

Payment Date, together with any fees or charges of the Registrar or Paying Agent thereof. Revenues shall also be deposited at such other or additional times and amounts as necessary to pay any interest coming due on the Bonds on the next Interest Payment Date. The moneys in the Interest Account shall be withdrawn and deposited with the Paying Agent for the Bonds on or before each Interest Payment Date in an amount sufficient to pay the interest due on such date and the fees and charges of the Registrar or Paying Agent. Such monthly payments shall be increased or decreased proportionately prior to the first interest payment date or dates, after making allowances for any deposits made into the Interest Account upon the issuance of the Bonds.

(b) Principal Account: Beginning on the first day of the month which is three (3) months prior to first Interest Payment Date or the applicable or shorter time period if the first Interest Payment Date is less than three (3) months after delivery of the Bonds and monthly thereafter, such sum as will be sufficient, together with the funds then on deposit therein, to pay one-third (1/3) of the principal amount scheduled for payment on the next Interest Payment Date. The moneys on deposit in the Principal Account shall be withdrawn and deposited with the Paying Agent for such Bonds on or before each Interest Payment Date in an amount sufficient to pay the principal maturing on such date and the fees and charges of the Registrar or Paying Agent.

(c) Redemption Account: An amount sufficient to pay any Amortization Installment established by any subsequent resolution of the Issuer.

(d) Following the deposit provided for in Section 16(B) hereof, no further deposits shall be required to be made into the Reserve Account whenever the amount provided for in Section 16(B) shall be on deposit therein.

Any withdrawals from the Reserve Account shall be subsequently restored from the first moneys available in the Revenue Fund after all required payments to the Interest Account, Principal Account and Redemption Account in the Debt Service Fund (including all deficiencies in prior required payments therefrom) have been made in full. Any excess funds in the Reserve Account may be transferred into any other account in the Debt Service Fund. Upon the issuance of any Additional Parity Obligations the Issuer may fund in full or in part from the proceeds of such Additional Parity Obligations or in any other manner provided in Section 16(B) hereof the required additional deposit to the Reserve Account, or such amount may be accumulated in equal monthly payments to the Reserve Account over a period of months from the date of issuance of the Additional Parity Obligations, which shall not exceed the greater of (a) twenty-four (24) months, or (b) the number of months for which interest on such Additional Parity Obligations has been capitalized, as determined by a supplemental

resolution of the Issuer. 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 Parity Obligations shall not be less than the Reserve Requirement on all Bonds Outstanding (excluding the Additional Parity Obligations) on such date, and (ii) the incremental difference between the Reserve Requirement on all Bonds Outstanding (excluding the Additional Parity Obligations) on the date of delivery of the Additional Parity Obligations and the Reserve Requirement on all such Bonds and the Additional Parity Obligations shall be fifty percent (50%) funded upon delivery of the Additional Parity Obligations.

Moneys in the Reserve Account shall be used only for the purpose of payment of maturing principal of or interest on the applicable series of Bonds and maturing Amortization Installments on Term Bonds, if any, when the other money in the Debt Service Fund is insufficient therefor, and for no other purpose.

(2) Upon the issuance of any Additional Parity Obligations under the terms, limitations and conditions as are herein provided, the payments into the several accounts in the Debt Service Fund, excluding the Reserve Account which shall be increased as provided in Section 18(B)(1)(d) of this Resolution, shall be increased in such amounts as shall be necessary to make the payment for the principal of, interest on for such Additional Parity Obligations on the same basis as hereinabove provided with respect to the Bonds issued under this Resolution.

(3) The Issuer shall not be required to make any further deposits into the Debt Service Fund in any month to the extent the monthly deposits into the Debt Service Fund, including the Reserve Account therein, required by this Section 18(B) have been made by the Issuer prior to the 15th day of each month and no deficiency exists in any account in the Debt Service Fund.

No further deposit shall be required to any of the accounts in the Debt Service Fund when sufficient moneys are on deposit in the accounts within the Debt Service Fund to pay the principal, interest, and redemption premium, if any, on all Bonds at maturity.

(4) The balance of any moneys remaining in the Revenue Fund after the above required payments have been made may be used for any lawful purpose; provided, however, that none of said money shall be used for any purposes other than those hereinabove specified unless all current payments, including any deficiencies for prior payments, have been made in full and unless the Issuer shall have complied fully with all the covenants and provisions of the Resolution.

(5) The Debt Service Fund (including the accounts therein), the Revenue Fund and any other special funds herein established and created shall be deemed to be held in trust for the

purposes provided herein for such funds. The money in all such Funds shall be continuously secured in the same manner as state and municipal deposits are authorized to be secured by the laws of the State of Florida.

Moneys on deposit in the Revenue Fund, the Construction Fund and the Debt Service Fund excluding the Reserve Account may be invested and reinvested in Investment Securities (or as otherwise provided) which mature not later than the dates on which the moneys on deposit therein will be needed for the purpose of such fund. Moneys in the Reserve Account may be invested and reinvested in Investment Securities maturing not later than five (5) years from the date of their deposit in the Reserve Account. All income on such investments, except as otherwise provided, shall be deposited in the respective funds and accounts from which such investments were made and be used for the purposes thereof unless and until the maximum required amount is on deposit therein, and thereafter shall be deposited in the Revenue Fund. If the Reserve Requirement shall be on deposit in the Reserve Account, investment income earned on the Reserve Account shall be deposited in the Revenue Fund. To the extent that the Reserve Requirement shall not be on deposit in the Reserve Account, investment income earned on the Reserve Account shall remain on deposit therein.

(6) In determining the amount of any of the payments required to be made pursuant to this Section 18B, credit shall be given for all investment income accruing to the respective funds and accounts described herein, except as otherwise provided.

(7) The cash required to be accounted for in each of the Funds and accounts described in this Section 18 may be deposited in a single bank account, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein for the various purposes of such Funds and accounts as herein provided. The designation and establishment of the various Funds in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenues and to establish certain priorities for application of such revenues as herein provided.

C. RATE COVENANT. The Issuer will fix, establish, revise from time to time whenever necessary, maintain and collect always such fees, rates, rentals and other charges for the use of the products, services and facilities of the System which will always provide Revenues in each year in an amount sufficient to pay the aggregate of the amount needed to pay one hundred percent (100%) of all Costs of Operation and Maintenance as the same shall become due in such year, and one hundred thirty percent (130%) of the Bond Service Requirement becoming due in each year on the Outstanding Bonds of this Series and all outstanding Additional Parity Obligations.

D. BOOKS AND ACCOUNTS, AUDIT. The Issuer shall keep proper books, records and accounts, separate and apart from all other records and accounts, showing correct and complete entries of all transactions of the System. The Holders of any of the Bonds or any duly authorized agent or agents of such Holders shall have the right at any and all reasonable times to inspect such books, records and accounts. The Issuer shall, within one hundred twenty (120) days following the close of each Fiscal Year of the Issuer cause an audit of such books, records and accounts to be made by an independent firm of certified public accountants. Each such audit, in addition to whatever matters may be deemed proper by said firm of certified public accountants to be included therein, shall, without limiting the generality of the foregoing, include the following:

(1) A statement in reasonable detail of the income and expenditures of the System for such Fiscal Year;

(2) A balance sheet as of the end of such Fiscal Year, in accordance with generally accepted accounting principles and standards of public financial reporting, and showing retained earnings for the System at the end of the Fiscal Year; and

(3) Comments regarding the method in which the Issuer has carried out the accounting requirements and covenants of this Resolution and recommendations, if any, for changes or improvements in the operation of the accounting system.

Copies of each such audit report shall be placed on file, with the Issuer and be made available at reasonable times for inspection by Holders of the Bonds and shall be sent to any nationally recognized bond rating agencies and insurers who have rated and insured the Bonds and, upon request, to any Holder, of more than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding.

E. MORTGAGE OR SALE OF SYSTEM. The System may be sold or otherwise disposed of as a whole or substantially as a whole, only if the net proceeds to be realized, together with other moneys, including interest earnings, available for such purpose, shall be sufficient fully to retire all of the Outstanding Series 1989 Bonds and any subsequently issued Additional Parity Obligations and all interest thereon to their respective dates of maturity or earlier redemption dates.

The foregoing provisions notwithstanding, the Issuer may sell or dispose of, for fair market value, any tangible property or an ownership interest in tangible property comprising a part of the System which the Consulting Engineer shall certify in writing are not necessary for the continuing operation of the System, and that the sale or disposal of which will not adversely affect the Revenues derived from the System to such an extent that the Issuer might fail to comply with the covenants of this Resolution.

The proceeds derived from any sale or disposal of any properties or parts of the System as provided for in the above paragraph, shall be used for the purchase or retirement of the Bonds.

Notwithstanding all of the foregoing paragraphs, except for the initial paragraph of this Section, the Issuer may sell, lease, exchange or otherwise dispose of tangible property or an ownership interest in tangible property comprising a part of the System provided the city manager or other duly authorized officer charged with the normal acquisition, construction, operation, maintenance and repair of the portion of the System for which disposition is sought, and the Consulting Engineers each make a finding in writing, adopted and confirmed by resolution of the Issuer, determining that (i) such sale, lease, exchange or other disposition will not materially impose or restrict the Issuer's ability to realize Revenues in compliance with the requirements therefor as set forth herein, and (ii) such sale, lease, exchange or other disposition is in the economic best interests of the Issuer.

Notwithstanding any other provision of this Section or this Resolution to the contrary, the Issuer may transfer ownership and/or operation of the System to any public or private body authorized by the laws of the State to own and/or operate such System on an installment sale basis provided that (i) the Issuer has delivered an opinion of nationally recognized bond counsel stating the exclusion from gross income for federal income tax purposes of the interest on the Bonds will not be affected, (ii) the Issuer has received an opinion of nationally recognized bond counsel stating that such sale is not prohibited by any applicable Florida law, and (iii) the Issuer shall have provided the Registrar a certified copy of resolutions or ordinances of the Issuer to the effect that, based upon such certificates and opinions of its Consulting Engineers, independent certified public accountants, nationally recognized bond counsel, financial advisors or other appropriate advisors as the Issuer shall deem necessary, desirable or appropriate, such transfer will not materially adversely affect the rights of the Holders of the Bonds.

F. INSURANCE. The Issuer will maintain fire and windstorm insurance on all buildings and structures of the works and properties of the System which are subject to loss through fire or windstorm, public liability insurance and such other insurance as is generally carried on similar property at least in such amounts as are normally carried in the operation of similar public utility system within the State of Florida. Any such insurance shall be placed with a nationally recognized reputable insurer and shall be carried for the benefit of the Holders of the Bonds. In lieu of carrying such insurance, the Issuer may with the approval of a recognized expert in the insurance of public utilities similar to the System self-insure to the extent customary with utilities operating like properties. All moneys received for losses under

any such insurance, except public liability, are hereby pledged by the Issuer as security for the Bonds, until and unless such proceeds are used to remedy the loss or damage for which such proceeds are received, either by repairing or replacing the property damaged.

G. NO FREE SERVICE. So long as any Bonds are outstanding, the Issuer shall not furnish or supply the facilities, services and commodities of the System either free of charge or for a nominal charge to any person, firm or corporation, public or private. The Issuer shall promptly enforce the payment of any and all accounts owing to the Issuer and delinquent, by discontinuing service or by filing suits, actions or proceedings, or by both discontinuance of service and filing suit.

H. ENFORCEMENT OF COLLECTIONS. The Issuer will diligently enforce and collect the rates, fees and other charges for the services and facilities of the System will take all steps, actions and proceedings for the enforcement and collection of such rates, charges and fees as shall become delinquent to the full extent permitted or authorized by law; and will maintain accurate records with respect thereof. All such fees, rates, charges and revenues shall, as collected, be held in trust to be applied as herein provided. Upon failure of any user to pay for services rendered by the System within forty (40) days, the Issuer shall, to the full extent permitted by law, shut off the connection of such user and shall not furnish him or permit him to receive from the System further service until all obligations owed by him to the Issuer on account of services shall have been paid in full. This covenant shall not, however, prevent the Issuer from causing the System connection to be shut off sooner, to the extent permitted by law.

I. REMEDIES. Any Holder of Bonds issued under the provisions hereof or any trustee acting for the holders of such Bonds, may either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under State or federal law, or granted and contained herein, and may enforce and compel the performance of all duties required herein or by any applicable statutes to be performed by the Issuer or by any officer thereof.

Nothing herein, however, shall be construed to grant to any Holder of the Bonds any lien on any property of the Issuer.

J. CONSULTING ENGINEERS. The Issuer shall employ qualified Consulting Engineers in an advisory capacity to inspect the facilities of the System and to make reports and recommendations at least every three (3) years with respect thereto and concerning the operation, maintenance, replacements, property additions and improvements thereto as requested by the Issuer. A copy of each report shall be available and shall remain on file with the Clerk for public inspection.

K. MANDATORY CONNECTIONS. The Issuer will, to the full extent permitted by law, require all lands, buildings and structures within the Issuer's service area, fronting or abutting on the lines of the System, or any part thereof, or which can use the facilities of the System to connect with and use such facilities within ninety (90) days after notification that service is available. To the extent permitted by law, the Issuer will not grant a franchise for the operation of any competing utility system until all Bonds issued hereunder together with the interest thereon, and premium, if any, have been paid in full.

L. SUPERVISORY PERSONNEL. The Issuer in operating the System will employ or designate as manager one or more of its qualified employees who have demonstrated ability and experience in operating similar facilities, and will require all employees who may have possession of money derived from the operation of the System to be covered by a fidelity bond, written by a responsible indemnity company in amounts fully adequate to protect the Issuer from loss.

M. PAYMENT OF TAXES, ASSESSMENTS AND OTHER CLAIMS. The Issuer shall from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the properties constituting the System or the Revenues when the same shall become due, as well as all lawful claims for labor and materials and supplies which, if not paid, might become a lien or charge upon such properties or any part thereof, or upon the Revenues or which might in any way impair the security of the Bonds, except assessments, charges or claims which the Issuer shall in good faith contest by proper legal proceedings.

N. NO COMPETING SYSTEM. To the full extent permitted by law, the Issuer will not grant, or cause, consent to, or allow the granting of, any franchise or permit to any person, firm, corporation or body, or agency or instrumentality whatsoever, for the furnishing of water or sewer services which the Issuer determines will adversely affect the Revenues.

O. ISSUANCE OF OTHER OBLIGATIONS. The Issuer shall issue no bonds or obligations of any kind or nature payable from or enjoying a lien on the Pledged Revenues if such obligations have priority over the Bonds with respect to payment or lien, nor shall the Issuer create or cause or permit to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Bonds upon said Pledged Revenues. However, the Issuer may issue Additional Parity Obligations under the conditions and in the manner provided in Subsection 18D, below. Any obligations issued by the Issuer other than the Series 1989 Bonds and Additional Parity Obligations, which are payable from the Pledged Revenues shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to lien on and source and security for payment from such Pledged Revenues.

P. ISSUANCE OF ADDITIONAL PARITY OBLIGATIONS. No Additional Parity Obligations, payable on a parity from the Pledged Revenues, shall be issued after the issuance of the Series 1988 Bonds herein authorized, except upon the conditions and in the manner herein-after provided:

(1) There shall have been obtained and filed with the Clerk a certificate of an independent certified public accountant stating: (a) that the books and records of the Issuer relative to the System have been audited by him; (b) the amount of the Pledged Revenues, adjusted as provided in paragraph (2) below, derived for the Fiscal Year preceding the date of issuance of the proposed Additional Parity Obligations, with respect to which such certificate is made; (c) that the aggregate amount of such Pledged Revenues, as adjusted pursuant to paragraph (2) below, is equal to not less than 1.50 times the Maximum Bond Service Requirement becoming due in any Fiscal Year, or for at least 12 consecutive months during the 18 months, immediately preceding the date of issuance of the Additional Parity Obligations on (i) all obligations issued under this Resolution, if any, then outstanding, (ii) on the Additional Parity Obligations with respect to which such certificate is made, and (iii) on any other Additional Parity Obligations then outstanding.

(2) Upon recommendation of the Consulting Engineers, the Pledged Revenues may be adjusted for purposes of this section by including: (a) 100% of the additional Pledged Revenues which in the opinion of the Consulting Engineer would have been derived by the Issuer from rate increases adopted before the Additional Parity Obligations are issued, if such rate increases had been implemented before the commencement of such Fiscal Year and (b) 80% of the additional annual Net Revenues estimated by the Consulting Engineer to be derived during the first full twelve month period after the facilities of the System are extended, enlarged, approved or added to with the proceeds of the Additional Parity Obligations with respect to which such certificate is made.

(3) The Issuer shall not be in default in the carrying out of any of the obligations assumed under this Resolution, and all payments required by this Resolution to be made into the funds and accounts established hereunder shall have been made to the full extent required.

(4) The Resolution authorizing the issuance of the Additional Parity Obligations shall recite that all of the covenants contained herein will be applicable to such Additional Parity Obligations.

Q. LEVY OF PLEDGED REVENUES. The Issuer will not take any action to adversely affect in any manner the pledge of the Pledged Revenues made herein or the rights of the holders of the Bonds.

The Issuer will do all things necessary to ensure its eligibility to receive the Pledged Revenues. The Issuer shall be unconditionally and irrevocably obligated, so long as any of the Bonds or the interest thereon are outstanding and unpaid, to levy and collect the Pledged Revenues, at the rates not less than those rates applicable to the Pledged Revenues on the date of this Resolution.

R. PLEDGED REVENUES NOT SUBJECT TO REPEAL. The Issuer has full power to irrevocably pledge such Pledged Revenues to the payment of the principal of and interest on the Bonds, and the pledging of such Pledged Revenues in the manner provided herein shall not be subject to repeal or impairment by any subsequent ordinance, resolution or other proceedings of the governing body of the Issuer.

SECTION 19. MODIFICATION OR AMENDMENT. Except as provided in Section 20 hereof, no material modification or amendment of this Resolution or of any resolution amendatory hereof or supplemental hereto, may be made without the consent in writing of the holders of two-thirds (2/3) or more in principal amount or Accreted Values of the Bonds then outstanding, provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon, or in the amount of the principal obligation or affecting the unconditional promise of the Issuer to pay the principal of and interest on the Bonds as the same shall come due from the Pledged Revenues or reduce the percentage of the Holders of the Bonds required to consent to any material modification or amendment hereof without the consent in writing of the Holder or Holders of all such Bonds then outstanding.

SECTION 20. MODIFICATION OR AMENDMENTS WITHOUT CONSENT. The Issuer, from time to time and at any time and without the consent of concurrence of any Holder of any Bonds, may adopt a resolution amendatory hereof or supplemental hereto, if the provisions of such supplemental resolution shall not adversely affect the rights of the Holders of the Bonds then Outstanding, for any one or more of the following purposes:

A. To make any changes or corrections in this Resolution as to which the Issuer shall have been advised by counsel that are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or omission or mistake or manifest error contained in this Resolution, or to insert in this Resolution such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable;

B. To add additional covenants and agreements of the Issuer for the purpose of further securing the payments of the Bonds;

C. To surrender any right, power or privilege reserved to or conferred upon the Issuer by the terms of this Resolution;

D. To confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Resolution;

E. To grant to or confer upon the Holders any additional right, remedies, powers, authority or security that lawfully may be granted to or conferred upon them; and

F. To assure compliance with Federal "arbitrage" provisions in effect from time to time.

The Issuer shall not adopt any supplemental resolution authorized by the foregoing provisions of this Section unless in the opinion of nationally recognized bond counsel acceptable to the Issuer the adoption of such supplemental resolution is permitted by the foregoing provisions of this Section.

SECTION 21. HOLDERS NOT AFFECTED BY USE OF PROCEEDS. The holders of the obligations shall have no responsibility for the use of the proceeds thereof, and the use of such proceeds by the Issuer shall in no way affect the rights of such holders. The Issuer shall be irrevocably obligated to continue to levy and collect the Pledged Revenues as provided herein and to pay the principal of and interest on the Bonds and to make all reserve and other payments provided for herein from the Pledged Revenues notwithstanding any failure of the Issuer to use and apply such proceeds in the manner provided herein.

SECTION 22. DEFEASANCE. If, at any time, the Issuer shall have paid, or shall have made provision for payment of, the principal, interest and redemption premiums, if any, with respect to the Bonds, then, and in that event, the pledge of and lien on the Pledged Revenues, in favor of the holders of the Bonds shall be no longer in effect. For purposes of the preceding sentence, deposit of sufficient cash and/or principal of Federal Securities in an irrevocable trust with a banking institution or trust company, for the sole benefit of the Bondholders, to make timely payment of the principal, interest, and redemption premiums, if any, on the outstanding Bonds, shall be considered "provision for payment." 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.

Notwithstanding the foregoing, all references to the discharge and satisfaction of Bonds shall include the discharge and satisfaction of any issue of Bonds, any portion of an issue of Bonds, any maturity or maturities of an issue of Bonds, any portion of a maturity of an issue of Bonds or any combination of the foregoing.

For purposes of determining whether Variable Rate Bonds shall be deemed to have been paid prior to the maturity or redemption date thereof, as the case may be, by the deposit of moneys, or Federal Securities and moneys, if any, the interest to come due on such Variable Rate Bonds on or prior to the maturity date or redemption date thereof, as the case may be, shall be calculated at the maximum rate permitted by the terms thereof.

SECTION 23. TAX COVENANT. No use will be made of the proceeds of the Series 1989 Bonds which, if such use were reasonably expected on the date of issuance of the Series 1989 Bonds, would cause the same to be "arbitrage bonds" within the meaning of the Internal Revenue Code of 1986. The Issuer at all times while the Series 1989 Bonds and the interest thereon are outstanding will comply with the requirements of the Internal Revenue Code of 1986, and any valid and applicable rules and regulations promulgated thereunder necessary to maintain the exclusion of the interest on the Series 1989 Bonds from federal gross income.

SECTION 24. SEVERABILITY. If any one or more of the covenants, agreements or provisions of this Resolution should be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separate from the remaining covenants, agreements or provisions of this Resolution or of the Bonds or coupons issued thereunder.

SECTION 25. INCONSISTENT RESOLUTIONS. All prior resolutions of the Issuer inconsistent with the provisions of this Resolution are hereby modified, supplemented and amended to conform with the provisions herein contained.

SECTION 26. EFFECTIVE DATE. The provisions of this Resolution shall take effect immediately upon its passage.

PROPOSED, PRESENTED AND PASSED this 2ND day of OCTOBER, 1989.

CITY OF SPRINGFIELD, FLORIDA


Mayor

(SEAL)

ATTEST


City Clerk