the Impact Fees, if any, and (3) until applied in accordance with the provisions of this Ordinance, all moneys, including investments thereof, in the funds and accounts established hereunder, except (A) as for the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay the Operating Expenses of the System in accordance with the terms hereof, and (C) moneys on deposit in a subaccount of the Reserve Account to the extent moneys on deposit therein shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions hereof.

**"Prerefunded Obligations"** shall mean any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state (1) which are (A) not callable prior to maturity or (B) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund held by a fiduciary consisting only of cash or Federal Securities, secured in the manner set forth in Section 9.01 hereof, which fund may be applied only to the payment of such principal of, redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, (3) as to which the principal of and interest on the Federal Securities, which have been deposited in such fund along with any cash on deposit in such fund are sufficient to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable

instructions referred to in clause (1) above and are not available to satisfy any other claims, including those against the fiduciary holding the same, and (4) which are rated in the highest rating category of one of the Rating Agencies.

**"Principal Account"** shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(C) hereof.

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

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

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

**"Rating Agencies"** means Fitch, Moody's and Standard & Poor's Corporation.

**"Rebate Fund"** shall mean the Rebate Fund established pursuant to Section 4.04(I) hereof.

**"Redemption Price"** shall mean, with respect to any Bond or portion thereof, the principal amount or portion thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to such Bond or this Ordinance.

**"Refunding Securities"** shall mean Federal Securities and Prerefunded Obligations.

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

**"Renewal and Replacement Fund"** shall mean the fund created pursuant to Section 4.04(G) hereof.

**"Renewal and Replacement Fund Requirement"** shall mean, on the date of calculation, an amount of money equal to the lesser of (1) five percent (5%) of the Gross Revenues received by the Issuer in the immediately preceding Fiscal Year, or (2) such other amount as may be certified to the Issuer by the Consulting Engineers as an amount appropriate for the purposes of this Ordinance.

**"Reserve Account"** shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(C) hereof.

**"Reserve Account Insurance Policy"** shall mean the insurance policy deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(B)(4).

**"Reserve Account Letter of Credit"** shall mean a letter of credit or line of credit or other credit facility (other than a Reserve Account Insurance Policy) deposited in the Reserve Account in lieu of or in partial substitution for cash on deposit therein pursuant to Section 4.05(B)(4) hereof.

**"Reserve Account Requirement"** shall mean, as of any date of calculation for the Reserve Account, an amount equal to the lesser of (1) Maximum Annual Debt Service for all Outstanding Bonds, (2) 125% of the average annual debt service for all Outstanding Bonds, or (3) 10% of the proceeds of the Bonds. In computing the Reserve Account Requirement in respect of a Series of Bonds that constitute Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be the lesser of (A) the interest rate for 30-year revenue bonds published by The Bond Buyer no more than two weeks preceding the date of calculation, plus 50 basis points, or (B) the Maximum Interest Rate applicable to such Variable Rate Bonds. The dates of calculation of the Reserve Account Requirement for purposes of computing such Requirement in regard to Variable Rate Bonds shall be (i) July 1 of each year and (ii) the sale date relating to the initial issuance of Variable Rate Bonds.

**"Revenue Fund"** shall mean the fund created pursuant to Section 4.04(A) hereof.

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

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

**"Series 1992 Bonds"** shall mean the City of North Port, Florida Utility System Revenue Bonds, Series 1992 authorized pursuant to Section 2.02 hereof.

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

**"Sewer Impact Fees Fund"** shall mean the fund created pursuant to Section 4.04(E) hereof.

**"Sinking Fund"** shall mean the fund established pursuant to Section 4.04(C) hereof.

**"Sinking Fund Installment"** shall mean an amount designated as such by Supplemental Ordinance or by resolution of the Issuer and established with respect to the Term Bonds.

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

**"Special Assessments Fund"** shall mean the fund created pursuant to Section 4.04(F) hereof.

**"Special Assessments Proceeds"** means the proceeds of Special Assessments pledged hereunder (principal and interest), whether paid at one time or in installments from time to time.

**"State"** shall mean the State of Florida.

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

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

**"Supplemental Ordinance"** shall mean any ordinance of the Issuer amending or supplementing this Ordinance enacted and becoming effective in accordance with the terms of Sections 8.01,

8.02 and 8.03 hereof. For purposes of providing the terms and details of a Series of Bonds as provided in Sections 2.01, 2.02 and 2.09 hereof, "Supplemental Ordinance" shall also include a resolution of the Issuer.

**"System"** shall mean any and all water production, transmission, treatment and distribution facilities; and sewage collection, transmission, treatment and disposal facilities, now owned or hereafter owned by the Issuer, which System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from any other sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, including all contractual rights, rights to capacity and obligations or undertakings associated therewith. "System" shall also include any stormwater utility, effluent reuse facilities or any other utility facilities if and to the extent the Issuer determines by Supplemental Ordinance to include such utility or facilities within the System as described herein.

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

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

**"Term Bonds Redemption Account"** shall mean the separate account in the Sinking Fund established pursuant to Section 4.04(C) hereof.

**"Utility Reserve Fund"** shall mean the fund created pursuant to Section 4.04(H) hereof.

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

**"Water Impact Fees"** shall mean the fees and charges, if any, which relate to acquiring, constructing, equipping or expanding the capacity of the water facilities of the System, limited to excess capacity not related to that portion of existing facilities used by current customers at the time of acquisition of the Initial Project by the Issuer, for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition,

construction, expansion or equipping of excess and unused capacity of the System or expansion thereof in order to serve new users of the water facilities of the System, to the extent the same are lawfully levied, collected and pledged.

**"Water Impact Fees Fund"** shall mean the fund created pursuant to Section 4.04(D) hereof.

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

Words importing the masculine gender include every other gender.

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

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

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

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

(A) That the Issuer has heretofore determined that it is necessary and in the best interests of the health, safety and welfare of the City and its inhabitants that the Issuer undertake the Initial Project.

(B) That the Issuer is without adequate, currently available funds to pay for the Costs of the Initial Project, and it is necessary and desirable and in the best interests of the Issuer that it borrow the moneys necessary to accomplish the financing of the Initial Project.

(C) That pursuant to the provisions of the Act, the Issuer is authorized to undertake the Initial Project and to finance the costs thereof through the issuance of the Series 1992 Bonds.

(D) That the Pledged Funds are not pledged or encumbered in any manner.

(E) That the Initial Project shall be financed by the proceeds of the Series 1992 Bonds issued pursuant to this Ordinance.

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

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

**SECTION 1.05. AUTHORIZATION OF INITIAL PROJECT.** The Issuer hereby authorizes the Initial Project.

**ARTICLE II**

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

**SECTION 2.01. AUTHORIZATION OF BONDS.** This Ordinance creates an issue of Bonds of the Issuer to be designated as "City of North Port, Florida Utility System Revenue Bonds" which may be issued in one or more Series as hereinafter provided. The aggregate principal amount of the Bonds which may be executed and delivered under this Ordinance is not limited except as is or may hereafter be provided in this Ordinance or as limited by the Act or by law.

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

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

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

**SECTION 2.02. AUTHORIZATION AND DESCRIPTION OF SERIES 1992 BONDS.** A Series of Bonds entitled to the benefit, protection and security of this Ordinance is authorized in the aggregate principal amount of not exceeding \$28,000,000 for the principal purposes of financing the Costs of the Initial Project, funding the Reserve Account, funding the Renewal and Replacement Fund, capitalizing

interest on the Series 1992 Bonds, and paying certain costs of issuance incurred with respect to the Series 1992 Bonds. The principal amount of Series 1992 Bonds shall be established pursuant to resolution of the Governing Body, provided such amount shall not be greater than \$28,000,000. Such Series of Bonds shall be designated as, and shall be distinguished from the Bonds of all other Series by the title, "City of North Port, Florida Utility System Revenue Bonds, Series 1992"; provided the Issuer may change such designation by Supplemental Ordinance or by resolution in the event that the total amount of Series 1992 Bonds authorized herein are not issued in a simultaneous transaction.

The Series 1992 Bonds shall be dated as of the first day of the month in which occurs the delivery of the Series 1992 Bonds to the purchaser or purchasers thereof or such other date as may be set forth by Supplemental Ordinance or by resolution of the Issuer; shall be issued as fully registered Bonds; shall be numbered consecutively from one upward in order of maturity preceded by the letter "R"; shall be in such denominations and shall bear interest at a rate or rates not exceeding the maximum rate permitted by law, payable in such manner and on such dates; shall consist of such amounts of Serial Bonds, Term Bonds, Variable Rate Bonds, current interest paying Bonds and Capital Appreciation Bonds maturing in such years and amounts not exceeding such period as may be permitted by the Act at the time of issuance; shall be payable in such place or places; shall have such Paying Agents and Registrars; and shall contain such redemption and other provisions; all as the Issuer shall provide hereafter by Supplemental Ordinance or by resolution.

The principal of or Redemption Price, if applicable, on the Series 1992 Bonds are payable upon presentation and surrender of the Series 1992 Bonds at the office of the Paying Agent. Interest payable on any Series 1992 Bond on any Interest Date will be paid by check or draft of the Paying Agent to the Holder in whose name such Bond shall be registered at the close of business on the date which shall be the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Date, or, at the request and expense of such Holder, by bank wire transfer for the account of such Holder. All payments of principal of or Redemption Price, if applicable, and interest on the Series 1992 Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

**SECTION 2.03. APPLICATION OF SERIES 1992 BOND PROCEEDS.** Except as otherwise provided by Supplemental Ordinance or by resolution of the Issuer, the proceeds derived from the sale of the Series 1992 Bonds, including accrued interest and premium, if

any, shall, simultaneously with the delivery of the Series 1992 Bonds to the purchaser or purchasers thereof, be applied by the Issuer as follows:

(A) Accrued interest and an amount of proceeds of the Series 1992 Bonds sufficient to capitalize interest on the Series 1992 Bonds through October 1, 1993 or such other date as may be specified by Supplemental Ordinance or resolution of the Issuer shall be deposited in the Interest Account and shall be used only for the purpose of paying the interest which shall thereafter become due on the Series 1992 Bonds.

(B) A sufficient amount of Series 1992 Bond proceeds shall be deposited in the Reserve Account which, together with any moneys and securities on deposit therein and any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit obtained in accordance with Section 4.05(B)(4) hereof, shall equal the Reserve Account Requirement for the Series 1992 Bonds.

(C) Series 1992 Bond proceeds shall be deposited into the Renewal and Replacement Fund in such amount as the Consulting Engineers shall deem appropriate.

(D) A sufficient amount of the Series 1992 Bond proceeds shall be applied to the payment of the premiums of any Bond Insurance Policy applicable to the Series 1992 Bonds or reserves established therefor and to the payment of costs and expenses relating to the issuance of the Series 1992 Bonds. Such amount may, at the option of the Issuer, be deposited in and disbursed from the Construction Fund.

(E) An amount of Series 1992 Bond proceeds necessary to purchase the portion of the Initial Project owned by General Development Utilities, Inc. shall be deposited with General Development Utilities, Inc.

(F) The balance of the Series 1992 Bond proceeds shall be deposited in the Construction Fund.

**SECTION 2.04. EXECUTION OF BONDS.** The Bonds shall be executed in the name of the Issuer with the manual or facsimile signature of the Chairperson and the official seal of the Issuer shall be imprinted thereon, attested and countersigned with the manual or facsimile signature of the Clerk. In case any one or more of the officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall appear thereon shall cease to be such officer of the Issuer before the Bonds so signed and sealed have been actually sold and delivered such Bonds may nevertheless be sold and delivered as herein provided and may be

issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bond shall hold the proper office of the Issuer, although at the date of such Bond such person may not have held such office or may not have been so authorized. The Issuer may adopt and use for such purposes the facsimile signatures of any such persons who shall have held such offices at any time after the date of the enactment of this Ordinance, notwithstanding that either or both shall have ceased to hold such office at the time the Bonds shall be actually sold and delivered.

**SECTION 2.05. AUTHENTICATION.** No Bond of any Series shall be secured hereunder or entitled to the benefit hereof or shall be valid or obligatory for any purpose unless there shall be manually endorsed on such Bond a certificate of authentication by the Registrar or such other entity as may be approved by the Issuer for such purpose. Such certificate on any Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Ordinance. The form of such certificate shall be substantially in the form provided in Section 2.09 hereof.

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

**SECTION 2.07. BONDS MUTILATED, DESTROYED, STOLEN OR LOST.** In case any Bond shall become mutilated, or be destroyed, stolen or lost, the Issuer may, in its discretion, issue and deliver, and

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

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

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

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

Each Bond shall be transferable only upon the books of the Issuer, at the office of the Registrar, under such reasonable regulations as the Issuer may prescribe, by the Holder thereof in person or by his attorney duly authorized in writing upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed and guaranteed by the Holder or his duly authorized attorney. Upon the transfer of any such Bond, the Issuer shall issue, and cause to be authenticated, in the name of

the transferee a new Bond or Bonds of the same aggregate principal amount and Series and maturity as the surrendered Bond. The Issuer, the Registrar and any Paying Agent or fiduciary of the Issuer may deem and treat the Person in whose name any Outstanding Bond shall be registered upon the books of the Issuer as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal or Redemption Price, if applicable, and interest on such Bond and for all other purposes, and all such payments so made to any such Holder or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid and neither the Issuer nor the Registrar nor any Paying Agent or other fiduciary of the Issuer shall be affected by any notice to the contrary.

The Registrar, in any case where it is not also the Paying Agent in respect to any Series of Bonds, forthwith (A) following the fifteenth day prior to an interest payment date for such Series; (B) following the fifteenth day next preceding the date of first mailing of notice of redemption of any Bonds of such Series; and (C) at any other time as reasonably requested by the Paying Agent of such Series, shall certify and furnish to such Paying Agent the names, addresses and holdings of Bondholders and any other relevant information reflected in the registration books. Any Paying Agent of any fully registered Bond shall effect payment of interest on such Bonds by mailing a check to the Holder entitled thereto or may, in lieu thereof, upon the request and at the expense of such Holder, transmit such payment by bank wire transfer for the account of such Holder.

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

the fifteen (15) days next preceding the date of the first mailing of notice of such redemption and continuing until such redemption date.

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

**SECTION 2.09. FORM OF BONDS.** The text of the Bonds, except for Capital Appreciation Bonds and Variable Rate Bonds, the form of which shall be provided by Supplemental Ordinance or by resolution of the Issuer, shall be in substantially the following form with such omissions, insertions and variations as may be necessary and/or desirable and approved by the Chairperson or the Clerk prior to the issuance thereof (which necessity and/or desirability and approval shall be presumed by such officer's execution of the Bonds and the Issuer's delivery of the Bonds to the purchaser or purchasers thereof):

No. R-

\$

UNITED STATES OF AMERICA  
STATE OF FLORIDA  
CITY OF NORTH PORT, FLORIDA  
UTILITY SYSTEM REVENUE BOND,  
SERIES

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

Registered Holder:

Principal Amount:

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

Such Principal Amount and interest and the premium, if any, on this Bond are payable in any coin or currency of the United States of America which, on the respective dates of payment thereof, shall be legal tender for the payment of public and private debts. Such Principal Amount and the premium, if any, on this Bond, are payable at the designated corporate trust office of

\_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, as Paying Agent. Payment of each installment of interest shall be made to the person in whose name this Bond shall be registered on the registration books of the Issuer maintained by \_\_\_\_\_, \_\_\_\_\_, \_\_\_\_\_, as Registrar, at the close of business on the date which shall be the fifteenth day (whether or not a business day) next preceding each interest payment date and shall be paid by a check of such Paying Agent mailed to such Registered Holder at the address appearing on such registration books or, at the request and expense of such Registered Holder, by bank wire transfer for the account of such Holder.

This Bond is one of an authorized issue of Bonds in the aggregate principal amount of \$\_\_\_\_\_ (the "Bonds") of like date, tenor and effect, except as to maturity date, interest rate, registered holder, denomination and number, issued to finance \_\_\_\_\_, in and for the Issuer, under the authority of and in full compliance with the Constitution and laws of the State of Florida, particularly Chapter 166, Florida Statutes, the Charter of the Issuer, and other applicable provisions of law (collectively, the "Act"), and an ordinance of the Issuer duly enacted by the City Commission of the Issuer on \_\_\_\_\_, as amended and supplemented (the "Ordinance"), and is subject to all the terms and conditions of the Ordinance.

This Bond and the interest hereon are payable solely from and secured by a lien upon and a pledge of (1) the Net Revenues (as defined in the Ordinance) to be derived from the operation of the Issuer's utility system (the "System"), (2) the Impact Fees (as defined in the Ordinance), if any, and (3) until applied in accordance with the provisions of the Ordinance, all moneys, including investments thereof, in the funds and accounts established by the Ordinance, except (A) as for the Rebate Fund, (B) moneys in any fund or account to the extent such moneys shall be required to pay the Operating Expenses (as defined in the Ordinance) and (C) moneys on deposit in a subaccount of the Reserve Account established by the Ordinance to the extent such moneys shall be pledged solely for the payment of the Series of Bonds for which it was established in accordance with the provisions of the Ordinance, subject in each case to the application thereof for the purposes and on the conditions permitted by the Ordinance (collectively, the "Pledged Funds"). It is expressly agreed by the Registered Holder of this Bond that the full faith and credit of the Issuer are not pledged to the payment of the principal of, premium, if any, and interest on this Bond and that such Holder shall never have the right to require or compel the exercise of any taxing power of the Issuer to the payment of such principal, premium, if any, and interest. This Bond and the obligation

evidenced hereby shall not constitute a lien upon the System or any other property of the Issuer, but shall constitute a lien only on, and shall be payable solely from, the Pledged Funds in accordance with the terms of the Ordinance.

Neither the members of the City Commission of the Issuer, the Chairperson nor any person executing this Bond shall be liable personally hereon or be subject to any personal liability or accountability by reason of the issuance hereof.

REFERENCE IS HEREBY MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE REVERSE SIDE HEREOF AND SUCH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS IF SET FORTH ON THE FRONT SIDE HEREOF.

[This Bond is one of a series of Bonds which were validated by judgment of the Circuit Court of the \_\_\_\_\_ Judicial Circuit of Florida in and for Sarasota County, Florida, rendered on \_\_\_\_\_, \_\_\_\_.]

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

IN WITNESS WHEREOF, the City Commission of the City of North Port, Florida has issued this Bond and has caused the same to be executed by the manual or facsimile signature of the Chairperson of the City of North Port, Florida, and by the manual or facsimile signature of the City Clerk of the City of North Port, Florida, and its corporate seal or a facsimile thereof to be affixed or reproduced hereon, all of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

CITY OF NORTH PORT, FLORIDA

(SEAL)

\_\_\_\_\_  
Chairperson

\_\_\_\_\_  
City Clerk

## (Provisions on Reverse Side of Bond)

This Bond is transferable in accordance with the terms of the Ordinance only upon the books of the Issuer kept for that purpose at the designated corporate trust office of the Registrar by the Registered Holder hereof in person or by his attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Holder or his attorney duly authorized in writing, and thereupon a new Bond or Bonds in the same aggregate principal amount shall be issued to the transferee in exchange therefor, and upon the payment of the charges, if any, therein prescribed. The Bonds are issuable in the form of fully registered Bonds in the denomination of \$5,000 and any integral multiple thereof, not exceeding the aggregate principal amount of the Bonds. The Issuer, the Registrar and any Paying Agent may treat the Registered Holder of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and shall not be affected by any notice to the contrary. The Issuer shall not be obligated to make any exchange or transfer of the Bonds during the fifteen (15) days next preceding an interest payment date or, in the case of any proposed redemption of the Bonds, then, for the Bonds subject to such redemption, during the fifteen (15) days next preceding the date of the first mailing of notice of such redemption.

## (INSERT REDEMPTION PROVISIONS)

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

Reference to the Ordinance and any and all ordinances supplemental thereto and modifications and amendments thereof and to the Act is made for a description of the pledge and covenants

securing this Bond, the nature, manner and extent of enforcement of such pledge and covenants, and the rights, duties, immunities and obligations of the Issuer.

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

**ASSIGNMENT**

**FOR VALUE RECEIVED,** the undersigned sells, assigns and transfers unto \_\_\_\_\_

\_\_\_\_\_  
Insert Social Security or Other  
Identifying Number of Assignee

\_\_\_\_\_  
(Name and Address of Assignee)  
\_\_\_\_\_

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

Dated: \_\_\_\_\_

Signature guaranteed:

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

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

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

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entireties

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

UNIF TRANS MIN ACT -- \_\_\_\_\_  
(Cust.)

Custodian for \_\_\_\_\_

under Uniform Transfers to Minors Act of \_\_\_\_\_  
(State)

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

**CERTIFICATE OF AUTHENTICATION**

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

DATE OF AUTHENTICATION:

\_\_\_\_\_

\_\_\_\_\_  
Registrar

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

**ARTICLE III**

**REDEMPTION OF BONDS**

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

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

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

**SECTION 3.03. NOTICE OF REDEMPTION.** Notice of such redemption shall specify the Bond or Bonds (or portions thereof) to be redeemed and the date and place for redemption, shall be given by the Registrar on behalf of the Issuer, and (A) shall be filed with the Paying Agents of such Bonds, (B) shall be mailed first class, postage prepaid, at least thirty (30) days prior to the redemption date to all Holders of Bonds to be redeemed at their addresses as they appear on the registration books kept by the Registrar as of the date of mailing of such notice, and (C) shall be mailed, certified mail, postage prepaid, at least thirty-five (35) days prior to the redemption date to the registered securities depositories and two or more nationally recognized municipal bond information services. Failure to mail such notice to such

depositories or services or the Holders of the Bonds to be redeemed, or any defect therein, shall not affect the proceedings for redemption of Bonds as to which no such failure or defect has occurred. Notice of optional redemption of Bonds shall only be sent if the Issuer shall have sufficient funds available at the time of sending notice of redemption to pay the Redemption Price of and interest on the Bonds called for redemption on the redemption date.

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

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

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

national information services which disseminate notices of prepayment or redemption of obligations such as the Bonds.

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

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

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

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

**ARTICLE IV**

**SECURITY, SPECIAL FUNDS AND  
APPLICATION THEREOF**

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

**SECTION 4.02. SECURITY FOR BONDS.** The payment of the principal of or Redemption Price, if applicable, and interest on the Bonds shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; provided, however, a Series of Bonds may be further secured by a Credit Facility or Bond Insurance Policy in addition to the security provided herein; and provided further that a Series of Bonds may be secured independently of any other Series of Bonds by the establishment of a separate subaccount in the Reserve Account for such Series of Bonds. The Issuer does hereby irrevocably pledge the Pledged Funds to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds in accordance with the provisions hereof.

The Pledged Funds shall immediately be subject to the lien of this pledge without any physical delivery thereof or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Issuer.

**SECTION 4.03. CONSTRUCTION FUND.** The Issuer covenants and agrees to establish, a special fund in a bank, trust company or such other entity in the State, which is eligible under the laws of the State to be a depository for municipal funds, to be known as the "City of North Port, Florida Utility System Construction Fund," which shall be used only for payment of the Cost of a Project. Moneys in the Construction Fund, until applied in payment of any item of the Cost of a Project in the manner hereinafter provided, shall be subject to a lien and charge in favor of the Holders of the Bonds and for the further security of such Holders.

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

The Issuer shall establish within the Construction Fund a separate account for each Project, the Cost of which is to be paid in whole or in part out of the Construction Fund. The Issuer shall establish a separate account within the Construction Fund for the Initial Project. Moneys in such account shall be used to pay the Costs of the Initial Project.

The proceeds of insurance maintained pursuant to this Ordinance against physical loss of or damage to a Project, or of contractors' performance bonds with respect thereto pertaining to the period of construction thereof, shall be deposited into the appropriate account of the Construction Fund.

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

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

charge against the account of the Construction Fund from which payment is to be made, has not been theretofore reimbursed to the Issuer or otherwise been the basis of any previous disbursement or payment and the Issuer is entitled to reimbursement thereof. The Clerk shall retain all such certificates and/or documents of the Authorized Issuer Officers for three (3) years after the dates of audits related to same. The Clerk shall make available the certificates and/or documents at all reasonable times for inspection by any Holder of any of the Bonds or the agent or representative of any Holder of any of the Bonds.

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

The date of completion of the acquisition and construction of a Project shall be determined by an Authorized Issuer Officer which shall certify such fact in writing to the Governing Body. An Authorized Issuer Officer may perform such tests relating to a Project as they deem necessary in order to make such certification. Promptly after the date of the completion of a Project, and after paying or making provision for the payment of all unpaid items of the Cost of such Project, the Issuer shall deposit in the following order of priority any balance of moneys remaining in the Construction Fund in (A) another account of the Construction Fund for which an Authorized Issuer Officer has stated that there are insufficient moneys present to pay the Cost of the related Project, (B) the Reserve Account, to the extent of a deficiency therein, and (C) such other fund or account established hereunder as shall be determined by the Governing Body, provided the Issuer has received an Opinion of Bond Counsel to the effect that such transfer shall not adversely affect the exclusion, if any, of interest on the Bonds from gross income for purposes of Federal income taxation.

**SECTION 4.04. CREATION OF FUNDS AND ACCOUNTS.** The Issuer covenants and agrees to establish with a bank, trust company or such other entity in the State, which is eligible under the laws of the State to be a depository for municipal funds the following funds and accounts:

(A) The "City of North Port, Florida Utility System Revenue Fund."

(B) The "City of North Port, Florida Utility System Operation and Maintenance Fund".

(C) The "City of North Port, Florida Utility System Sinking Fund." The Issuer shall maintain four separate accounts in the Sinking Fund: the "Interest Account," the "Principal Account," the "Term Bonds Redemption Account" and the "Reserve Account."

(D) The "City of North Port, Florida Utility System Water Impact Fees Fund."

(E) The "City of North Port, Florida Utility System Sewer Impact Fees Fund."

(F) The "City of North Port, Florida Utility System Special Assessments Fund."

(G) The "City of North Port, Florida Utility System Renewal and Replacement Fund."

(H) The "City of North Port, Florida Utility System Utility Reserve Fund."

(I) The "City of North Port, Florida Utility System Rebate Fund."

(J) The "City of North Port, Florida Utility System Rate Stabilization Fund."

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

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

**SECTION 4.05. DISPOSITION OF GOVERNMENT GRANTS, REVENUES AND SPECIAL ASSESSMENTS.**

(A) (1) In the event the Issuer receives a Government Grant, the use and withdrawal of moneys from such Government Grant shall be governed by the terms of the Government Grant and applicable law.

(2) Into the Revenue Fund, the Issuer shall deposit promptly, as received, all Gross Revenues (other than Special Assessment Proceeds).

Operation and Maintenance Fund. Moneys in Revenue Fund shall first be used each month to deposit in the Operation and Maintenance Fund such sums as are necessary to pay Operating Expenses for the ensuing month; provided the Issuer may transfer moneys from the Revenue Fund to the Operation and Maintenance Fund at any time to pay Operating Expenses to the extent there is a deficiency in the Operation and Maintenance Fund for such purpose. Amounts in the Operation and Maintenance Fund shall be paid out from time to time by the Issuer for Operating Expenses; provided, however, that no such payment shall be made unless the provisions of Section 5.03 hereof in regard to the current Annual Budget are complied with.

(3) Into the Special Assessments Fund, the Issuer shall deposit promptly, as received, all Special Assessment Proceeds.

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

(B) All moneys at any time on deposit in the Special Assessments Fund and any deposits remaining in the Revenue Fund after the aforementioned transferrals to the Operation and Maintenance Fund shall be disposed of by the Issuer on or before the twenty-fifth (25th) day of each month, commencing in the month immediately following the delivery of any of the Bonds to the purchasers thereof, or such later date as hereinafter provided, first from the Special Assessments Fund and then from the Revenue

Fund in the following manner and in the following order of priority:

(1) Interest Account. The Issuer shall deposit or credit to the Interest Account the sum which, together with the balance in said Account, shall equal the interest on all Bonds Outstanding (except as to Capital Appreciation Bonds or any original issue discount on the Bonds) accrued and unpaid and to accrue to the end of the then current calendar month. Moneys in the Interest Account shall be applied by the Issuer for deposit with the Paying Agents to pay the interest on the Bonds on or prior to the date the same shall become due. The Issuer shall adjust the amount of the deposit to the Interest Account not later than a month immediately preceding any Interest Date so as to provide sufficient moneys in the Interest Account to pay the interest on the Bonds coming due on such Interest Date. No further deposit need be made to the Interest Account when the moneys therein are equal to the interest coming due on the Outstanding Bonds on the next succeeding Interest Date.

(2) Principal Account. Commencing in the month which is one year prior to the first principal due date, the Issuer shall next deposit into the Principal Account the sum which, together with the balance in said Account, shall equal the principal amounts on all Bonds Outstanding due and unpaid and that portion of the principal next due which would have accrued on such Bonds during the then current calendar month if such principal amounts were deemed to accrue monthly (assuming that a year consists of twelve (12) equivalent calendar months having thirty (30) days each) in equal amounts from the next preceding principal payment due date, or, if there be no such preceding payment due date from a date one year preceding the due date of such principal amount. Moneys in the Principal Account shall be applied by the Issuer for deposit with the Paying Agents to pay the principal of the Bonds on or prior to the date the same shall mature, and for no other purpose. Serial Capital Appreciation Bonds shall be payable from the Principal Account in the years in which such Bonds mature and monthly payments into the Principal Account on account of such Bonds shall commence in the month of the respective Bond Years in which such Bonds mature. The Issuer shall adjust the amount of the deposit to the Principal Account not later than the month immediately preceding any principal payment date so as to provide sufficient moneys in the Principal Account to pay the principal on Bonds becoming due on such principal payment date. No further deposit need be made to the Principal Account when the moneys therein are equal to the principal coming due on the Outstanding Bonds on the next succeeding principal payment date.

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

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

redemption date (or maturity date), the amount required for the redemption (or for the payment of such Term Bonds then maturing), and such amount shall be applied by such Paying Agents to such redemption (or payment). All expenses in connection with the purchase or redemption of Term Bonds shall be paid by the Issuer from the Operation and Maintenance Fund.

(4) Reserve Account. There shall be deposited to the Reserve Account an amount which would enable the Issuer to restore the funds on deposit in the Reserve Account to an amount equal to the Reserve Account Requirement applicable thereto, whether such shortfall was caused by decreased market value or withdrawal. All deficiencies in the Reserve Account must be made up no later than twelve (12) months from the date such deficiency first occurred; provided, deficiencies resulting from a decrease in market value of investments in the Reserve Account must be remedied only if the market value of such investments is less than ninety-five percent (95%) of the Reserve Account Requirement on the immediately preceding date of valuation provided in Section 4.10 hereof. Payments of such deficiencies shall be made in twelve (12) substantially equal payments, unless paid on an accelerated basis. On or prior to each principal payment date and Interest Date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), moneys in the Reserve Account shall be applied by the Issuer to the payment of the principal of or Redemption Price, if applicable, and interest on the Bonds to the extent moneys in the Interest Account, the Principal Account and the Term Bonds Redemption Account shall be insufficient for such purpose, but only to the extent the moneys transferred from the Utility Reserve Fund for such purposes pursuant to Section 4.05(B)(8) hereof shall be inadequate to fully provide for such insufficiency. Whenever there shall be surplus moneys in the Reserve Account by reason of a decrease in the Reserve Account Requirement, increase in the market value of the investments in the Reserve Account or as a result of a deposit in the Reserve Account Letter of Credit or a Reserve Account Insurance Policy, such surplus moneys, to the extent practicable, shall be deposited by the Issuer into the Utility Reserve Fund. The Issuer shall inform each Insurer of any draw upon the Reserve Account for purposes of paying the principal of and interest on the Bonds.

Upon the issuance of any Series of Bonds under the terms, limitations and conditions as herein provided, the Issuer shall fund the Reserve Account in an amount at least equal to the Reserve Account Requirement. Such required amount may be paid in full or in part from the proceeds of such Series of Bonds or may be accumulated in equal monthly payments to the Reserve Account over a period of months from the date of issuance of such Series of

Bonds, which shall not exceed the greater of (a) twenty-four (24) months, or (b) the number of months for which interest on such Series of Bonds has been capitalized, as determined by Supplemental Ordinance or by resolution; provided, however, the Issuer must obtain the consent of Financial Guaranty if the Reserve Account is not fully funded at the time of issuance of such Series of Bonds (such consent shall only be required if there are Bonds Outstanding at the time of such issuance which are insured by Financial Guaranty pursuant to a Bond Insurance Policy which is in full force and effect). In the event moneys in the Reserve Account are accumulated as provided above, (i) the amount in said Reserve Account on the date of delivery of the Additional Bonds shall not be less than the Reserve Account Requirement on all Bonds Outstanding (excluding such Additional Bonds) on such date, and (ii) the incremental difference between the Reserve Account Requirement on all Bonds Outstanding (excluding such Additional Bonds) on the date of delivery of such Bonds and the Reserve Account Requirement on all such Bonds and the Additional Bonds shall be at least fifty percent (50%) funded upon delivery of the Additional Bonds.

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

A Reserve Account Letter of Credit issued to the Paying Agent, as agent of the Bondholders, by a bank may be deposited in the Reserve Account to meet the Reserve Account Requirement if the issuer thereof is rated at least "AA" by Standard & Poor's Corporation. The Reserve Account Letter of Credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the Bonds. The draws shall be payable within two days of presentation of the sight draft. The Reserve Account Letter of Credit shall be for a term of not less than three years and shall be subject to an "evergreening" feature so as to provide the Issuer with at least 30 months notice of termination. The issuer of the Reserve Account Letter of Credit shall be required to notify the Issuer and the Paying Agent, not later than 30 months prior to the stated expiration date of the Reserve Account Letter of Credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Issuer shall deposit in the Reserve Account an amount sufficient to cause the cash or Authorized Investments on deposit in the Reserve Account, together with any other Reserve Account Insurance Policies and Reserve Account Letters of Credit, to equal the Reserve Account Requirement on all Outstanding Bonds, such deposit to be paid in equal installments on at least a semiannual basis over the remaining term of the Reserve Account Letter of Credit, unless the Reserve Account Letter of Credit is replaced by a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit meeting the requirements of this Section 4.05(B)(4). The Reserve Account Letter of Credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such Reserve Account Letter of Credit if the Reserve Account Letter of Credit has not been replaced or renewed. The Paying Agent shall draw upon the Reserve Account Letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Account is fully funded in its required amount.

The use of any Reserve Account Insurance Policy or Reserve Account Letter of Credit pursuant to this Section 4.05(B)(4) shall be subject to receipt of an opinion of counsel acceptable to Financial Guaranty in form and substance satisfactory to Financial Guaranty as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such Reserve Account Insurance Policy or Reserve Account Letter of Credit is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to Financial Guaranty. In addition, the use of a

Reserve Account Letter of Credit shall be subject to receipt of an opinion of counsel acceptable to Financial Guaranty in form and substance satisfactory to Financial Guaranty to the effect that payments under such Reserve Account Letter of Credit would not constitute avoidable preferences under Section 547 of the United States Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the United States Bankruptcy Code or similar state laws by or against the issuer of the Bonds (or any other account party under the Reserve Account Letter of Credit).

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

In the event (a) the revolving reinstatement feature described in the preceding paragraph is suspended or terminated, or (b) the rating of the claims-paying ability of the issuer of the Reserve

Account Insurance Policy falls below "AAA" by Standard & Poor's Corporation or "Aaa" by Moody's Investors Service, or (c) the rating of the issuer of the Reserve Account Letter of Credit falls below "AA" by Standard & Poor's Corporation, the Issuer shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or Authorized Investments on deposit in the Reserve Account to equal the Reserve Account Requirement on all Outstanding Bonds, such amount to be paid over the ensuing five years in equal installments deposited at least semiannually or (ii) replace such Reserve Account Insurance Policy or Reserve Account Insurance Letter of Credit with a Reserve Account Insurance Policy or Reserve Account Letter of Credit meeting the requirements provided herein within six months of such occurrence. In the event (a) the rating of the claims-paying ability of the issuer of the Reserve Account Insurance Policy falls below "A", or (b) the rating of the issuer of the Reserve Account Letter of Credit falls below "A", or (c) the issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit defaults in its payment obligations hereunder, or (d) the issuer of the Reserve Account Insurance Policy or Reserve Account Letter of Credit becomes insolvent, the Issuer shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or Authorized Investments on deposit in the Reserve Account to equal the Reserve Account Requirement on all Outstanding Bonds, such amount to be paid over the ensuing year in equal installments on at least a monthly basis, or (ii) replace such instrument with a Reserve Account Insurance Policy or Reserve Account Letter of Credit meeting the requirements provided herein within six months of such occurrence. The amount available for draws or claims under the Reserve Account Insurance Policy or Reserve Account Letter of Credit may be reduced by the amount of cash or Authorized Investments deposited in the Reserve Account.

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

If a disbursement is made from a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit provided pursuant to this Section 4.05(B)(4), the Issuer shall reinstate the maximum limits of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit immediately following such disbursement

from Revenues received in accordance with the provisions of this Section 4.05(B)(4).

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

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

Any consent or approval of any Insurer described in this Section 4.05(B)(4) shall be required only so long as there are Outstanding Bonds secured by a Bond Insurance Policy issued by such Insurer which is in full force and effect and the commitments of which have been honored by such Insurer. The term "Paying Agent" as used in this Section 4.05(B)(4) may include one or more Paying Agents for the Outstanding Bonds.

Whenever the amount of cash in the Reserve Account, together with the other amounts in the Debt Service Fund, are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), the funds on deposit in the Reserve Account may be transferred to the other Accounts of the Sinking Fund for the payment of the Bonds.

The Issuer may also establish a separate subaccount in the Reserve Account for any Series of Bonds and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the Holders of such Bonds shall not be secured by any other moneys in the Reserve Account. Moneys in a separate subaccount of the Reserve Account shall be maintained at the Reserve Account

Requirement applicable to such Series of Bonds secured by the subaccount unless otherwise provided by Supplemental Ordinance. Moneys shall be deposited in the separate subaccounts in the Reserve Account on a pro-rata basis. In the event the Issuer shall maintain a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys in such subaccount, the moneys shall be used prior to making any disbursements under such Reserve Account Insurance Policy or Reserve Account Letter of Credit.

(5) Renewal and Replacement Fund. There shall be deposited to the Renewal and Replacement Fund such sums as shall be sufficient to pay one-twelfth (1/12) of an amount equal to the Renewal and Replacement Fund Requirement until the amount accumulated in such Fund is equal to such Renewal and Replacement Fund Requirement, taking into account the market value of investments in such Fund; provided, however, that (a) such Renewal and Replacement Fund Requirement may be increased or decreased as the Consulting Engineers shall certify to the Issuer is necessary for the purposes of the Renewal and Replacement Fund, and (b) in the event that the Consulting Engineers shall certify that the Renewal and Replacement Fund Requirement is excessive for the purposes of the Renewal and Replacement Fund such excess amount as may be on deposit therein may be transferred by the Issuer from the Renewal and Replacement Fund for deposit into the Utility Reserve Fund. The moneys in the Renewal and Replacement Fund shall be applied by the Issuer for the purpose of paying the cost of major extensions, improvements or additions to, or the replacement or renewal of capital assets of, the System or water facilities owned by the Authority, or extraordinary repairs of the System or water facilities owned by the Authority; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), moneys in the Renewal and Replacement Fund shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund for such purpose pursuant to Section 4.05(B)(8) hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(4) hereof, shall be inadequate to fully provide for such insufficiency. Moneys in the Renewal and Replacement Fund may also be transferred to the Operation and Maintenance Fund to fund Operating Expenses to the extent Gross Revenues shall be insufficient for such purpose; provided, however, such transfer shall be treated as an interfund loan and shall be repaid from Gross Revenues as described in this Section 4.05(B)(5) within one year from the date of such transfer.

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

(7) Sinking Fund. There shall be deposited to the Interest Account, the Principal Account and the Term Bonds Redemption Account, in that order, sufficient moneys such that the amounts on deposit therein shall equal, respectively, the interest, principal and Sinking Fund Installment next coming due on the Bonds Outstanding; provided, however, no deposit need be made to the Principal Account or Term Bonds Redemption Account until a date one year preceding the due date of such principal amount or Sinking Fund Installment.

(8) Utility Reserve Fund. The balance of any Gross Revenues remaining in said Revenue Fund shall be deposited in the Utility Reserve Fund and applied to the payment, on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein shall be insufficient to pay the principal of and interest on the Bonds coming due. Moneys not required to meet such a deficiency shall be deposited to the Water Impact Fees Fund and Sewer Impact Fees Fund to make up any withdrawal from such Funds pursuant to Sections 4.06(A) and 4.07(A) hereof, respectively (to the extent required by such Sections), and then to the Reserve Account to make up any deficiency therein. Thereafter, moneys in the Utility Reserve Fund may be applied for any lawful purpose relating to the System, including, but not limited to, purchase or redemption of Bonds, payment of Subordinated Indebtedness, deposit to the Rate Stabilization Fund and improvements, renewals and replacements to the System; provided, however, that none of such revenues shall ever be used for the purposes provided in this Section 4.05(B)(8) unless all payments required in Sections 4.05(B)(1) through 4.05(B)(6) hereof, including any deficiencies for prior payments, have been made in full to the date of such use.

(C) Whenever moneys on deposit in the Sinking Fund are sufficient to fully pay all Outstanding Bonds in accordance with their terms (including principal or applicable Redemption Price and interest thereon), no further deposits to the Sinking Fund need be made. If on any payment date the Gross Revenues are insufficient to deposit the required amount in any of the funds or accounts or

for any of the purposes provided above, the deficiency shall be made up on the subsequent payment dates.

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

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

In the case of Bonds secured by a Credit Facility, amounts on deposit in the Sinking Fund may be applied as provided in the applicable Supplemental Ordinance to reimburse the Credit Bank for amounts drawn under such Credit Facility to pay the principal of, premium, if any, and interest on such Bonds or to pay the purchase price of any such Bonds which are tendered by the holders thereof for payment; provided such Credit Facility shall have no priority over Bondholders or an Insurer to amounts on deposit in the Sinking Fund.

**SECTION 4.06. WATER IMPACT FEES FUND.** The Issuer shall deposit into the Water Impact Fees Fund all Water Impact Fees as received, together with moneys transferred to such Fund pursuant to Section 4.05(B)(8) and such Water Impact Fees shall be accumulated in the Water Impact Fees Fund and applied by the Issuer in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund for

such purpose pursuant to Sections 4.05(B)(8), 4.05(B)(5) and 4.09, respectively, hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(4) hereof, shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Water Impact Fees Fund and the Sewer Impact Fees Fund on a pro-rata basis or such other basis as the Issuer deems appropriate in relation to the amount of moneys in each Fund at the time of transfer. Any moneys transferred to the aforementioned Accounts described above shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues as described in Section 4.05(B)(8) hereof on or prior to the date such amounts are needed for the purposes described in Sections 4.06(B) and (C) hereof, but in no event later than one year from the date of such transfer, unless the Issuer shall determine that such transfer constitutes a lawful use of such Water Impact Fees.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring and/or constructing such improvements or additions to the water facilities of the System for which the Water Impact Fees were imposed in accordance with the requisitions for disbursement of moneys provided by the Issuer.

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

**SECTION 4.07. SEWER IMPACT FEES FUND.** The Issuer shall deposit into the Sewer Impact Fees Fund all Sewer Impact Fees as received, together with moneys transferred to such Fund pursuant to Section 4.05(B)(8) hereof and such Sewer Impact Fees Fund shall be accumulated in the Sewer Impact Fees Fund and applied by the Issuer in the following manner and order of priority:

(A) For the payments on or prior to each principal and interest payment date (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date) into the Interest Account, the Principal Account and the Term Bonds Redemption Account, when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund for such purpose pursuant to Sections 4.05(B)(8), 4.05(B)(5) and 4.09, respectively, hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(4) hereof, shall be inadequate to fully provide for such insufficiency; provided moneys shall be transferred to the aforementioned Accounts from the Sewer Impact Fees Fund and the Water Impact Fees Fund on

a pro-rata basis or such other basis as the Issuer deems appropriate in relation to the amount of moneys in each Fund at the time of transfer. Any moneys transferred to the aforementioned Accounts described above shall be treated as an interfund loan and shall be repaid, together with reasonable interest thereon, from Gross Revenues as described in Section 4.05(B)(8) hereof on or prior to the date such amounts are needed for the purposes described in Sections 4.07(B) and (C) hereof, but in no event later than one year from the date of such transfer, unless the Issuer shall determine that such transfer constitutes a lawful use of such Sewer Impact Fees.

(B) To the extent permitted by law, to pay or reimburse the capital cost of acquiring and/or constructing such improvements or additions to the sewer facilities of the System for which the Sewer Impact Fees were imposed in accordance with the requisitions for disbursement of moneys provided by the Issuer.

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

**SECTION 4.08. REBATE FUND.** Amounts on deposit in the Rebate Fund shall be held in trust by the Issuer and used solely to make required rebates to the United States (except to the extent the same may be transferred to the Revenue Fund) and the Bondholders shall have no right to have the same applied for debt service on the Bonds. For any Series of Bonds for which the rebate requirements of Section 148(f) of the Code are applicable, the Issuer agrees to undertake all actions required of it in its arbitrage certificate relating to such Series of Bonds, including, but not limited to:

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

(B) depositing the amount determined in clause (A) above into the Rebate Fund;

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

(D) keeping such records of the determinations made pursuant to this Section 4.08 as shall be required by the Code, as well as evidence of the fair market value of any investments purchased with proceeds of the Bonds.

The provisions of the above-described arbitrage certificates may be amended without the consent of any Holder, Credit Bank or Insurer from time to time as shall be necessary, in the opinion of Bond Counsel, to comply with the provisions of the Code.

**SECTION 4.09. RATE STABILIZATION FUND.** The Issuer may transfer into the Rate Stabilization Fund such moneys which are on deposit in the Utility Reserve Fund as it deems appropriate. The Issuer may transfer such amounts of moneys from the Rate Stabilization Fund to the Revenue Fund as it deems appropriate; provided, however, that on or prior to each principal and interest payment date for the Bonds (in no event earlier than the twenty-fifth (25th) day of the month next preceding such payment date), moneys in the Rate Stabilization Fund shall be applied for the payment into the Interest Account, the Principal Account and the Term Bonds Redemption Account when the moneys therein are insufficient to pay the principal of and interest on the Bonds coming due, but only to the extent moneys transferred from the Utility Reserve Fund and Renewal and Replacement Fund for such purposes pursuant to Sections 4.05(B)(8) and 4.05(B)(5) hereof, together with moneys available in the Reserve Account for such purpose pursuant to Section 4.05(B)(4) hereof, shall be inadequate to fully provide for such insufficiency.

**SECTION 4.10. INVESTMENTS.** Moneys on deposit in the Construction Fund, the Sinking Fund, the Water Impact Fees Fund, the Sewer Impact Fees Fund, the Operation and Maintenance Fund, the Special Assessments Fund, the Utility Reserve Fund, the Rate Stabilization Fund and the Renewal and Replacement Fund 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. Moneys on deposit in the Construction Fund, the Revenue Fund, Operation and Maintenance Fund, the Special Assessments Fund, the Principal Account, the Interest Account, the Term Bonds Redemption Account, the Renewal and Replacement Fund, the Water Impact Fees Fund, the Sewer Impact Fees Fund, the Rate Stabilization Fund and the Utility Reserve Fund shall be invested and reinvested by the Issuer in Authorized Investments, maturing not later than the dates on which such moneys will be needed for the purposes of such fund or account. Moneys on deposit in the Reserve Account shall be invested in Authorized Investments, maturing no later than five (5) years from the date of investment. Notwithstanding any other provision hereof, all amounts on deposit in the Construction Fund or Interest Account representing accrued and capitalized interest shall be held by the Issuer, shall be pledged solely to the payment of interest on the corresponding Series of Bonds and, unless otherwise provided by Supplemental Ordinance, shall be invested

only in Federal Securities maturing in such times and in such amounts as are necessary to pay the interest to which they are pledged. All investments shall be valued at amortized cost; provided, that the amounts on deposit in the Reserve Account shall be valued at the market price thereof. Investments in the Reserve Account shall be valued by the Issuer on an annual basis on September 30 of each year.

Any and all income received from the investment of moneys in each separate account of the Construction Fund, the Interest Account, the Principal Account, the Term Bonds Redemption Account, the Utility Reserve Fund, the Renewal and Replacement Fund (to the extent such income and the other amounts in such Fund do not exceed the Renewal and Replacement Fund Requirement), the Water Impact Fees Fund, the Sewer Impact Fees Fund, the Rate Stabilization Fund and the Reserve Account (to the extent such income and the other amounts in the Reserve Account does not exceed the Reserve Account Requirement), shall be retained in such respective Fund or Account.

Any and all income received from the investment of moneys in the Renewal and Replacement Fund (only to the extent such income and the other amounts in such Fund exceed the Renewal and Replacement Fund Requirement) and the Reserve Account (only to the extent such income and the other amounts in the Reserve Account exceeds the Reserve Account Requirement), shall be deposited upon receipt thereof in the Revenue Fund. Any and all income received from the investment of moneys in the Special Assessments Fund shall be deposited upon receipt thereof into the Interest Account.

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

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

The designation and establishment of the various funds, accounts and subaccounts in and by this 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.

**ARTICLE V**

**COVENANTS**

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

**SECTION 5.02. OPERATION AND MAINTENANCE.** The Issuer will maintain or cause to be maintained the System and all portions thereof in good condition and will operate or cause to be operated the same in an efficient and economical manner, making or causing to be made such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof. The Issuer may contract with a responsible Person which has experience in the operation of utility systems similar to the System for the operation and maintenance of the System.

**SECTION 5.03. ANNUAL BUDGET.** The Issuer shall annually prepare and adopt, prior to the beginning of each Fiscal Year, an Annual Budget in accordance with applicable law. No expenditure for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amount provided therefor in the Annual Budget, (A) without a written finding and recommendation by an Authorized Issuer Officer, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures, and (B) until the Governing Body shall have approved such finding and recommendation by resolution. No such increased expenditures in excess of twenty percent (20%) of the amounts provided therefor in the Annual Budget shall in any event be made except upon the further certification of the Consulting Engineers that such increased expenditures are reasonable and necessary to the continued operation of the System.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, other than the first Fiscal Year, the preliminary budget for such year, if it be approved by the Consulting Engineers, or otherwise the Annual Budget for the preceding Fiscal Year, shall be deemed to be in effect for such Fiscal Year until the Annual Budget for such Fiscal Year is adopted.

The Issuer shall mail copies of such Annual Budgets and amended Annual Budgets and all resolutions authorizing increased expenditures for operation and maintenance to any Credit Bank or

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

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

(A) Net Revenues adequate at all times to pay in each Fiscal Year (1) at least one hundred ten percent (110%) of the Annual Debt Service on all Outstanding Bonds becoming due in such Fiscal Year, and (2) at least one hundred percent (100%) of any amounts (a) required by the terms hereof to be deposited in the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy in such Fiscal Year, (b) required by the terms hereof to be deposited in the Renewal and Replacement Fund in such Fiscal Year, (c) required by the terms of Sections 4.06(A) and 4.07(A) hereof to be repaid to the Water Impact Fees Fund and Sewer Impact Fees Fund, respectively, in such Fiscal Year, and (d) required to pay Subordinated Indebtedness coming due in such Fiscal Year but only to the extent such Subordinated Indebtedness shall be payable solely from the Net Revenues, or

(B) (1) Net Revenues, Impact Fees and Special Assessment Proceeds in such Fiscal Year adequate to pay at least one hundred fifteen percent (115%) of the Annual Debt Service on all Outstanding Bonds becoming due in such Fiscal Year, and (2) Net Revenues in such Fiscal Year adequate to pay at least one hundred five percent (105%) of the Annual Debt Service on all Outstanding Bonds becoming due in such Fiscal Year and at least one hundred percent (100%) of any amounts (a) required by the terms hereof to be deposited in the Reserve Account or with any issue of a Reserve Account Insurance Policy or Reserve Account Letter of Credit, (b) required by the terms hereof to be deposited in the Renewal and Replacement Fund in such Fiscal Year, (c) required by the terms of Sections 4.06(A) and 4.07(A) hereof to be repaid to the Water Impact Fees Fund and Sewer Impact Fees Fund, respectively, in such Fiscal Year, and (d) required to pay Subordinated Indebtedness coming due in such Fiscal Year but only to the extent such

Subordinated Indebtedness shall be payable solely from the Net Revenues. Such rates, fees or other charges shall not be so reduced so as to be insufficient to provide adequate Net Revenues, Water Impact Fees and Sewer Impact Fees for the purposes provided therefor by this Ordinance.

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

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

**SECTION 5.06. ANNUAL AUDIT.** The Issuer shall, immediately after the close of each Fiscal Year, cause the books, records and accounts relating to the System to be properly audited by a recognized independent firm of certified public accountants, and shall require such accountants to complete their report of such Annual Audit in accordance with applicable law. Such Annual Audits shall contain, but not be limited to, a balance sheet, an income statement, a statement of changes in financial position, statement of changes in retained earnings, a statement of the number and classification of users and services of the System and rates associated with such services, a statement of insurance coverage, and any other statements as required by law or accounting convention, and a certificate by such accountants disclosing any material default on the part of the Issuer of any covenant or agreement herein. Each Annual Audit shall be in conformity with generally accepted accounting principles. A copy of each Annual Audit shall regularly be furnished to any Credit Bank or Insurer who shall have furnished his address to the Clerk and requested in writing that the same be furnished to him.

**SECTION 5.07. NO MORTGAGE OR SALE OF THE SYSTEM.** The Issuer irrevocably covenants, binds and obligates itself not to sell, lease, encumber or in any manner dispose of the System as a whole or any substantial part thereof (except as provided below) until

all of the Bonds and all interest thereon shall have been paid in full or provision for payment has been made in accordance with Section 9.01 hereof.

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

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

The proceeds from any such sale or other disposition shall be deposited, first, into the Renewal and Replacement Fund to the extent necessary to make the amount therein equal to the Renewal and Replacement Fund Requirement, and, second, into the Utility Reserve Fund. Proceeds from any such lease shall constitute Gross Revenues and shall be deposited in the Revenue Fund.

The transfer of the System as a whole from the control of the Governing Body to some other board or authority which may hereafter be created for such purpose and which constitutes a governmental

entity, interest on obligations issued by which are excluded from gross income for purposes of Federal income taxation, shall not be deemed prohibited by this Section 5.07 and such successor board or authority shall fall within the definition of "Issuer" in Section 1.01 hereof.

Notwithstanding the foregoing provisions of this Section 5.07, the Issuer shall have the authority to sell for fair and reasonable consideration any land comprising a part of the System which is no longer necessary or useful in the operation of the System and the proceeds derived from the sale of such land shall be disposed of in accordance with the provisions of the fourth paragraph of this Section 5.07.

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

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

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

The Issuer shall, immediately upon receipt, deposit the proceeds from property loss and casualty insurance to the credit

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

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

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

**SECTION 5.11. COMPULSORY WATER AND SEWER CONNECTIONS.** In order better to secure the prompt payment of principal and interest on the Bonds, as well as for the purpose of protecting the health and welfare of the inhabitants of City of North Port, and acting under authority of the general laws of Florida, the Issuer, to the extent permitted by law, will require (A) every owner of each lot in the Issuer which is contiguous to any street or public way containing a sewer line forming a part of the sewer facilities of the System and upon which lot a building shall subsequently be constructed for residential, commercial or industrial use, to

connect such building within a reasonable period of time to such sewer facilities and to cease to use any other method for the disposal of sewage waste or other polluting matter, and (B) every owner of each lot in the Issuer which is contiguous to any street or public way containing a water line forming a part of the water facilities of the System and upon which lot a building shall subsequently be constructed for residential, commercial or industrial use, to connect such building within a reasonable period of time to such water facilities; provided, however, the Issuer may create exceptions from the above-described compulsory connection policy for owners of parcels of land of five acres or more and for situations involving hardship on the part of the property owner.

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

**SECTION 5.13. UNIT WATER AND SEWER BILLS.** In every instance in which a building or structure on a lot is connected to the sewer facilities of the System, which building or structure is also connected to the water facilities of the System and receives water therefrom, the Issuer shall submit to the owner or occupant of such lot a single bill for both water and sewer service and shall refuse to accept payment for either the water charge alone or sewer charge alone without payment of the other.

**SECTION 5.14. COVENANTS WITH CREDIT BANKS AND INSURERS.** The Issuer may make such covenants as it may in its sole discretion determine to be appropriate with any Insurer, Credit Bank or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds. Such covenants may be set forth in the applicable Supplemental Ordinance and shall be binding on the Issuer, the Registrar, the Paying Agent and all the Holders of Bonds the same as if such covenants were set forth in full in this Ordinance.

**SECTION 5.15. COLLECTION OF SPECIAL ASSESSMENTS.** The Issuer shall proceed diligently to perform legally and effectively all

steps required in the imposition and collection of the Special Assessments. The Issuer shall diligently proceed to collect such Special Assessments and shall exercise all legally available remedies now or hereafter available under State law, including foreclosure, to enforce such collections.

**SECTION 5.16. RE-ASSESSMENTS.** If any Special Assessment shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or if the Governing Body shall be satisfied that any such Special Assessment is so irregular or defective that the same cannot be enforced or collected, or if the Governing Body shall have omitted to make such Special Assessment when it might have done so, the Governing Body shall take all necessary steps to cause a new Special Assessment to be made for the whole or any part of said improvement or against any property benefited by said improvement, and in case such second Special Assessment shall be annulled, said Governing Body shall obtain and make other Special Assessments until a valid Special Assessment shall be made.

**SECTION 5.17. COLLECTION OF IMPACT FEES.** The Issuer shall proceed diligently to perform legally and effectively all steps required in the collection of the Impact Fees, if and only to the extent such Impact Fees are levied by the Issuer. Upon the due date of any such Impact Fees, the Issuer shall diligently proceed to collect the same and shall exercise all legally available remedies to enforce such collections now or hereafter available under State law.

**SECTION 5.18. CONSULTING ENGINEERS.** The Issuer shall at all times employ Consulting Engineers, whose duties shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineers under this Ordinance, and also to review the construction and operation of the System, to make an inspection of the System at least once a year, and, not more than one hundred twenty (120) days prior to the end of each Fiscal Year, to submit to the Issuer a report with recommendations as to the proper maintenance, repair and operation of the System during the ensuing Fiscal Year, including recommendations for expansion and additions to the System to meet anticipated service demands, and an estimate of the amount of money necessary for such purposes. Copies of such reports, recommendations and estimates made as hereinabove provided shall be filed with the Issuer for inspection by Bondholders, if such inspection is requested.

**SECTION 5.19. FEDERAL INCOME TAXATION COVENANTS; TAXABLE BONDS.** The Issuer covenants with the Holders of each Series of Bonds (other than Taxable Bonds) that it shall not use the proceeds

of such Series of Bonds in any manner which would cause the interest on such Series of Bonds to be or become included in gross income for purposes of Federal income taxation.

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

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

The Issuer may, if it so elects, issue one or more Series of Taxable Bonds the interest on which is (or may be) includible in the gross income of the Holder thereof for federal income taxation purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation and provided that the issuance thereof will not cause interest on any other Bonds theretofore issued hereunder to be or become subject to federal income taxation. The covenants set forth in this Section 5.19 shall not apply to any Taxable Bonds.

**SECTION 5.20. PROVISIONS RELATING TO BOND INSURANCE POLICY.** The following provisions relating to the Bond Insurance Policy shall apply to the Series 1992 Bonds so long as the Bond Insurance Policy is in full force and effect and any Series 1992 Bonds shall remain Outstanding:

(A) Information Provided to Financial Guaranty. Financial Guaranty shall be provided with the following information: (i) the Annual Budget for each year and Annual Audit, as soon as the same become available; (ii) any Official Statement prepared in connection with the issuance of Additional Bonds or Subordinated Indebtedness within 30 days of the sale thereof; (iii) notice of any draw upon or deficiency due to market fluctuation in the amount, if any, on deposit in the Reserve Account; (iv) notice of

the redemption, other than mandatory sinking fund redemption, of any of the Series 1992 Bonds, including the principal amount, maturities and CUSIP numbers thereof; (v) simultaneously with the delivery of the Annual Audit: (A) the number of System users as of the end of the Fiscal Year, (B) notification of the withdrawal of any System user comprising 4% or more of System sales measured in terms of Revenues since the last reporting date, and (C) any significant plant retirements or expansions planned or undertaken since the last reporting date; (vi) notice of the resignation or removal of the Paying Agent and Registrar; and (vii) such additional information as Financial Guaranty may reasonably request from time to time.

(B) Payment Procedure Pursuant to Bond Insurance Policy. (i) If, on the third day preceding any interest payment date for the Series 1992 Bonds there is not on deposit sufficient moneys available to pay all principal of and interest on the Series 1992 Bonds due on such date, the Issuer or Paying Agent shall immediately notify Financial Guaranty and Citibank, N.A., New York, New York or its successor as its Fiscal Agent (the "Fiscal Agent") of the amount of such deficiency. If, by said interest payment date, the Issuer has not provided the amount of such deficiency, the Issuer shall simultaneously make available to Financial Guaranty and to the Fiscal Agent the registration books for the Series 1992 Bonds maintained by the Registrar. In addition:

(a) The Registrar shall provide Financial Guaranty with a list of the Bondholders entitled to receive principal or interest payments from Financial Guaranty under the terms of the Bond Insurance Policy and shall make arrangements for Financial Guaranty and its Fiscal Agent (1) to mail checks or drafts to Bondholders entitled to receive full or partial interest payments from Financial Guaranty and (2) to pay principal of the Series 1992 Bonds surrendered to the Fiscal Agent by the Bondholders entitled to receive full or partial principal payments from Financial Guaranty; and

(b) The Registrar shall, at the time it makes the registration books available to Financial Guaranty pursuant to (a) above, notify Bondholders entitled to receive the payment of principal of or interest on the Series 1992 Bonds from Financial Guaranty (1) as to the fact of such entitlement, (2) that Financial Guaranty will remit to them all or part of the interest payments coming due, (3) that, except as provided in paragraph (ii) below, in the event that any Bondholder is entitled to receive full payment of principal from Financial Guaranty, such Bondholder must tender his Series 1992 Bond with the instrument of transfer in the

form provided on the Series 1992 Bond executed in the name of Financial Guaranty, and (4) that, except as provided in paragraph (ii) below, in the event that such Bondholder is entitled to receive partial payment of principal from Financial Guaranty, such Bondholder must tender his Series 1992 Bond for payment first to the Paying Agent, which shall note on such Bond the portion of principal paid by the Paying Agent, and then, with the form of transfer executed in the name of Financial Guaranty, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Bondholder subject to the terms of the Bond Insurance Policy.

(ii) In the event that the Paying Agent has notice that any payment of principal of or interest on a Series 1992 Bond has been recovered from a Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Paying Agent shall, at the time it provides notice to Financial Guaranty, notify all Bondholders that in the event that any Bondholder's payment is so recovered, such Bondholder will be entitled to payment from Financial Guaranty to the extent of such recovery, and the Paying Agent shall furnish to Financial Guaranty its records evidencing the payments of principal of and interest on the Series 1992 Bonds which have been made by the Paying Agent and subsequently recovered from Bondholders, and the dates on which such payments were made.

(iii) Financial Guaranty shall, to the extent it makes payment of principal of or interest on the Series 1992 Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy and, to evidence such subrogation, (a) in the case of subrogation as to claims for past due interest, the Paying Agent shall note Financial Guaranty's rights as subrogee on the registration books maintained by the Registrar upon receipt from Financial Guaranty of proof of the payment of interest thereon to the Bondholders of such Series 1992 Bonds and (b) in the case of subrogation as to claims for past due principal, the Registrar shall note Financial Guaranty's rights as subrogee on the registration books for the Series 1992 Bonds maintained by the Registrar upon receipt of proof of the payment of principal thereof to the Bondholders of such Series 1992 Bonds. Notwithstanding anything in this Ordinance to the contrary, the Paying Agent shall make payment of such past due interest and past due principal directly to Financial Guaranty to the extent Financial Guaranty is a subrogee with respect thereto.

(iv) The notice address for Financial Guaranty and the Fiscal Agent shall be included:

Financial Guaranty Insurance Company  
175 Water Street  
New York, New York 10038  
Attention: General Counsel

Citibank, N.A.  
20 Exchange Place - 16th Floor  
New York, New York 10005  
Attention: Municipal Trust and Agency  
Services Administration

(C) Supplemental Ordinances. Supplemental Ordinances enacted in accordance with the provisions of Sections 8.01(I) and 8.01(J) hereof shall require the written consent of Financial Guaranty. Supplemental Ordinances described in Sections 8.01(I), 8.01(J) and 8.02 hereof may be enacted only upon giving each Rating Agency which has rated Bonds effected by such Supplemental Ordinance at least fifteen (15) days notice thereof, as well as a copy of the proposed Supplemental Ordinance. Financial Guaranty shall be given a transcript of all proceedings relating to Supplemental Ordinances enacted pursuant to Sections 8.01(I), 8.01(J) and 8.02 hereof.

(D) Additional Provisions. (i) Any successor Paying Agent for the Series 1992 Bonds must have combined capital, surplus and undivided profits of at least \$50 million, unless Financial Guaranty shall otherwise approve, (ii) no resignation or removal of the Paying Agent shall become effective until a successor has been appointed and has accepted the duties of Paying Agent, (iii) Financial Guaranty shall be furnished with written notice of the resignation or removal of the Paying Agent and the appointment of any successor thereto, (iv) the Paying Agent and any applicable receiver or trustee shall not take the Bond Insurance Policy for the Series 1992 Bonds into account in determining whether the rights of Bondholders are adversely affected by actions taken pursuant to the terms and provisions of this Ordinance, (v) Financial Guaranty shall be included as a party in interest and as a party entitled to (a) notify the Issuer, the Paying Agent and any applicable receiver or trustee of the occurrence of an Event of Default and (b) request the Issuer, the Paying Agent and any applicable receiver or trustee to intervene in judicial proceedings that affect the Series 1992 Bonds or the security therefor. The Issuer, the Paying Agent and any applicable receiver or trustee shall be required to accept notice of default from Financial Guaranty.

**ARTICLE VI**

**SUBORDINATED INDEBTEDNESS AND  
ADDITIONAL BONDS**

**SECTION 6.01. SUBORDINATED INDEBTEDNESS.** The Issuer will not issue any other obligations, except under the conditions and in the manner provided herein, payable from the Pledged Funds or the Gross Revenues or voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien thereon in favor of the Bonds and the interest thereon. The Issuer may at any time or from time to time issue evidences of indebtedness payable in whole or in part out of Pledged Funds and which may be secured by a pledge of Pledged Funds; provided, however, that such pledge shall be, and shall be expressed to be, subordinated in all respects to the pledge of the Pledged Funds created by this Ordinance and provided further that the issuance of such Subordinated Indebtedness shall be subject to any provisions contained in financing documents securing Outstanding Subordinated Indebtedness to the extent such provisions impact on the ability of the Issuer to issue Subordinated Indebtedness. The Issuer shall have the right to covenant with the holders from time to time of any Subordinated Indebtedness to add to the conditions, limitations and restrictions under which any Additional Bonds may be issued under the provisions of Section 6.02 hereof. The Issuer agrees to pay promptly any Subordinated Indebtedness as the same shall become due.

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

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

(A) Except in the case of Additional Bonds issued for the purpose of refunding Outstanding Bonds, the Issuer shall certify that it is current in all deposits into the various funds and accounts established hereby and all payments theretofore required to have been deposited or made by it under the provisions of this

Ordinance and have complied with the covenants and agreements of this Ordinance.

(B) An independent certified public accountant or the Rate Consultant shall certify to the Issuer that either (1) the amount of the Net Revenues, during the immediate preceding Fiscal Year or any twelve (12) consecutive months selected by the Issuer of the twenty-four (24) months immediately preceding the issuance of said Additional Bonds, adjusted as hereinafter provided, were equal to (a) at least one hundred ten percent (110%) of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued and (b) at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Renewal and Replacement Fund or the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy plus any amounts required by the terms of Sections 4.06(A) and 4.07(A) hereof to be repaid to the Water Impact Fees Fund and Sewer Impact Fees Fund during such 12-month period, or (2) (a) the amount of the Net Revenues, Impact Fees and Special Assessment Proceeds, adjusted as hereinafter provided, received by the Issuer during such 12-month period, will be equal to at least one hundred fifteen percent (115%) of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued, and (b) the amount of Net Revenues, adjusted as hereinafter provided, received by the Issuer during such 12-month period, will be equal to at least one hundred five percent (105%) of the Maximum Annual Debt Service of the Outstanding Bonds and the Additional Bonds then proposed to be issued and at least one hundred percent (100%) of any amounts required by the terms hereof to be deposited in the Renewal and Replacement Fund or the Reserve Account or with any issuer of a Reserve Account Letter of Credit or Reserve Account Insurance Policy plus any amounts required by the terms of Sections 4.06(A) and 4.07(A) hereof to be repaid to the Water Impact Fees Fund and Sewer Impact Fees Fund during such 12-month period.

(C) For the purpose of determining the Maximum Annual Debt Service under this Section 6.02, the interest rate on additional parity Variable Rate Bonds then proposed to be issued and on Variable Rate Bonds then Outstanding shall be deemed to be the lesser of (1) the interest rate for 30-year revenue bonds published by The Bond Buyer no more than two weeks prior to the sale of the additional parity Variable Rate Bonds, plus 50 basis points, or (2) the Maximum Interest Rate.

(D) "Gross Revenues" for purposes of calculating "Net Revenues" pursuant to this Section 6.02 shall exclude any transfers made from the Rate Stabilization Fund to the Revenue Fund during

the twelve (12) consecutive months, but shall include any transfers from the Utility Revenue Fund to the Rate Stabilization Fund during such period of time.

(E) For the purpose of this Section 6.02, the phrase "immediately preceding Fiscal Year or the twelve (12) consecutive months of the twenty-four (24) months immediately preceding the issuance of said Additional Bonds" shall be sometimes referred to as "twelve (12) consecutive months." Such twelve (12) consecutive months may occur during a period of time during which the System was not owned by the Issuer.

(F) The Net Revenues, the Impact Fees and the Special Assessment Proceeds calculated pursuant to the foregoing Section 6.02(B) may be adjusted upon the written advice of the Rate Consultant, at the option of the Issuer, as follows:

(1) If the Issuer, prior to the issuance of the proposed Additional Bonds, shall have increased the rates, fees or other charges for the product, services or facilities of the System, the Net Revenues and the Impact Fees for the twelve (12) consecutive months immediately preceding the issuance of said Additional Bonds shall be adjusted to show the Net Revenues and the Impact Fees which would have been derived from the System in such twelve (12) consecutive months as if such increased rates, fees or other charges for the product, services or facilities of the System had been in effect during all of such twelve (12) consecutive months.

(2) If the Issuer shall have acquired or has contracted to acquire any privately or publicly owned existing water and/or sewer system, the cost of which shall be paid from all or part of the proceeds of the issuance of the proposed Additional Bonds, then the Net Revenues derived from the System during the twelve (12) consecutive months immediately preceding the issuance of said Additional Bonds shall be increased by adding to the Net Revenues for said twelve (12) consecutive months the Net Revenues which would have been derived from said existing water and/or sewer system as if such existing water and/or sewer system had been a part of the System during such twelve (12) consecutive months. For the purposes of this paragraph, the Net Revenues derived from said existing water and/or sewer system during such twelve (12) consecutive months shall be adjusted to determine such Net Revenues by deducting the cost of operation and maintenance of said existing water and/or sewer system from the gross revenues of said system. Such Net Revenues shall take into account any increase in rates imposed on customers of such

water and/or sewer system on or prior to the acquisition thereof by the Issuer.

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

(4) If the Issuer covenants to levy Special Assessments against property to be benefited by the improvements, the cost of which shall be paid from the proceeds of the proposed Additional Bonds, then the Special Assessment Proceeds derived from the System during the twelve (12) consecutive months shall be increased by an amount equal to the least amount which the Rate Consultant estimate will be received in any one year subsequent to completion of such improvements from the levy of said Special Assessments, said amount to be the total received, assuming no prepayments, from the installment payments on the Special Assessments plus the interest paid on the unpaid portion of the Special Assessments. The estimate of the Rate Consultant shall be based upon the preliminary assessment roll filed with the Issuer prior to the construction of such improvements.

(5) In the event the Issuer shall be constructing or acquiring additions, extensions or improvements to the System from the proceeds of such Additional Bonds and shall have established fees, rates or charges to be charged and collected from users of such facilities when service is rendered, such Net Revenues and Impact Fees may be adjusted by adding thereto one hundred percent (100%) of the Net Revenues and Impact Fees estimated by the Rate Consultant to be derived during the first twelve (12) months of operation after completion of the construction or acquisition of said additions, extensions and improvements from the customers of the facilities to be financed by Additional Bonds together with other funds on hand or lawfully obtained for such purpose; provided, such customers must represent existing occupied structures that

will be added to the System upon completion of the proposed additions, extensions or improvements.

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

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

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

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

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

**SECTION 6.04. ACCESSION OF SUBORDINATED INDEBTEDNESS TO PARITY STATUS WITH BONDS.** The Issuer may provide for the accession of Subordinated Indebtedness to the status of complete parity with the Bonds, if (A) the Issuer shall meet all the requirements imposed upon the issuance of Additional Bonds by Sections 6.02(A)

and (B) hereof, assuming for purposes of said requirements, that such Subordinated Indebtedness shall be Additional Bonds, (B) the facilities financed by such Subordinated Indebtedness shall be, or become part of, the System, and (C) the Reserve Account, upon such accession, shall contain an amount equal to the Reserve Account Requirement in accordance with Section 4.05(B)(4) hereof. If the aforementioned conditions are satisfied, the Subordinated Indebtedness shall be deemed to have been issued pursuant to this Ordinance the same as the Outstanding Bonds, and such Subordinated Indebtedness shall be considered Bonds for all purposes provided in this Ordinance.

**ARTICLE VII**

**DEFAULTS AND REMEDIES**

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

(A) Default shall be made in the payment of the principal of Sinking Fund Installment, redemption premium or interest on any Bond when due. In determining whether a payment default has occurred, no effect shall be given to payment made under a Bond Insurance Policy.

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

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

**SECTION 7.02. REMEDIES.** Any Holder of Bonds issued under the provisions of this Ordinance or any trustee or receiver acting for such Bondholders may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights under the Laws of the State of Florida, or granted and contained in this Ordinance, and may enforce and compel the performance of all duties required by this Ordinance or by any applicable statutes to be

performed by the Issuer or by any officer thereof; provided, however, that no Holder, trustee or receiver shall have the right to declare the Bonds immediately due and payable.

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

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

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

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

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

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

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

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

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

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

SECOND: to the payment to the Persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (other than Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of Section 9.01 of this Ordinance), in the order of their due dates, with interest upon such Bonds from the respective dates upon which they became due,

and, if the amount available shall not be sufficient to pay in full Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Persons entitled thereto without any discrimination or preference; and

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

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

**SECTION 7.07. CONTROL BY INSURER.** Upon the occurrence and continuance of an Event of Default, an Insurer, if such Insurer shall have honored all of its commitments under its Bond Insurance Policy, shall be entitled to direct and control the enforcement of all right and remedies with respect to the Bonds it shall insure, including any waiver of an Event of Default and it shall be considered the sole Holder of such Bonds for purposes of exercising remedies. The Issuer shall provide each Insurer immediate notice of any Event of Default described in Section 7.01(A) hereof and notice of any other Event of Default occurring hereunder within 30 days of the occurrence thereof.

ARTICLE VIII

SUPPLEMENTAL ORDINANCES

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

(A) To cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Ordinance or to clarify any matters or questions arising hereunder.

(B) to grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders.

(C) To add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Ordinance other conditions, limitations and restrictions thereafter to be observed.

(D) To add to the covenants and agreements of the Issuer in this Ordinance other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer.

(E) To specify and determine the matters and things referred to in Sections 2.01, 2.02 or 2.09 hereof, and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Ordinance as theretofore in effect, or to amend, modify or rescind any such authorization, specification or determination at any time prior to the first delivery of such Bonds.

(F) To authorize Additional Projects or to change or modify the description of any Project; provided any material change or modification of the Initial Project must be approved in writing by BIG.

(G) To specify and determine matters necessary or desirable for the issuance of Variable Rate Bonds or Capital Appreciation Bonds.

(H) To provide for the establishment of a separate subaccount or subaccounts in the Reserve Account which shall independently secure one or more Series of Bonds.

(I) To revise the procedures provided in Section 4.05(B)(4) hereof pursuant to which moneys are drawn on a Reserve Account Insurance Policy or Reserve Account Letter of Credit and moneys are reimbursed to the provider of such Policy or Letter of Credit.

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

**SECTION 8.02. SUPPLEMENTAL ORDINANCE WITH BONDHOLDERS' AND INSURER'S CONSENT.** Subject to the terms and provisions contained in this Section 8.02 and Section 8.01 and 8.03 hereof, the Holder or Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Ordinance to the contrary notwithstanding, to consent to and approve the adoption of such Supplemental Ordinance or Ordinances hereto as shall be deemed necessary or desirable by the Issuer for the purpose of supplementing, modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Ordinance; provided, however, that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified Series or maturity remain Outstanding, the consent of the Holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section 8.02. Any Supplemental Ordinance which is adopted in accordance with the provisions of this Section 8.02 shall also require the written consent of the Insurer of any Bonds which are Outstanding at the time such Supplemental Ordinance shall take effect. No Supplemental Ordinance may be approved or adopted which shall permit or require (A) an extension of the maturity of the principal of or the payment of the interest on any Bond issued hereunder, (B) reduction in the principal amount of any Bond or the Redemption Price or the rate of interest thereon, (C) the creation of a lien upon or a pledge of the Pledged Funds other than the lien and pledge created by this Ordinance or except as otherwise permitted or provided hereby which materially adversely affects any Bondholders, (D) a preference or priority of any Bond or Bonds over any other Bond or Bonds (except as to the establishment of separate subaccounts in the Reserve Account provided in Section 4.05(B)(4) hereof), or (E) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Ordinance.

Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders or the Insurer of the adoption of any Supplemental Ordinance as authorized in Section 8.01 hereof.

If at any time the Issuer shall determine that it is necessary or desirable to adopt any Supplemental Ordinance pursuant to this Section 8.02, the Clerk shall cause the Registrar to give notice of the proposed adoption of such Supplemental Ordinance and the form of consent to such adoption to be mailed, postage prepaid, to all Bondholders at their addresses as they appear on the registration books. Such notice shall briefly set forth the nature of the proposed Supplemental Ordinance and shall state that copies thereof are on file at the offices of the Clerk and the Registrar for inspection by all Bondholders. The Issuer shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 8.02 to be mailed and any such failure shall not affect the validity of such Supplemental Ordinance when consented to and approved as provided in this Section 8.02.

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

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

Upon the adoption of any Supplemental Ordinance pursuant to the provisions of this Section 8.02, this Ordinance shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Ordinance of

the Issuer and all Holders of Bonds then Outstanding shall thereafter be determined, exercised and enforced in all respects under the provisions of this Ordinance as so modified and amended.

**SECTION 8.03. AMENDMENT WITH CONSENT OF INSURER ONLY.** If all of the Bonds Outstanding hereunder are insured as to payment of principal and interest by an Insurer or Insurers and the Bonds, at the time of the hereinafter described amendment, shall be rated by the Rating Agencies which shall have rated the Bonds at the time such Bonds were insured no lower than the ratings assigned thereto by such Rating Agencies on such date of being insured, the Issuer may enact one or more Supplemental Ordinances amending all or any part of Articles I, II, III, IV, V, VI and VII hereof with the written consent of said Insurer or Insurers and the acknowledgment by said Insurer or Insurers that its insurance or guaranty policy will remain in full force and effect. The consent of the Holders of any Bonds shall not be necessary. The foregoing right of amendment, however, does not apply to any amendment to Section 5.19 hereof with respect to the exclusion, if applicable, of interest on said Bonds from gross income for purposes of Federal income taxation nor may any such amendment deprive the Holders of any Bond of right to payment of the Bonds from, and their lien on, the Pledged Funds. Prior to adoption of any amendment made pursuant to this Section 8.03, notice of such amendment shall be delivered to Standard & Poor's Corporation and Moody's. Upon filing with the Clerk of evidence of such consent of the Insurer or Insurers as aforesaid, the Issuer may adopt such Supplemental Ordinance. After the adoption by the Issuer of such Supplemental Ordinance, notice thereof shall be mailed in the same manner as notice of an amendment under Section 8.02 hereof.

## ARTICLE IX

## MISCELLANEOUS

**SECTION 9.01. DEFEASANCE.** If the Issuer shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Ordinance and if the Issuer shall pay all amounts owing to any provider of a Reserve Account Letter of Credit or Reserve Account Insurance Policy, then the pledge of the Pledged Funds, and all covenants, agreements and other obligations of the Issuer to the Bondholders, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Paying Agents shall pay over or deliver to the Issuer all money or securities held by them pursuant to the Ordinance which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

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

Refunding Securities and moneys for the deposited Refunding Securities and moneys if the new Refunding Securities and moneys are sufficient to pay the principal of or Redemption Price, if applicable, and interest on the refunded Bonds.

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

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

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

In the event that the principal of or Redemption Price, if applicable, and interest due on the Bonds shall be paid by an Insurer or Insurers, such Bonds shall remain Outstanding, shall not be defeased and shall not be considered paid by the Issuer, and the pledge of the Pledged Funds and all covenants, agreements and other obligations of the Issuer to the Bondholders shall

continue to exist and such Insurer or Insurers shall be subrogated to the rights of such Bondholders.

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

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

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

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

**SECTION 9.06. REPEAL OF INCONSISTENT ORDINANCES.** All ordinances, resolutions or parts thereof in conflict herewith are hereby superseded and repealed to the extent of such conflict. Ordinance No. 92-26 of the Issuer is hereby repealed.

**SECTION 9.07. EFFECTIVE DATE.** This Ordinance shall take effect immediately in accordance with applicable law.

Read by title only in public session this 9th day of November, 1992.

**PASSED AND ADOPTED** on the second and final reading in public session this 16th day of November, 1992.

**CITY OF NORTH PORT, FLORIDA**



Ben Hardin  
BEN HARDIN, Commissioner  
Chairperson

ATTEST:

Mary Lou Winslow  
for DORIS J. BRIGGS,  
City Clerk

Approved as to form and correctness:

David M. Levin  
for DAVID M. LEVIN,  
City Attorney

## EXHIBIT A

### DESCRIPTION OF INITIAL PROJECT

The Initial Project shall consist of the following facilities and property owned by General Development Utilities, Inc. and the following improvements thereto:

The City shall acquire the following assets from General Development Utilities, Inc.:

- A 4.4 million gallon per day (MGD) surface water treatment plant, pumps, a 1.0 million gallon (MG) ground storage tank and high service pumping facility, chemical feed facilities, controls, all water transmission and distribution mains, fire hydrants, three (3) raw water supply pump stations, a booster pump station located in Charlotte County, and operations and maintenance buildings and all contents therein.
- A 1.5 MGD complete mix activated sludge wastewater treatment plant, complete with pretreatment, aeration basins, clarification, filtration, disinfection and aerobic digestion facilities. Included are all pumps, blowers, chemical feed facilities, controls, a 0.6 MGD decommissioned wastewater treatment plant, and operations and laboratory buildings and all contents therein.
- A Class I deep injection well, two (2) groundwater monitoring wells, and deep injection well pump station complete with pumps, a 16-inch transmission pipeline, controls, and all associated equipment.
- An effluent reuse system to be used in connection with a golf course irrigation facility, which said reuse system includes, without limitation, a 0.6 MG prestressed concrete ground storage tank, controls, an irrigation pump station, a 10-inch effluent transmission pipeline and all associated equipment.
- A wastewater collection system complete with 21 lift stations, all gravity sewers, force mains, manholes and all associated facilities.
- All utility vehicles, rolling stock, utility easements, miscellaneous facilities and spare and other equipment associated with the GDU-North Port Division.

The City shall also acquire and construct various capital improvements, including the following:

- Needed repairs and improvements to the water treatment system to include replacement of all or a portion of said system as necessary.
- Improvements to the water treatment facility to improve water quality pursuant to D.E.R. requirements.
- Various other miscellaneous water treatment plant and distribution system improvements to meet level of service requirements, demand requirements and contractual obligations (such as master meters, etc. pursuant to agreement with the Peace River/Manasota Regional Water Supply Authority).
- Various needed improvements to the wastewater treatment plant.
- Wastewater collection system and lift station improvements.
- Miscellaneous other projects such as a utility billing system, expansion and water and sewer master planning.
- Line extensions to water distribution system and wastewater collection system.